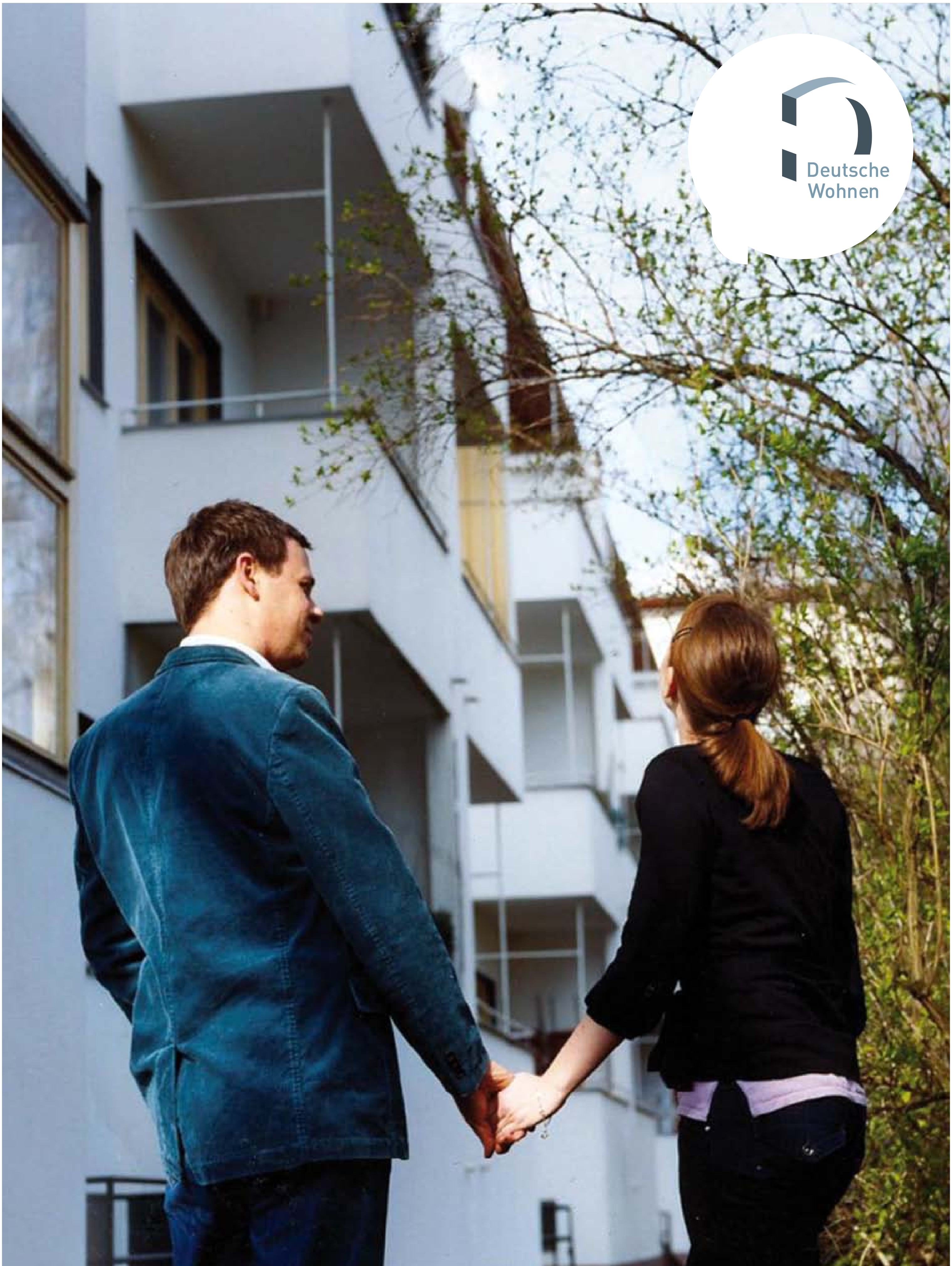


Deutsche Wohnen

OUR ANNUAL REPORT 2007

Key figures for the Annual Financial Statements of Deutsche Wohnen AG (Management-Holding)		12/31/2007
Balance sheet		
Fixed assets	EUR Mio.	286.3
Current assets	EUR Mio.	460.5
Equity	EUR Mio.	376.8
Borrowed capital	EUR Mio.	368.3
Balance sheet total	EUR Mio.	746.8
Income statement		01/01/-12/31/2007
Profit before and after tax	EUR Mio.	0.4
Net retained profit	EUR Mio.	0.4

Key figures of the official Deutsche Wohnen consolidated financial statements (GEHAG only considered over 5 months)		01/01/-12/31/2007
Result from rental business	EUR Mio.	90.7
Result from privatization business	EUR Mio.	1.0
Administration expenses	EUR Mio.	-33.7
Non-core businesses	EUR Mio.	4.1
EBITDA	EUR Mio.	62.1
EBIT	EUR Mio.	91.4
EBT	EUR Mio.	15.6
Profit after tax	EUR Mio.	29.8
Profit after tax	EUR per share	1.32
FFO	EUR Mio.	0.7
FFO	EUR per share	0.03

Key figures Pro forma of Deutsche Wohnen results Consolidated financial statements of GEHAG and Deutsche Wohnen		01/01/-12/31/2007
Result from rental business	EUR Mio.	135.4
Result from privatization business	EUR Mio.	3.4
Administration expenses	EUR Mio.	-45.2
Non-core business segments	EUR Mio.	7.6
EBITDA	EUR Mio.	101.2
EBIT	EUR Mio.	410.5
EBT	EUR Mio.	327.6
Profit after tax	EUR Mio.	231.4
Profit after tax	EUR per share	8.77
FFO	EUR Mio.	10.2
FFO	EUR per share	0.39

Balance sheet key figures of Deutsche Wohnen Group		12 /31/2007
Investment Properties	EUR Mio.	3,271.2
Current assets	EUR Mio.	133.7
Equity	EUR Mio.	936.1
Financial liabilities	EUR Mio.	2,179.6
Balance sheet total	EUR Mio.	3,520.4

Share		
Share price as of 12/31/2007	EUR	21.10
Number of shares	Mio.	26.4
Market capitalization as of 12/31/2007	EUR Mio.	557.0
Most important stock exchange		Xetra
Indices		SDAX, EPRA, MSCI (only bearer shares)
ISIN / ticker symbol		DE000A0HN5C6/DWNI
Price-earnings ratio (pro forma consolidated financial statements)		2.4

Net Asset Value		12/31/2007
Net Asset Value Group	EUR Mio.	981.1
Net Asset Value per share	EUR per share	37.16

Market value (fair value in accordance with IAS 40)		12/31/2007
Fair Value Group	EUR Mio.	3,271.2
Fair Value per m² residential space	EUR per m²	985

› Highlights 2007 ‹

» Growth

Acquisition of the GEHAG Group (Berlin), doubling of own stock to over 51,000 residential units.

» Successful integration

- Designed an efficient company and organizational structure to lower costs considerably and improve the management of the portfolio
- Definition of a new, clear product and portfolio strategy

» Letting

- Average net rent excluding heating rose in 2007 by 3.6 per cent to EUR 4.89 per m²
- New rental charges 13 per cent above average rental charges; 4,600 new tenancy agreements at on average of EUR 5.54 per m².
- Overall portfolio currently 18 per cent below the market level

» Privatization

- End of the purely liquidity-driven, large-scale sale of the core stock
- 883 sold residential units (previous year:1,791)
- Clear rise in the average selling prices in individual sales to EUR 1,332 per m² (previous year: 1,146 per m²)

» Valuation

Revaluation of the whole of the property stock per June 30, 2007 by an external expert. Rise in the fair value by EUR 315 m to EUR 3.1 billion

» Company profit

EBITDA of EUR 62.2 million, profit after tax of EUR 29.8 m (EUR 1.34 per share)

» Net Asset Value

The NAV rose by 2.4 per cent to EUR 37.16 per share. (EUR 1.34 per share).

THE NEW DEUTSCHE WOHNEN
» YOUR NEW NEIGHBOURHOOD

In the summer of 2007, our company, Deutsche Wohnen AG, started a new chapter in the company's history through the merger with the GEHAG Group (Berlin). Being now the second largest listed residential property company in Germany, we have thus reinforced our competitive position and created a good starting position for our further growth in the market.

We welcome you at the new Deutsche Wohnen.

STRATEGIC GROWTH

2007 – A YEAR OF STRATEGIC REALIGNMENT

The fiscal year 2007 was an especially strategic year for Deutsche Wohnen AG. After the deconsolidation from Deutsche Bank AG in the summer of 2006, Deutsche Wohnen AG has in only one year achieved the strategic growth promised with the acquisition of the GEHAG Group (Berlin).

With the doubling of the housing stock to over 51,000 residential units, the company has also achieved the size required in order to fundamentally change its business model which was previously focused on sales. This forms the basis for a sustainable increase in the company value.

The integration of the two companies and the necessary restructuring measures have now been substantially concluded:

- Departure from the liquidity-driven, non-profitable sale of core property towards the active management of housing stocks in the upper price segment

- Design of a new, efficient company and organizational structure to reduce costs in the area of personnel and administration and to increase profitability

- Defining a clear product and portfolio strategy:
  - Focus on the upper price segment, i.e. inner-city locations and associated stocks with no price-fixings
  - Concentration on selected sites in urban locations with above-average development potential. Our current core markets are Berlin and Rhine-Main. The sale of our units which are not located in the core markets is planned.

- Implement active rent management; i.e. continuity in our daily rental business and focus on efficient maintenance and modernization measures. Our rental increases are already remarkable today.

- Implement a sustainable dividend policy: future dividend payments will be based on the gross cash flow.










Denkmal Weiße Stadt
1
Otto Rudolf Salvisberg
2
Wilhelm Büning
Bruno Ahrends

INTERVIEW WITH THE MANAGEMENT BOARD

Since the merger with the GEHAG Group (Berlin), Michael Zahn and Helmut Ullrich have been managing Deutsche Wohnen AG. Robert Ummen, a prominent real estate journalist, met both members of the Management Board to discuss the progress of the company's restructuring process and the tasks and targets for 2008.

» An interview with Helmut Ullrich (middle) and Michael Zahn (right).

Mr. Zahn, Mr. Ullrich – 2007 was a significant year for Deutsche Wohnen AG. How would you as members of the Management Board describe the year and summarize the results of your work?

With one word: change!

2007 was for Deutsche Wohnen the year in which the course was set for sustainable growth and value creation.

How would you describe this change in more detail?

Deutsche Wohnen has started a new chapter in the company's history. The merger with the GEHAG Group (Berlin) has a clear impact on the housing stock and the business model. Our portfolio, which has now more than doubled, has reached the size required to be able to make the necessary structural adjustments and changes to the business model.

You are referring to changes in the business model – what does this mean specifically for the organization?

The new Deutsche Wohnen has been given a three-tier structure. You could picture the new group as a house with three levels: Deutsche Wohnen represents the roof as the holding company with higher-level and at the same time integrational functions, including finance/controlling and communication. It will also act as a service provider for the diverse operational companies, which in some cases were newly established. Serving as the middle block, they represent the so-called value-adding level. This includes in particular the areas of rental management, property management, technology, leasing and sales. Finally, the so-called asset companies provide the foundation; they are the companies in which the Group's assets, i.e. properties, are concentrated. With this new structure we are concentrating on our core competencies and are establishing function-oriented profit centers. With this new Group structure, we can work more efficiently and therefore create a smooth, continuous value-adding chain ranging from leasing to rental management, and from the management of operating costs to the maintenance and modernization of the individual residential units.

The new structure will in future make it also easier to integrate further portfolios and companies.

What do your tenants get from this?

We see the tenant first and foremost as a customer. We have geared our new service structures towards this. The focus is on permanently increasing the quality of housing with targeted maintenance and modernization measures.

We are going even further than that. We have to develop culturally from being the administrator to being a service provider. We have to be closer to the tenants and react more quickly to their needs. We therefore not only provide the tenant with a prompt and transparent account of the operating costs, but we will ensure that we effectively counter the constant rise in energy and incidental costs by means of an optimized purchasing management.

This has a further positive effect: sustainable rent development only works with satisfied tenants.

In future, do you intend to continue to sell residential units to tenants, for example ?

Yes, although at a reduced volume. We are planning annual sales of ca. 500 residential units per year. From this we will generate between EUR 40 and 50 million additional sales. Herein lies a further change for the new Deutsche Wohnen.

»We have to develop culturally from being the administrator to being a service provider.«

Previously, massive sales took place to finance dividends without having generated the corresponding revenue. Today we have a profit-maximizing privatization strategy which is portfolio-friendly and in accordance with the normal industry rate of ca. 1 per cent per annum of the overall stock.

Where do you see Deutsche Wohnen in three to four years?

With the previously mentioned reorganization process, we have largely created the conditions for sustainable growth. Our housing stock will be focused on the growth areas, and we will provide the company with a competitive cost structure. We will place emphasis on high quality in the core processes and increasingly outsource standard tasks. After this transformation process has been completed, we will have a highly efficient company which has a portfolio with highly attractive prospects and we will also have the means to increase our portfolio selectively. With these results we should have the trust of our shareholders and thus be able to create a solid foundation for further external growth.

There were big changes in the Management Board, Supervisory Board and also in the structure of the shareholders in 2007.

You are right, the company's new beginning is also reflected here. First of all, Deutsche Wohnen has a new Management Board with many years of industry experience. There have though also been important changes at the next level of management: a young, professional management team in conjunction with the Management Board represent the successful realignment of Deutsche Wohnen.

At ca. 24 per cent of the shares, the funds of the financial investor Oaktree are the largest shareholders. In addition, we have in recent months been able to gain further large shareholders each with a share of more than 3 per cent. We are pleased that in total more than 50 per cent of our shares are in the hands of long-term-oriented strategic investors.

On the Supervisory Board of six members, Oaktree is, of course, represented by the Chairman, Hermann T. Dambach. It is further represented by another member, Mr. Uwe E. Flach. This dedication of personnel underlines the clear commitment of Oaktree to Deutsche Wohnen. We are convinced that with a generally very professional Supervisory Board, we will develop Deutsche Wohnen into a modern, competitive company which will continue to grow.

Will the name Deutsche Wohnen be kept?

Yes. Deutsche Wohnen has developed into a strong brand since it was listed on the stock market in 1999. A brand like this has to be kept! But we are, of course, using the restructuring of our company to also give it an external contemporary appearance, which is tailored to the new target group. This Annual Report already displays the new corporate design, which we intend to present to the shareholders and the public at the Annual General Meeting in June.

How do you assess the consolidated results of 2007?

In respect of the operational side, the focus in the last few months has already been on the development of current rent. We are very satisfied with the rental growth of 3.6 per cent; with this value we are right in the guidance band of 3 to 4 per cent of potential rental growth p.a., which we have been communicating since the summer of 2007 as being sustainably achievable. We are extremely proud of the re-letting results. For ca. 4,600 new tenancy agreements we have on average achieved new rental charges which are 13

»The focus in the last few months has already been on the develop-ment of current rent.«

»Extremels proud of the re-letting results.«

»Portfolio's value«

per cent above our current average rental charges. particularly highlights the growth potential of our portfo-lio's value

We have already implemented the new business model for privatizations and considerably reduced the volume in 2007 to 883 sold units – with higher selling prices at the same time.

The current consolidated results cannot be compared with those of the Deutsche Wohnen Group of previous years, due to the merger and the adjustment in the report-ing of property in the balance sheet, which was changed to the fair value method.

Our official consolidated financial statements only take the revenue and expenses of GEHAG over five months into account – after the closing of the GEHAG transaction took place at the beginning of August 2007 – and shows an EBIT of ca. EUR 91.4 million and a profit after tax of ca. EUR 30 million. The basic earnings per share is EUR 1.32.

A second set of financial statements prepared under pro forma principles is, however, more meaningful. This assumes that GEHAG was already part of the group since January 2007. The pro forma financial statements show a more complete picture of our revenue, financial and asset position. It should be into account that the high EBIT and the high profits before and after tax are positively influ-enced by one-off effects from the GEHAG transaction and the result of the market adjustment.

2008 specifically in relation to your company – what are your expectations for 2008?

2008 stands for completing the integration and for further optimization of our still unsatisfactory cost structure. We are, of course, aware that the impending personnel measures will also have a negative impact on the employees affected. For this and other reasons we have also already strongly intensified our employee communication. For one thing was and still is very important to us: informing our emplo-yees as quickly and comprehensively as possible of impen-ding restructuring measures. And of course it is our aim to to manage our company's personnel changes in a socially acceptable manner to the extent possible.

When we look back on 2007, we can ascertain that all of of us at the new Deutsche Wohnen have summoned much creativity and energy to solve the tasks placed before us. 2008 is once again a year of transition, but, and we are sure of this, one in which the lasting foundations for the conti-nued success of the company will be laid.

Mr. Zahn, Mr. Ullrich – Thank you for the interview.

»We will do everything possible in the coming months to openly and continuously communicate the impending small steps in our operations and, of course, also to achieve our operational targets.«

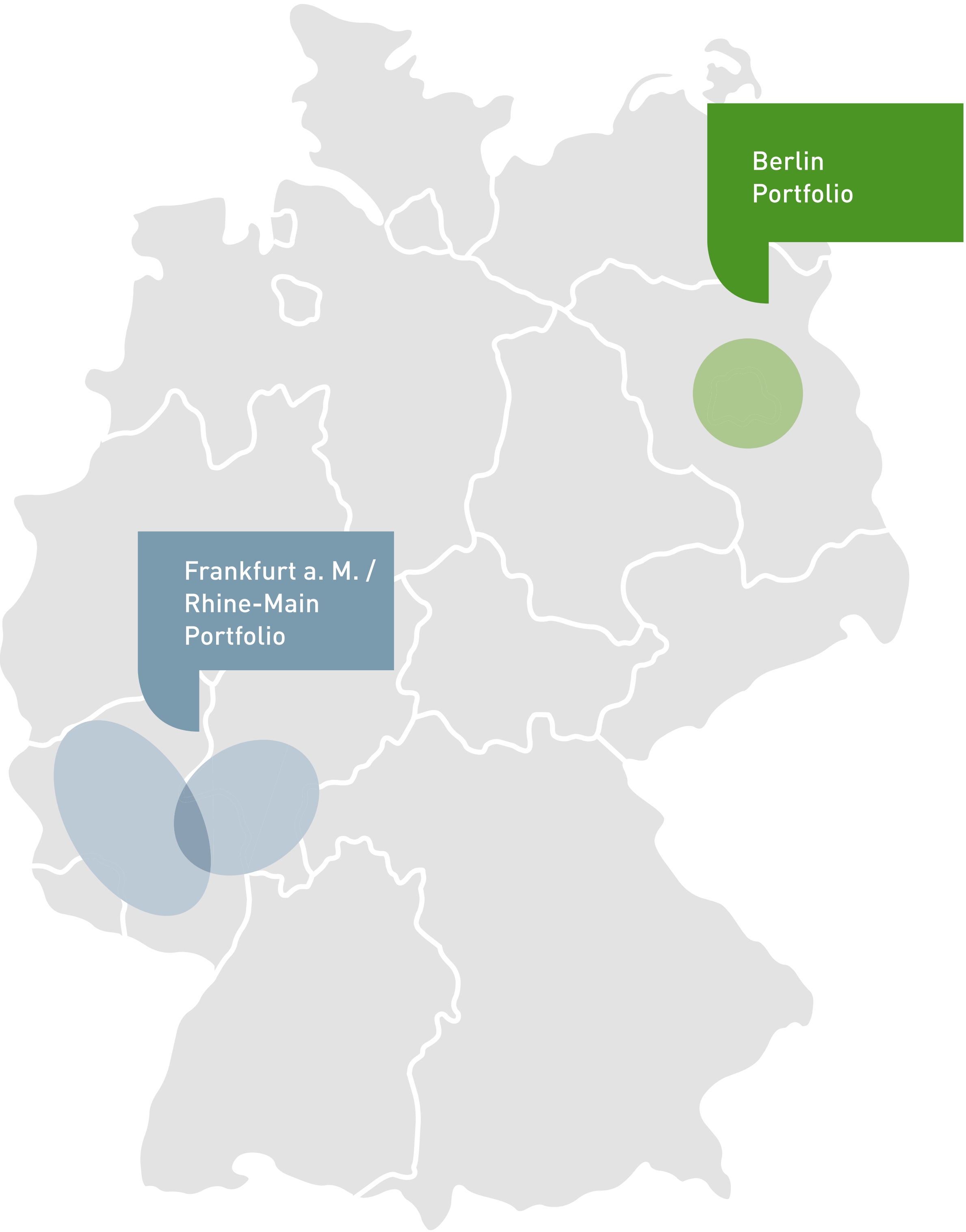
»2008 stands for completing the integration.«

»The Management Team of Deutsche Wohnen together with the Management Board

» OUR PORTFOLIO

The portfolio of Deutsche Wohnen has increased in the period under review 2007 due to the merger with the GEHAG Group (Berlin) and the acquisition of a diverse range of smaller portfolios in the Rhine-Main/Rhine-Neckar area from around 24,000 to over 51,000 residential units and has therefore more than doubled. Thus, Deutsche Wohnen has very quickly achieved the strategic growth which has been long-awaited by the capital market. It has also expanded its position in the German housing market as the second largest listed property company in Germany for the long term.

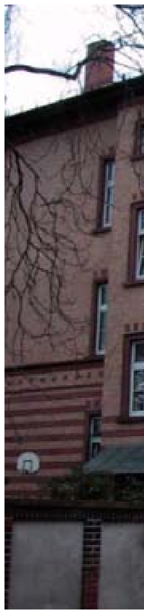
The newly acquired GEHAG stock is located primarily in in attractive residential areas in Berlin and nearly 60 per cent is from the pre-war period and in many cases the properties enjoy landmark status. It has clearly enriched the overall portfolio of Deutsche Wohnen with regards to products, location and quality. The share of apartments that are not publicly subsidized and the prices are thus not fixed amounts to 88 per cent, which is above average.


Berlin
Portfolio
Frankfurt a. M. /
Rhine-Main
Portfolio

TRANSPARENCY IS VALUE

Key figures for property portfolio as of December 31, 2007		Deutsche Wohnen (old)	GEHAG	Group
Overview of property stock				
Number of own apartments incl. DB 14	Residential units	24,561	26,566	51,127
Number of units managed for third parties	Residential units	3,241	8,538	11,779
Residential space own apartments	m²	1,560,800	1,635,234	3,196,034
Residential space apartments managed for third parties	m²	207,425	607,131	814,556
Average size of own apartments	m²	64	62	63
Number of commercial units (own and for third parties)	Commercial units	170	352	522
Number of parking lots and garages		14,292	2,189	16,481
Undeveloped space		421,177	191,868	613,045
Vacancy rate				
Number of vacant apartments	Residential units	2,145	1,809	3,954
Vacancy rate relating to estimated rent (apartments)	per cent	6.5	6.3	6.4
Size pattern of own apartments				
‹ 39 m²	per cent	4.48	5.82	5.19
40-54 m²	per cent	28.05	26.64	27.31
55-69 m²	per cent	35.27	44.65	40.22
70-89 m²	per cent	26.32	18.20	22.04
› 90 m²	per cent	5.88	4.68	5.25
Building age of own apartments				
Old building (before 1950)	per cent	11.12	58.49	36.11
1951-1970	per cent	49.20	34.60	41.50
1971-1990	per cent	26.72	3.87	14.67
1991 to today	per cent	12.95	3.04	7.72
Publicly funded housing stock				
Number of publicly subsidized own apartments	per cent	36.13	11.42	23.09

» Kirschwald 9-19, Herrstein, Hunsrück (off Edelsteinstrasse)



»Magnificent ambience for the management of the old Hoechst AG«

The outstanding features of the GEHAG stocks include the primarily compact formation of the estates, which makes efficient and economical management and marketing possible. Due to their historical architectural importance as monuments to modern housing architecture, three of these estates have been nominated as UNESCO world cultural heritage monuments. This best expresses the market attractiveness of these stocks.

In economic terms, a potential high upward revaluation has been identified for the Berlin housing stock relating to the backlog and development potential of the whole of the Berlin residential market. For example, re-letting in these stocks of in total 1,962 residential units achieved on average 17 per cent higher rent in 2007.

»Unusual: the American architectural style with large open areas in terrace form. The houses impress with living rooms on three floors, flooded the whole day with light.«

Location	State
Berlin	Berlin
Frankfurt	Hessen
Frankental	Rhineland-Palatinate
Mainz	Rhineland-Palatinate
Worms	Rhineland-Palatinate
Lindau	Rhineland-Palatinate
Hanau	Hessen
Andernach	Rhineland-Palatinate
Bad Kreuznach	Rhineland-Palatinate
Bingen	Rhineland-Palatinate
Total of 10 largest locations	

» Stroofstrasse 12-14, Frankfurt am Main » Erik-Reger-Strasse 14-14F, Bensdorf (between Koblenz and Neuwied)

With the merger of the two companies, the new Deutsche Wohnen has invested in two main areas in which also the greatest potential for growth has been identified. Various public market studies for the Berlin-Brandenburg and Rhine-Main regions accordingly identify potential for sustainable growth.

»The apartments impress with their modern design and their generous size with 10 of the 13 apartments being larger than 85 m².«

Number residental units Units	Total area of residential units m²	Average size of residential units m²	Vacancy rate Per Cent	Average net cold rent	Annualized revenue from net cold rent (EUR in million)
25,319	1,538,972	61	5.8	4.84	89.3
4,025	269,445	67	3.9	6.47	20.9
833	54,014	65	5.4	4.64	3.0
752	46,530	62	5.6	6.03	3.4
745	51,821	70	4.9	4.82	3.0
740	44,384	60	5.9	4.69	2.5
627	31,111	50	16.5	4.25	1.6
613	39,201	64	2.9	4.59	2.2
595	36,924	62	4.5	4.78	2.1
592	37,745	64	4.2	4.64	2.1
34,841	2,150,148				

» 10 largest locations of Deutsche Wohnen (as of December 31, 2007)

» Waldsiedlung, Berlin-Zehlendorf

REASSESSMENT OF THE PROPERTY PORTFOLIO

In 2007 a reassessment of the property portfolio of the newly-formed Deutsche Wohnen Group was carried out by an independent, external consultant, Catella Property Valuation GmbH (Catella).

A significant reason for the reassessment of the portfolio was the change in the measurement of investment property (IAS 40 Investment Property) in the balance sheet from the cost method to the fair value method as of December 31, 2007. From now on, the market value of our housing stock can be directly gathered from the consolidated balance sheet-which reflects an international balance sheet and transparency standard and a logical step for us.

The property to be valued was the Group's residential property portfolio as of June 30, 2007, consisting of around 51,000 residential units, the commercial units and the parking lots.

Catella valued the property portfolio in accordance with the internationally common discounted cash flow method (DCF). For this purpose, the whole portfolio was divided into nine clusters by location and by building estimation. As a result of this, it was possible to individually present the rent development, target vacancy rates and periods as well as the capitalization and discount interest rates for each cluster. The calculation for the overall portfolio was based on an average discount interest rate of 5.8 per cent and an average rent increase of 2.3 per cent per annum.

Catella calculated a market value (fair value) for the property stock of around EUR 3.1 billion (EUR 954 per m²); around EUR 1.7 billion is attributed to the GEHAG stock and around EUR 1.4 billion to the stock of the "old" Deutsche Wohnen.

A document published in November 2007 on the reassessment of the portfolio provides further information and is available at the download center of our Internet website.

»The Weisse Stadt (White City), also called the Swiss Quarter, is a typical residential estate of 1920s Berlin.«

»The forest Estate in Berlin-Zehlendorf: lots of nature on your doorstep«

» Weisse Stadt, Berlin-Reinickendorf


› Performance-oriented and competitive ‹

» OUR STAFF

The general employment conditions for our employees changed dramatically in 2007. The reasons for this are the restructuring program of our subgroup GEHAG, initiated at the end of 2006, and the merger of Deutsche Wohnen Group with Berlin's GEHAG GmbH. As a result, personnel management occupied a prominent role in 2007.

SUCCESFUL IMPLEMENTATI

HUMAN RESOURCES AND CORPORATE DEVELOPMENT

In just the short period leading up to 2007, the employees of Deutsche Wohnen and GEHAG had to experience several corporate mergers and partnerships as well as changes in legal form, which until now were not reflected in any basic adjustments to the corporate structure or the employment agreements. The restructuring of GEHAG Group that began in 2006 with the acquisition and integration of the ESG (Eisenbahnsiedlungsgesellschaft) resulted, in early 2007, in the spin-off of several subsidiaries having an operational focus on sales/leasing, commercial tenant support as well as engineering. Beyond this, the parent company shed its "non-core" business areas, for example, caretaker services and insurance agencies.

The terms of employment at the new subsidiaries were basically rewritten so as to optimize costs and competiveness. This included among other things, the increase in the number of hours in the work week, the reduction in annual vacation days as well as the introduction of performance based compensation models. The latter is intended to insure fair and reasonable pay for all employees.

The merger of the two companies Deutsche Wohnen and GEHAG requires a new target structure to be developed which also takes into acount the new regional distribution. he new target structure of the integrated consortium introduced at the start of the new year 2008, favors the personnel configuration of the holding company just as it does the transfer of the conceptual approach of the operating subsidiaries to the overall group of companies and thus, as a consequence, the closure of any company that only serves as an asset company in the future.

The personnel and restructuring activities in this reporting period were accompanied by an intensive corporate information program by the management for the employees. The measures employed included regular newsletters, case related announcements, continuous information provided through an Intranet created expressly for this purpose in addition to employee meetings. Regular business retreats were held for the edification of the future management level. These measures were continued in 2008 and reflect the relationship between personnel development and employee communications that forms the basis for the development of a new corporate identity, which supports the successful implementation of the new business strategy.

As of April 2008, the personnel measures announced under the framework of the merger give every indication that the related goals of restructuring and integration will be realized as scheduled on June 30, 2008. The conceptual foundation is the transition of the business model from property administrator to asset manager.

ON

THE NEXT GENERATION

As of December 31, 2007, Deutsche Wohnen Group is responsible for the occupational training of 32 trainees. The main job description is Management Assistant in Real Estate, which is needed in the areas of residential real estate management, property management, realty brokerage construction project management as well as planning and control. The graduates from the class of 2007, as in previous years, were all offered employment. Group wide coordination of the apprenticeship program will begin in 2008, and be managed in accordance with uniform, human resource policies.

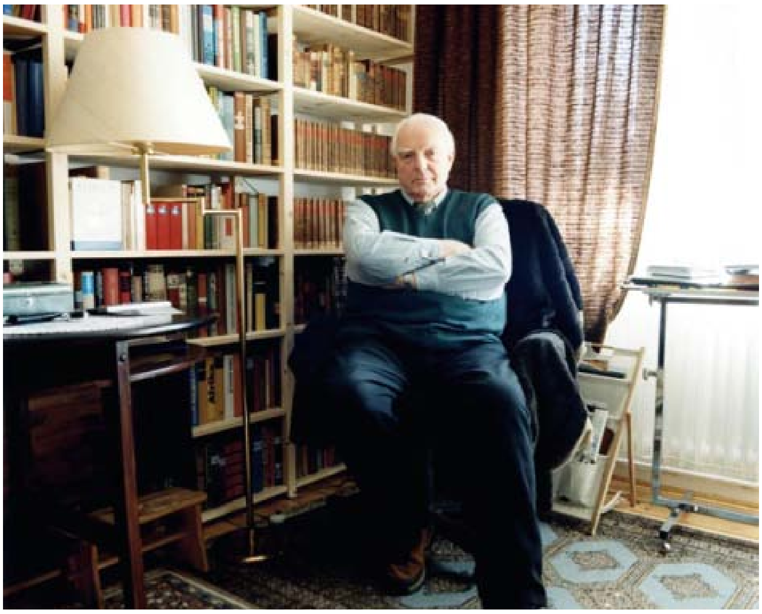
OUR THANKS TO THE STAFF

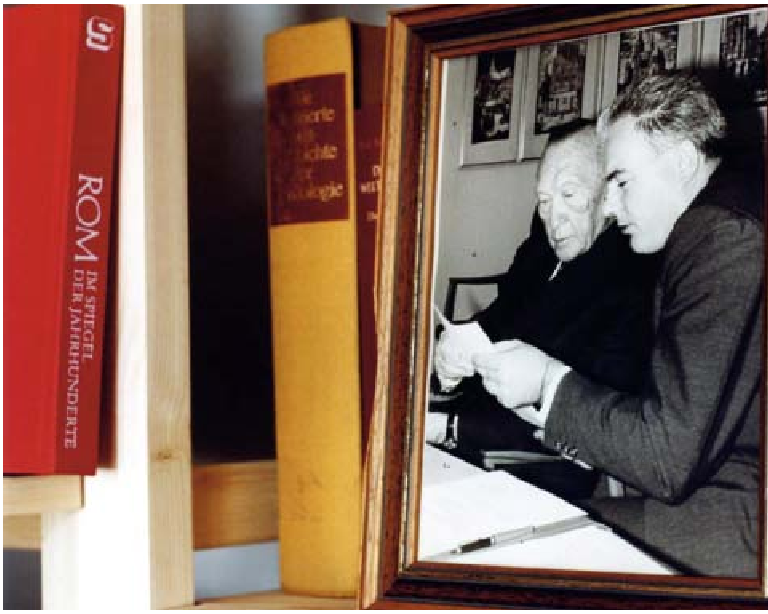
The motivation and performance of the entire staff have played a major role in the success of the operating businesses, even during the phase of fundamental realignment. The management sincerely appreciates this fact. We are confident that with the know-how and energy of our employees, we will be able to lead the company successfully into the future.

» OUR OPERATIONAL DEVELOPMENT

The primary business activity of Deutsche Wohnen consists of the management of the Group's own residential property. In the residential property management segment, all of the activities are performed by regionally located offices. These activities include support services for tenants, the management of tenancy agreements, ongoing maintenance and modernization, and the marketing of property.

› Noteworthy moments ‹





» A life full of noteworthy moments, …

» Just like the portfolio of Deutsche Wohnen, Dr. Bernhard Gebauer can look back on an impressive history.

» ... and a wealth of experience.

As a Director of the Konrad-Adenauer-Stiftung, Dr. Gebauer has for more than 36 years dedicated himself to political education in Germany and in many countries around the world. He may have retired long ago, but there is no stopping the 76-year-old in his activities. For four years he has been socially involved in the care of the elderly and he is also a reader in an elementary school in Zehlendorf. He had already been living nearby in one of GEHAG's single family houses since 1992, and on March 1, 2008, the cultural anthropologist moved into the apartment in Argentinische Allee. "I moved into a completely renovated apartment," says a pleased Dr. Gebauer, whose more than 4,000 books are already housed tidily on shelves.

Even today you can hardly keep count of his many honorary positions; Bernhard Gebauer laid the foundation for his social commitment in his early years as a Boy Scout leader. And one thing has occurred to the holder of the Order of the Federal Republic of Germany: "This is the only house here with three birch trees in front of the door in the whole of Argentinische Allee!"

» Trust and respect are the essential basis for long-term bonds – whether for a couple or over 60 years in the same neighborhood.

RENTAL INCOME DEVELOPMENT

The optimization of rental income and the resulting value enhancement of the portfolio are the constant driving forces behind all of the activities engaged in by management and employees. The consistent realization of rent adjustments in compliance with tenancy law (adjusting the rent level to the rent index and apportioning the costs of modernization investments) and re-letting (capitalizing on the fluctuation) provide for above average rent increases.

Across the Group, the average net cold rent as of the balance sheet date has increased by 3.6 per cent to EUR 4.89 per m² in the period from December 31, 2006 to December 31, 2007. The portfolio of the "old" Deutsche Wohnen (Rhine-Main area and Rhineland-Palatinate) reflects a growth rate of 2.9 per cent and the GEHAG portfolio a growth rate of 4.4 per cent. The average rent is still about 18 per cent lower than the market rent. Especially the development stock of 5,300 residential units offers a growth potential of 34 per cent or EUR 1.75 per m² respectively. We are very confident that we can continue to increase our housing rent in the coming years at a high level.

The fluctuation rate in 2007 was 9 per cent of the property stock. We were able to realize rent payments at market level for re-letting and thus achieve significantly higher rent payments than from existing rental agreements. About 4,600 new tenancy agreements were concluded during the year 2007. In Berlin the average re-letting rent was 17 per cent above the average net cold rent for our Berlin housing stock; in Rhine-Main/Rhineland Palatinate the figure was over 9 per cent; in this way, the average re-letting rent at EUR 5.54 per m² across the Group was 13 per cent above the average net cold rent at EUR 4.89 per m².

The vacancy rate in the housing portfolio as of the balance sheet date was 6.4 per cent (Deutsche Wohnen at 6.5 percent and GEHAG at 6.3 per cent). After deducting the development- and sales-related vacancy rates (0.9 and 1.4 per cent respectively), there remains the actual fluctuation-related vacancy rate of 4.1 per cent – which almost means complete occupancy in view of the fluctuation rate.

The vacancy rate for apartments that are unoccupied for more than six months due to market-related reasons amounts to 5.0 per cent across the Group (Rhine-Main: 5.3 per cent; Berlin: 4.6 per cent).

Of course, we are always aiming at further lowering the vacancy rate.

Our Group's whole pro forma estimated rent income – which amounted to EUR 200.7 million in 2007 – comprises the areas of residential and commercial housing, parking as well as subsidies. The pro forma income from property management amounts to EUR 135.4 million and takes into consideration the rental loss due to vacancy, net operating costs and maintenance costs.

Rental business (EUR Mio.)	2007
Estimated rent income	200,7
Income shortfalls	-14,6
Reduced rent	-1,8
Earnings from operating costs	-8,1
Net rent	176,2
Maintenance and renovation	-38,6
Other income and expenses	-2,2
Result from rental business	135,4

» Pro forma

Horst von Domarus, born in 1944, has been living in the Waldsiedlung (Forest Estate) since 1945 – and always in the same apartment in Wilskistrasse. "The heating network will be coming soon." Both the 63-year-old and is wife are pleased about this. And the structure of the building from the 1920s also receives a seal of approval from him: "Bruno Taut built here brick by brick."

Horst von Domarus was a policeman for over 40 years and as an instructor he was lastly responsible for the trainees. "It was my father's wish." The reason why he took up this profession lay within his family. "They used to have the Fischtal Festival around the corner from here. The whole neighborhood used to meet up. It was really the neighborhood to the power of three! After the war that was unbelievable."

The Grunewald is right on their doorstep and Mr. and Mrs. Domarus enjoy riding their bicycles in their green surroundings.

The future tenant Mrs. Haberland looks at her new apartment with her son Julian in Riemeisterstrasse. Together with the Deutsche Wohnen architect, Eike Petersen, they consider which rooms are to have which colors and where the furniture will fit.

While the two ladies discuss the layout of the maisonettes, Julian charges down the stairs to the first floor and runs through the garden to the playground in the communal courtyard area. He was especially taken with the lawn, which he would have loved to have as a carpet in his room.

"Of course we will see if we can do something for you there," says the architect with a smile on her face to her little customer. Meanwhile, Mrs. Haberland's thoughts are already on planning her new fitted kitchen.

» Always working for our clients.

MAINTENANCE AND MODERNIZATION

Continuity in the areas of maintenance and modernization is a basic component of our rental strategy and an important pre-condition for our property to retain and increase its value in the long-term. We are also expecting the same investment level for 2008 and for the coming fiscal years as shown in the chart.

Our property in Berlin-Zehlendorf (Waldsiedlung), Germany – which comprises 800 apartments – is a classic example of increasing value through modernization. Reference here is made to the modernized Bruno – Taut-apartments. Approximately EUR 15 million were invested in the renovation and modernization of the housing area in the verdant south-west of Berlin. Michael Zahn, speaker of the Management Board, explains: "The high-quality architectural heritage obligates us to keep the property in good shape. Our planned modernization and renovation measures – which include the extensive renovation of double-windows and implementation of new drainage pipes close to the residential homes – contribute to the continued existence of the property." Due to those measures, significant rent increases of 40 per cent could already be achieved with regards to re-letting in the year 2007. The average rent when re-letting therefore rose from EUR 4.88 per m² to 6.83 per m².

EUR 38.6 million (EUR 11.68 per m²)

Maintenance recognized in the income statement

EUR 16.3 million (EUR 5.12 per m²)

Modernization (capitalization)

EUR 54.9 million (EUR 16.80 per m²) EUR

Total

» Maintenance and Modernization / Pro forma

“This job really does involve a lot of organizing!” remarked Melanie Kunze, who is supervising the building work on her new home herself. She and her husband were made aware of the “Hufeisensiedlung” (Horse Shoe Estate) by a newspaper report. That would be just the right area to buy the home they were looking for.

It is now some time since the purchase agreement was signed and the conversion work is in full swing. In the process, the individual needs of the family have to comply with the landmark specifications. And her two twins, Elias und Simon, ensure that she does not get bored doing this. For while their two bigger children are at school or at the kindergarten, which are both on the estate, the family’s two youngest offspring bring more energy to everyday life on the building site.

» Starting with a symbol for luck: the previous tenant left the horse shoe behind for the next tenant moving in.

SALES

The housing privatization segment was adjusted to the new strategy of the Deutsche Wohnen Group. The former business model of Deutsche Wohnen required the sale of core property stock in order to generate liquidity for the payment of dividends. That is why up to 1,800 residential units were sold per year. In future, only about 500 apartments will be sold per year to private persons. This reflects a privatization rate of ca. one per cent, which harmonizes with the usual market rate and is also portfolio-friendly. We believe that these figures can be produced on a long-term basis and that all apartments can be sold without fail.

During the period of January 01 to December 31, 2007, 883 apartments were sold, as reflected in the balance sheet. At the same time it was possible to significantly raise the sales price per square meter. The average sales price was EUR 1,332 per m². All in all (i.e. including block sales), an average sales price of EUR 1,105 per m² was achieved.

Calculation of profit from sales (EUR Mio.)	2007
Sales revenue	70.5
Carrying amounts disposed (fair value property)	-61.9
Sales costs	-5.2
Profit from sales	3.4

» Profit from sales 2007/Pro forma

NON-CORE BUSINESSES

Deutsche Wohnen's portfolio is also well positioned towards the target group senior citizens. "Almost obstacle-free accommodations" is a current issue where Deutsche Wohnen consults its tenants and buyers and offers suitable solutions for the target group. The nursing homes for senior citizens of KATHARINENHOF GmbH improve our range of services for our senior citizens in this respect.

„The best thing in the world, is being at home." (Berthold Auerbach) In our homes for senior citizens, we can create the right environment to enable senior citizens to live independently with all the desired support services. By means of our dedication, expertise and service quality, KATHARINENHOF can make living in a nursing home a genuine alternative for senior citizens when choosing where to live.

KATHARINENHOF SENIORENWOHN- UND PFLEGEANLAGE BETRIEBS-GMBH

The KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH is a wholly owned subsidiary of GEHAG GmbH. It focuses on the marketing and management of high-quality nursing and residential homes for senior citizens in Berlin, Brandenburg, Lower Saxony, Schleswig-Holstein, and Saxony as well as services tailored to the care of the senior citizens that live there.

»High-quality nursing home facilities and apartments for senior citizens«

Katharinenhof		
Number of apartments for senior citizens	Residential units	653
Number of residential and nursing rooms/apartments	Rooms/apartments	1,373
Occupancy rate	Per cent	92
Revenue	EUR million	31.9
Expenses	EUR million	-25.3
EBITDA	EUR million	6.6

» Katharinenhof 2007, Pro forma

LIVING ALMOST OBSTACLE-FREE

Helene Gabel (81) has been living in Rauenthaler Strasse in Berlin-Wilmersdorf for one month. Her previous apartment is being modernized, but her ex-neighbor, Mrs. Thiel, has also moved into the new neighborhood. "The move went great," says a pleased Mrs. Gabel and her Deutsche Wohnen consultant, Stefanie Miethke is also happy that everything went so smoothly. "We are always talking a lot about everything," is how Mrs. Gabel describes her good relationship with the consultant, whom she often invites for coffee and cake. Because the new apartment is just around the corner from Mrs. Gabel's previous address, the daily walks with her friend Mrs. Fengler remain a fixed part of her daily routine (apart from when it rains). "I came to Berlin in 1959. I already wanted to come to Berlin when I was a little kid," relates Mrs. Gabel, who has been a tenant with GEHAG since 1984.

The always cheerful lady cannot complain of boredom. "My cousin and his wife will soon be coming to visit and will be staying in the GEHAG guest apartment. Oh no, they are now called Deutsche Wohnen, of course."

» STATE OF THE A
NETWORX INFR

» "Living 2.0": Modern technology serving as the basis for communication

RT
ASTRUCTURES

The Deutsche Wohnen Group also offers comprehensive telecommunication services via AKF Telekabel TV und Datennetze GmbH.

AKF TELEKABEL TV UND DATENNETZE GMBH

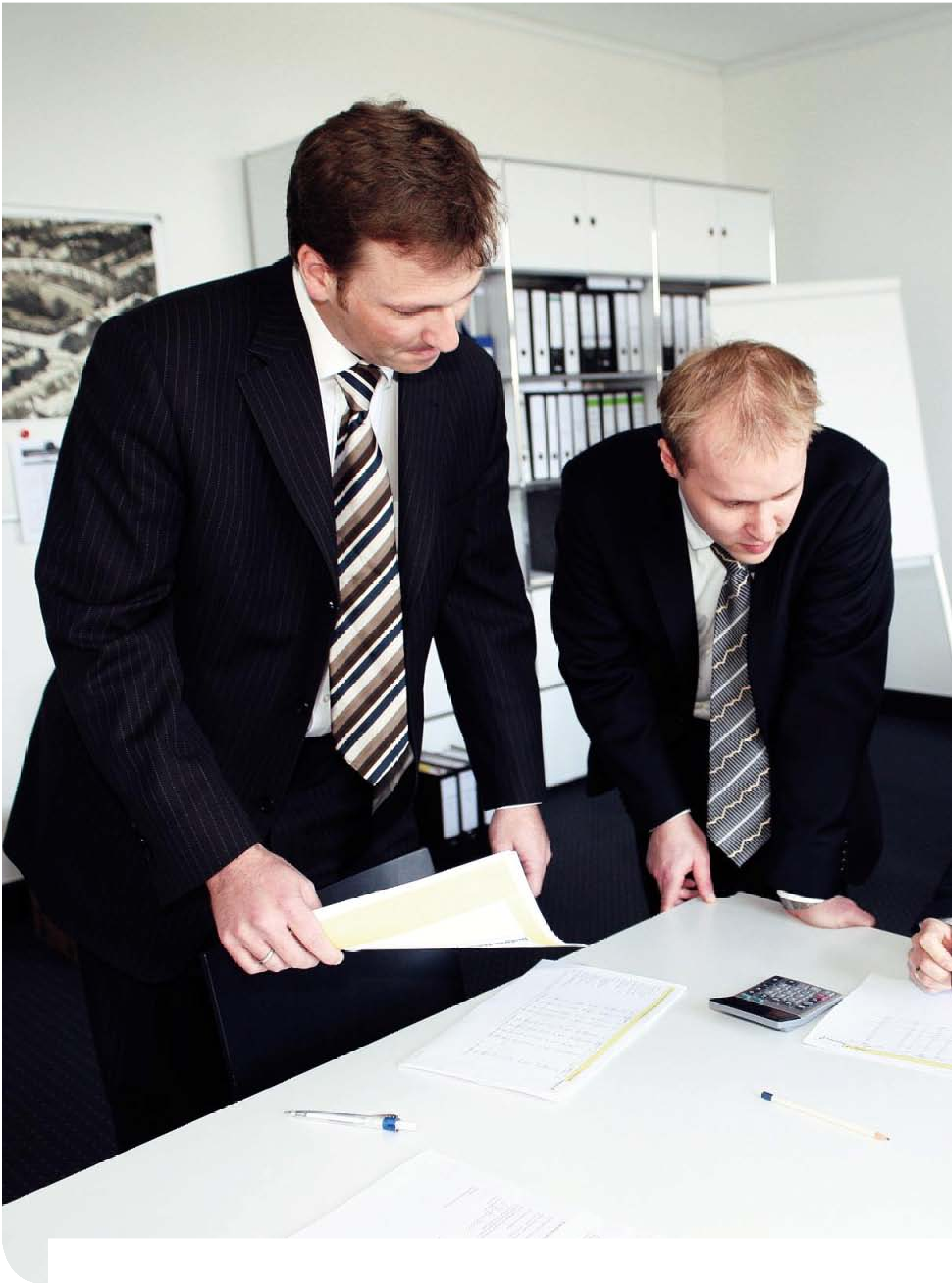
AKF is one of the few cable providers offering the so-called triple play package: i.e. Internet, telephone and digital TV from just „one power socket".

The company plans, builds, finances, and manages multimedia, state of the art network infrastructures for more than 75,000 households in the states of Hesse, North Rhine-Westphalia, Saxony-Anhalt, Thuringia, Berlin and Brandenburg.

The connection to the world: a great deal of the apartments of the property stock of Deutsche Wohnen in Berlin has already been furnished with modern cable network technology. These amenities are, of course, a must-have for the new tenant of our times, and we can provide them for our customers. In this way, Deutsche Wohnen offers its clients "Living 2.0", i.e. digital TV and radio broadcasts, IP-services such as high-speed Internet connection via cable and VoIP (Internet phone services).

AKF		
No. of cable connections	Connections	75,600
Revenue	EUR million	9.1
Expenses	EUR million	-6.6
EBITDA	EUR million	2.5

» AKF 2007, Pro forma



PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The legally-binding transfer of GEHAG to Deutsche Wohnen was completed on August 9, 2007. As a result the mandatory information published at the back of this Annual Report represents the results of the Deutsche Wohnen Group with the financial results of GEHAG for only five months.

At this point of the Annual Report we present the so-called pro forma asset position. With the evaluation of the pro forma key figures we have combined the income statement of the GEHAG Group for the 12-month period with the income statement of Deutsche Wohnen. Further adjustments were not made.

Pro forma Consolidated Financial Statement

Pro forma Deutsche Wohnen Consolidated Financial Statement GEHAG taken into account for the entire 12-months-period		01/01 - 12/31/2007
Estimated rent income	EUR Mio.	200.7
Income shortfalls	EUR Mio.	-14.6
Reduced rent	EUR Mio.	-1.8
Earnings from operating costs	EUR Mio.	-8.1
Net rent	EUR Mio.	176.2
Maintenance and renovation	EUR Mio.	-38.6
Other income and expenses	EUR Mio.	-2.2
Result from rental business	EUR Mio.	135.4
Revenue from sales	EUR Mio.	70.5
Sales expenses	EUR Mio.	-5.2
Carrying amount debit	EUR Mio.	-61.9
Result from privatization business	EUR Mio.	3.4
Employee expenses	EUR Mio.	30.8
General administration expenses	EUR Mio.	14.4
Administration expenses	EUR Mio.	45.2
Katharinenhof	EUR Mio.	6.6
AKF	EUR Mio.	2.5
Others	EUR Mio.	-1.5
Non-core businesses	EUR Mio.	7.6
EBITDA	EUR Mio.	101.2
Depreciation	EUR Mio.	-6.3
Profit from fair value assessment	EUR Mio.	315.6
EBIT	EUR Mio.	410.5
Financial earnings	EUR Mio.	-82.9
EBT	EUR Mio.	327.6
One-off expense	EUR Mio.	-5.6
Restructuring costs	EUR Mio.	-9.6
Tax	EUR Mio.	-81.1
Profit after tax	EUR Mio.	231.4
Profit after tax	EUR per share	8.77
FFO	EUR Mio.	10.2
FFO	EUR per share	0.39

» Pro forma financial statement

Funds from Operations

Consolidated balance sheet

Calculation of funds from operations (EUR Mio.)	2007
EBITDA	101.2
Interest income	3.4
Interest expense	-96.1
(Cash) income tax	1.7
FFO including sales activities	10.2
Earnings from sales activities	3.4
FFO excluding sales activities	6.8

» Funds from Operations

The preparation of the **pro forma financial information** is solely for illustrative purposes. As the pro forma financial information due to its nature only describes a hypothetical situation, it frequently does not reflect the **actual revenue, financial and asset position**. Furthermore it is not intended that it predicts the revenue, financial and asset position for a future point in time.

The pro forma key figures are not a part of the audited IFRS consolidated financial statements. As other companies possibly do not calculate the pro forma key figures presented by Deutsche Wohnen in the same way, only a very limited comparison of the pro forma key figures of Deutsche Wohnen is possible.

» Disclaimer

Consolidated balance sheet (EUR Mio.)	2007
Investment property	3,271.2
Balance sheet total	3,520.4
Equity	936.1
Financial liabilities	2,179.6

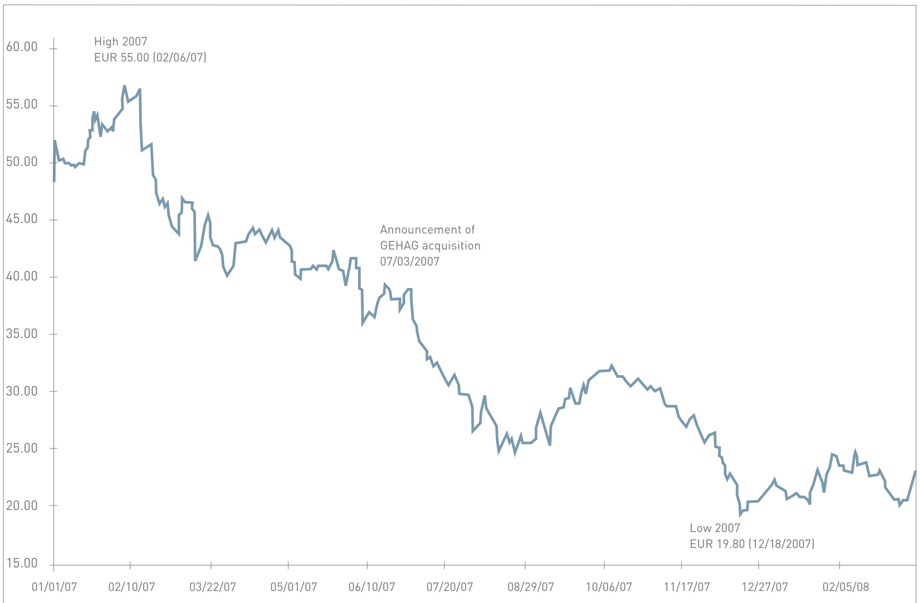
» Balance sheet

› Communication of Progress ‹

COMPANY COMMUNICATION

During the course of the merger of Deutsche Wohnen and GEHAG early emphasis was placed on the inclusion of important stakeholders of the companies: capital market, tenants and employees.

Deutsche Wohnen bearer share



» Price of the Deutsche Wohnen bearer share from January 1 to December 31, 2007 (XETRA)

The Management Board presented the new business model to representatives of the media, analysts and investors from Germany, Europe and overseas at many occasions. A highlight in this respect was the Investor Day that took place on September 21, 2007 in Berlin, where analysts and investors were able to personally convince themselves of the high quality of the GEHAG portfolio.

In order to further develop the group, the rental and sales organization was fundamentally revamped and provided with cutting edge marketing tools-flanked by a redesigned corporate design which will be published in the summer of 2008.

The integrated approach, which equally takes into account the capital market, media, the general public, as well as customer and employee communication laid the foundation for lasting confidence in the new company management and thus provided the important prerequisite for putting trust in that the company can achieve its specified targets.

INVESTOR RELATIONS

STOCK MARKETS

The property stock market in 2007 was characterized by strong price fluctuations and downward valuation adjustments. After there had been unusually high price gains at the start of the year as a result of the expectations related to the introduction of G-REITS, above all the US property crisis and increases in interest rates resulted in part in immense losses in the European share markets too. Especially affected were real estate shares. Investors were greatly unsettled by the possible impact of the property crisis in the US market on the rest of the financial and business world. This resulted in the greater reluctance of investors to invest, high volatility and drastic downward valuation adjustments, which are still having their effect on property market values today. Further factors unsettling German property investors were the lack of clarity concerning the impact of the new corporation tax from 2008 and the EK02 taxation. Deutsche Wohnen AG's shares were and still are affected by this impact too.

According to the EPRA Global Index, real estate shares worldwide lost 10 per cent in value during the year 2007. At the end of the year, all of the country indices closed negative in Europe. At a minus of 43 per cent, Germany recorded the highest stock market losses in Europe, followed by Great Britain at minus 39 per cent.

SHARE PRICE PERFORMANCE

The share price of Deutsche Wohnen in 2007 was not exempt from this negative and global development. Based on the share price of EUR 48.48 at the start of the year, the share price declined by approximately 56 per cent by the end of the year (EUR 21.10 on 12/28/2007). In between those dates, the share recorded both its all-time high at the beginning of February (EUR 56.90 on 02/06/2007) and also its year-low at EUR 19.60 on December 17, 2007.

By the time of the announcement of the GEHAG acquisition on July 3, 2007, our share price had already fallen by 31 per cent; this was likely due to the generally falling investor interest in property stocks, in particular evident since February/March 2007.

The share price performance after the announcement of the GEHAG acquisition reflected at first primarily the reaction of the capital market to the acquisition. At the end of 2007, the share price of our share—which slightly recuperated in the fourth quarter – was caught again in the negative trend affecting real estate shares in general.

End of year closing value

8.067

points

DAX

SHAREHOLDER STRUCTURE

The fonds managed by the financial investor Oaktree Capital Management L.P. are our biggest shareholders at ca. 24 per cent. In the last few months we were also able to attract further big shareholders, each with shareholdings of more than 3 per cent in our company.

Due to our intensive Investor Relations activities we know the majority of our major shareholders. A large part of the shares are held by institutional investors who invest long-term and that have a detailed knowledge of the real estate industry (so-called real estate dedicated investors).

The focus of our investor relations activities is on meetings at conferences and roadshows with this group of investors and it is our aim to further increase the share of such investors.

» as of Mid-March 2008

COVERAGE

The share of Deutsche Wohnen is currently (beginning of April 2008) regularly monitored by ten analysts. We do welcome this and are actively working on establishing further contacts with analysts, in order to increase awareness of our share.

» Internal newsletter / poster of Deutsche Wohnen

MARKETING AND CORPORATE DESIGN

Deutsche Wohnen is also following an innovative path in Marketing and Corporate Design. We will be changing over to the new look across the Group as early as this summer. It is important for us that we quickly grow into our new structures and present ourselves to our target groups with a strong marketing presence.

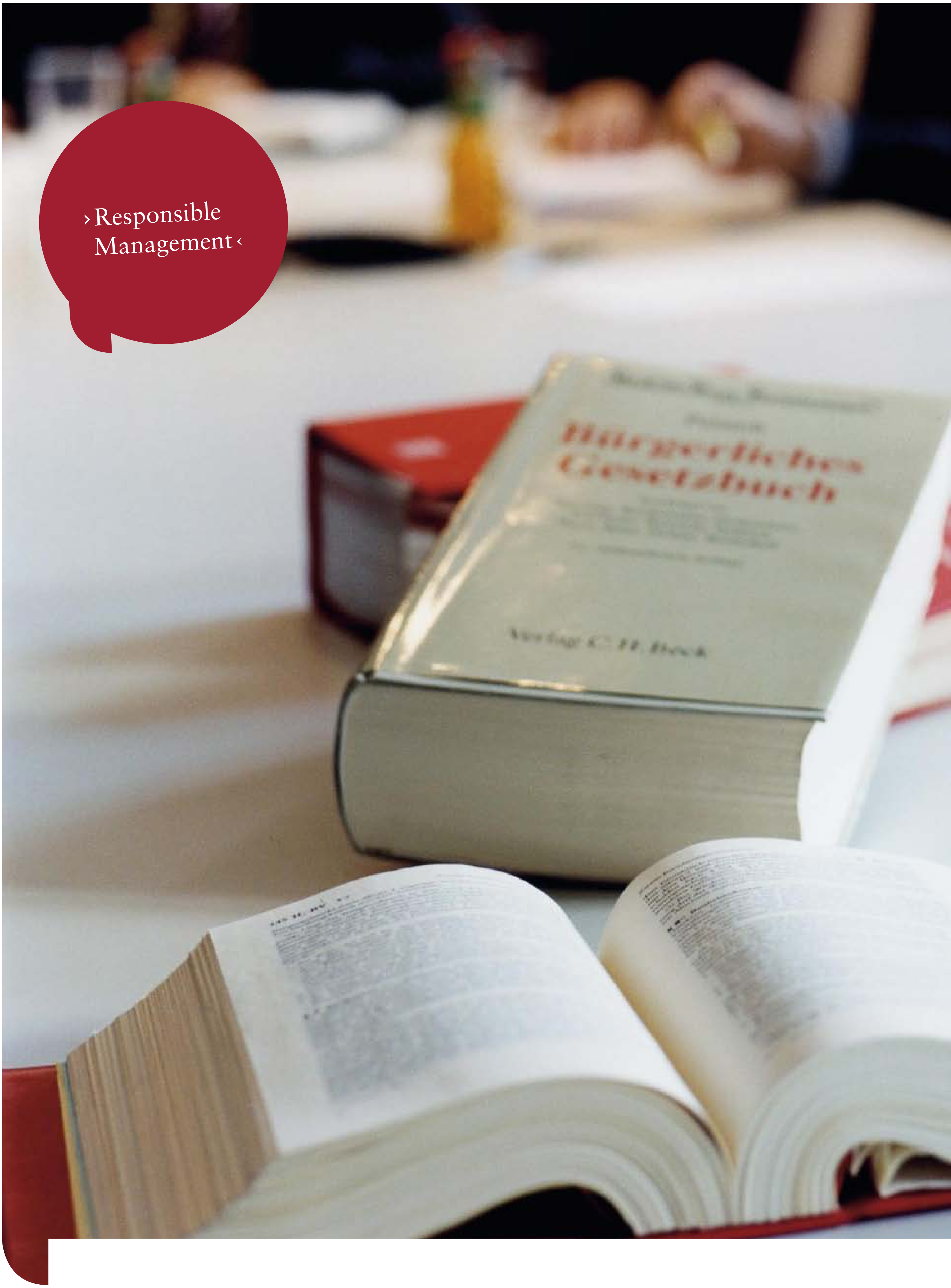
THE NEW APPEARANCE

In conjunction with the brand name Deutsche Wohnen, a contemporary, modern, stylized horse shoe design was chosen. The horse shoe is a symbol associated with luck and magnetic attraction. This therefore builds a bridge between tradition, the present and the future: the classical horse shoe symbol of GEHAG will be used in combination with the name "Deutsche Wohnen" as a new word-and-design mark. Two eye-catching designs were created for the graphical element of Deutsche Wohnen: a round and a square icon.

During the design phase, the new color patterns were influenced by the architectural color philosophy of light, air, sun, and green landscapes. The impression of all of the colors is natural, basic, fresh, pleasant, and friendly.

The chosen picture world is an important, authentic character of the new Corporate Design. The scenes depicted have not been posed for and show real people in the heart of their real environment, where they live (tenants, buyers) or where they work (employees).

› Responsible Management ‹



CORPORATE GOVERNANCE REPORT

The management and control of the Deutsche Wohnen Group is consistent with the conditions of the German Corporate Governance Code. This guarantees that internal regulations and control mechanisms as well as external monitoring bodies of the market ensure responsible management of the company.

The Management Board and Supervisory Board of Deutsche Wohnen AG have been careful to ensure that the standards of the German Corporate Governance Code are met. On the basis of these meetings, the declaration of compliance in accordance with § 161 of the German Stock Corporation Law provided at the end of this Corporate Governance report was passed in December 2007. This declaration of compliance is also published on the internet under www.deutsche-wohnen.com.

COOPERATION BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The Management Board and the Supervisory Board of Deutsche Wohnen AG work closely together and vote at regular intervals on the strategic orientation of the company and its implementation. The Management Board regularly informs the Supervisory Board promptly and comprehensively about all of the issues which are relevant to the company concerning the planning, business development, risk situation, risk management, and compliance. The business development was extensively and permanently discussed in relation to the projected plans and targets, and possible deviations were explained. In so far as any business of the Management Board in accordance with the articles of the company concerning the internal relationship, this was obtained. This was especially the case in relation to the acquisition of GEHAG, which was the subject of intensive discussions with the Supervisory Board.

MANAGEMENT BOARD

The Chief Financial Officer Helmut Ullrich held 2,000 shares in Deutsche Wohnen AG as of December 31, 2007. This corresponded to around 0.008 per cent of the 26.4 million shares issued. The wife of the member of the Supervisory Board, Dr. Andreas Kretschmer, held 463 shares in Deutsche Wohnen AG as of December 31, 2007. This corresponded to around 0.002 per cent of the 26.4 million shares issued. The Speaker of the Management Board, Michael Zahn, and the five other members of the Supervisory Board held no shares in Deutsche Wohnen AG as of December 31, 2007.

SUPERVISORY BOARD

The company's Supervisory Board consists of six members in accordance with § 7 paragraph 1 of the articles of the company. It is not subject to co-determination in accordance with the One-Third Participation Act, all members are elected as representatives of the shareholders at the Annual General Meeting. It is the task of the Supervisory Board to regularly advise and control the Management Board in its management of the company. It is to be included in decisions of fundamental importance to the company.

In order to structure the work of the Supervisory Board more efficiently, in total four committees were formed:

The Executive Committee, consisting of the Chairman and his representative, is assigned the responsibility of advising and passing resolutions in urgent matters, provided there is no conflict with legal regulations. It also constantly advises the Management Board.

The Acquisition Committee has the task of preparing the decisions of the Supervisory Board on portfolio acquisitions.

The main task of the Integration Committee is to advise the Management Board on the merger of the Deutsche Wohnen Group with the GEHAG Group and to prepare the decisions of the Supervisory Board as part of the integration process.

The Supervisory Board has also appointed an Audit Committee, which has in particular the task of dealing with matters concerning accounting and risk management, the necessary independence of the auditor, the issue of the audit contract to the auditor, the determining of audit priorities, and the agreement of the fee.

DIRECTOR' S DEALINGS

The Chief Financial Officer Helmut Ullrich held 2,000 shares in Deutsche Wohnen AG as of December 31, 2007. This corresponded to around 0.008 per cent of the 26.4 million shares issued.

The wife of the member of the Supervisory Board, Dr. Andreas Kretschmer, held 463 shares in Deutsche Wohnen AG as of December 31, 2007. This corresponded to around 0.002 per cent of the 26.4 million shares issued.

The Speaker of the Management Board, Michael Zahn, and the five other members of the Supervisory Board held no shares in Deutsche Wohnen AG as of December 31, 2007.

If members of the Management Board and Supervisory Board deal in Deutsche Wohnen shares in the future, Deutsche Wohnen will comply fully with the regulations concerning Director's Dealings of the Securities Trading Act.

COMMITTED AND SUCCESSFUL PER

REMUNERATION REPORT

The total remuneration for the members of the Management Board is determined and regularly checked by the Supervisory Board. The remuneration for the Management Board is geared to the size and the global alignment of the company, its economic and financial position as well as the tasks of the respective member of the Management Board. The remuneration harmonizes with international and national standards and therefore provides an incentive for committed and successful performance. The Supervisory Board regularly checks whether the remuneration is appropriate, and in the process considers the profit and loss, the industry and the company's future prospects.

The remuneration for the Management Board is performance-related; it comprises components which are performance-related and others that are not. It also includes components which provide long-term incentives.

Components which are not performance-related are the fixed sum (basic salary), fringe benefits and pension commitments. The basic salary is paid monthly as salary. Fringe benefits comprise above all the use of a company car, compensation of traveling expenses and insurance contributions.

The component based on success is the annual bonus. It is determined by the Supervisory Board on the basis of the development of the company's business in accordance with best judgment. The amount is determined in accordance with the degree to which previously-set targets were achieved or exceeded.

The remuneration for existing members of the Management Board and members who have left the Management Board of Deutsche Wohnen AG for the fiscal year 2007 are split individually as shown in the following table:

	Fixed remuneration	Variable remuneration	Settlement	Total
	TEUR	TEUR	TEUR	TEUR
Michael Zahn, since September 1, 2007	100	0	0	100
Helmut Ullrich, since August 1, 2007	97	583	0	680
Andreas Lehner, until October 31, 2007	211	0	1,450	1,661
Michael Neubürger, until April 19, 2007	58	0	1,320	1,378
Dr. Michael Gellen, from April 20, 2007 to July 31, 2007	32	0	0	32
	498	583	2,770	3,851

» Remuneration report

FORMANCE

There are no pension provisions for active members or members who have left the Management Board or Supervisory Board.

In accordance with Section IV paragraph 6 of the articles of Deutsche Wohnen AG, each ordinary member of the Supervisory Board receives a fixed remuneration of EUR 10,000 for each fiscal year. The Chairman of the Supervisory Board receives double this amount, and a Deputy Chairman receives one and a half times the remuneration of an ordinary member. If a fiscal year is less than 12 months, the compensation is paid on a pro-rata basis.

For the fiscal year 2007 the Supervisory Board has received remuneration totaling EUR 79 thousand (2006: EUR 42 thousand).

ACCOUNTING AND AUDITING

The auditor and group auditor for the fiscal year 2007 is Ernst & Young Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft. The auditor has examined the financial statements, the consolidated financial statements and the consolidated management report of Deutsche Wohnen AG and granted them an unqualified audit opinion on March 26, 2008.

Before the selection of Ernst & Young Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft by the Annual General Meeting, the Audit Committee obtained a declaration from the designated auditor that there were no business, financial, personal or other relationships between the auditor, its organs and audit managers on the one hand, and the company and its board members on the other hand, which could cast doubt on their independence.

COMMUNICATION WITH OUR SHAREHOLDERS

As part of the ongoing investor relations activities, all dates which are important for our shareholders are published in a "Financial Calendar" with sufficient advance notice. This calendar can be accessed on the website of Deutsche Wohnen AG. A complete overview of the notifications published in the fiscal year 2007 can be found in the annual document in accordance with § 10 of the Securities Prospectus Act (WpPG), which can also be viewed on the website of Deutsche Wohnen AG.

The company treats all shareholders equally with respect to information. New facts, which are notified to financial analysts and the like, are also immediately made available to the shareholders.

Shareholders have the choice of exercising their voting rights at the Annual General Meeting either by themselves, by an authorized third party or by a company proxy who will vote according to the instructions of the shareholder.

The Annual General Meeting is at present not broadcast live on the internet, although this would be possible in accordance with the articles of the company.

COMPLIANCE OFFICER

Deutsche Wohnen has a Compliance Officer to ensure compliance with the behavior and standards set out in the German Corporate Governance Code. This officer keeps an insider register and informs management, employees and business partners of the relevant legal framework and of the consequences of non-compliance with insider regulations.

§ 161

Code section 3.8

Code section 4.2.5

Code section 5.3.2

DECLARATION OF CONFORMITY

The Management Board and the Supervisory Board of Deutsche Wohnen AG declare in accordance with § 161 of the German Stock Corporation Law:

"Since the last declaration of conformity of December 2006, Deutsche Wohnen AG has conformed with the recommendations of the Government Committee on the German Corporate Governance Code (in accordance with the version of the German Corporate Governance Code dated June 12, 2006, and from July 20, 2007, in the then valid version dated June 14, 2007), with the following exceptions:

» A collective directors and officers insurance policy wi thout deductible from CNA Insurance Company Ltd. exists for the members of the Management Board and the Supervisory Board (Code section 3.8).

» The disclosure of the remuneration for the members of the Management Board is not available in a remuneration report as part of the Corporate Governance report (Code section 4.2.5). Details concerning the remuneration for the members of the Management Board are disclosed in the notes for the consolidated financial statements.

» An age limit for members of the Management Board has not been determined (Code section 5.1.2 sentence 3).

» The Supervisory Board committee which will specifically handle accounting and auditing issues was only set up at the end of August 2007 (Code section 5.3.2).

» The articles of the company only determine a fixed rem uneration for the members of the Supervisory Board. The remuneration does not include a performance-related components. The remuneration does not take into account the role of Chairman and membership in committees of the Supervisory Board. The remuneration of the members of the Supervisory Board or benefits granted to them for services they have performed personally are not stated individually in the Corporate Governance report (Code section 5.4.7).

» The consolidated financial statements and the interim reports were accessible to the public within legal time frames and not within 90 days from the end of the fiscal year or within 45 days from the end of the period under review (Code section 7.1.2 sentence 2). The lead times required to produce financial statements and company reports with due care make it impossible to publish them any earlier.

Code section

5.1.2

Code section

5.4.7

Code section

7.1.2

Deutsche Wohnen AG will in future comply with the recommendations of the Government Committee on the German Corporate Governance Code (in accordance with the version of the German Corporate Governance Code dated June 14, 2007) with the following exceptions:

» A collective directors and officers insurance policy without deductible from CNA Insurance Company Ltd. exists for the members of the Management Board and the Supervisory Board (Code section 3.8).

» The articles of the company only determine a fixed rem uneration for the members of the Supervisory Board. The remuneration does not include a performance-related component. The remuneration does not take into account the role of Chairman and membership in com mittees of the Supervisory Board. The remuneration of the members of the Supervisory Board or benefits gran ted to them for services they have performed personally are not stated individually in the Corporate Governance report (Code section 5.4.7).

» The consolidated financial statements and the interim reports are accessible to the public within legal time frames and not within 90 days from the end of the fiscal year or within 45 days from the end of the period under review. The lead times required to produce financial statements and company reports with due care make it impossible to publish them any earlier (Code section 7.1.2 sentence 2)."

Frankfurt am Main, December 2007


› A remarkable year
2007 ‹

>> REPORT OF THE SUPERVISORY BOARD

2007, the fiscal year under review, was a remarkable and eventful year for Deutsche Wohnen AG. With the expansion of the residential property portfolio from 24,000 to 51,000 residential units, which was due to the acquisition of GEHAG GmbH in July 2007, Deutsche Wohnen AG became the second largest listed residential property company in Germany. The already started integration of GEHAG GmbH and Deutsche Wohnen AG will also be continued in the new fiscal year.

This should, along with the optimization of the housing stock and further expansion through portfolio acquisitions, support the target of strategic growth and the creation of long-term value for shareholders.

5.3.2

MONITORING OF MANAGEMENT

The Supervisory Board performed the tasks delegated to it in the year under review in accordance with the law and the articles of the company. It has regularly advised the members of the Management Board in the running of the company and monitored the management of the company. Right from an early stage, the Supervisory Board was directly involved in all decisions which were of significant importance to the company and the group.

As part of its monitoring and advisory role, the Supervisory Board was informed regularly, quickly and comprehensively – both in writing and verbally – by the Management Board on all matters respecting company planning, strategic measures and alignment, business developments, the current position of the group – including opportunities and risks – , risk management, and the group-internal compliance as well as other issues, which were of significant importance to the company and the group. The business development in relation to the plans and targets were explained in detail by the Management Board and agreed with the Supervisory Board.

MEETINGS OF THE SUPERVISORY BOARD

In the year under review there were five ordinary meetings of the Supervisory Board. In addition, the Supervisory Board convened for five extraordinary meetings. All members of the Supervisory Board took part in more than half of the Supervisory Board meetings in the year under review.

The focus of the advice and monitoring of the Management Board by the Supervisory Board in the year under review was the acquisition of a large portfolio in Berlin with the takeover of the GEHAG Group. In the process, the Supervisory Board was informed in detail by the Management Board of the value of the portfolio and the possible methods for financing and carrying out this acquisition.

The Supervisory Board consequently approved the decision of the Management Board to complete the transaction. In preparation of its decision to grant approval, the Supervisory Board obtained a statement from independent consultants concerning both the valuation of the property portfolio and the benefit of the acquisition from the shareholders' point of view (so-called fairness opinion).

In this context, the Supervisory Board was intensively occupied with the strategic and integrative planning of Deutsche Wohnen AG and the GEHAG Group.

Further focus was directed towards the appointment of new members of the Management Board and the Supervisory Board and the valuation of the property stock. In addition, the Supervisory Board approved the acquisition of a number of smaller residential property portfolios.

The Supervisory Board reviewed its efficiency and came to basically positive conclusions, which were discussed at a meeting of the Supervisory Board.

COMMITTEES OF THE SUPERVISORY BOARD

In order to structure the work of the Supervisory Board more efficiently, the following committees were formed alongside the Executive Committee:

» Acquisition Committee (since 08/30/2007),

» Integration Committee (since 08/30/2007), and

» Audit Committee in terms of section 5.3.2. of the German Corporate Governance Code (since 08/30/2007).

The tasks and work of the committees in the year under review can be summarized as follows:

- The Executive Committee is – as far as legally permitted – assigned the responsibility of advising and passing resolutions in urgent matters. It also continually advises the Management Board. The Executive Committee did not convene for any meetings in the year under review. It did, however, discuss many issues over the phone.
- The Acquisition Committee has the task of preparing the decisions of the Supervisory Board on portfolio acquisitions. The Acquisition Committee was formed by a decision of the Supervisory Board on August 30, 2007. After this there was no further reason for a meeting of the committee in the year under review.
- The main task of the Integration Committee is to advise the Management Board on the integration of the Deutsche Wohnen Group with the GEHAG Group and to prepare the decisions of the Supervisory Board as part of the integration process. In the year under review there were three meetings of the Integration Committee, in which in particular the measures to be taken for the consolidation of Deutsche Wohnen with GEHAG, accounting and controlling issues and impending personnel issues were discussed.
- The Audit Committee has in particular the task of dealing with matters concerning accounting and risk management, the necessary independence of the auditor, the issue of the audit contract to the auditor, the determining of audit priorities, and the agreement of the fee. The Audit Committee held its first meeting on the occasion of the presentation of the annual and consolidated financial statements for 2007 on March 25, 2008.

CONFLICTS OF INTEREST

A consultancy contract has been agreed between Deutsche Wohnen AG and the Oaktree Group, whose German Managing Director is Mr. Hermann T. Dambach, Chairman of the Supervisory Board of Deutsche Wohnen AG. The Supervisory Board – with the exception of Mr. Dambach, who abstained from voting – agreed to the consultancy contract at its meeting on December 03, 2007, in accordance with § 114 paragraph 1 of the German Stock Corporation Act (AktG).

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

In the view of the Management Board and the Supervisory Board, good Corporate Governance is an important basis for the long-term success of the company. The Supervisory Board has constantly monitored and discussed the development of the company's in-house corporate governance standards. In the Annual Report 2007 there is detailed information on corporate governance in the company and the amount and structure of the remuneration for the Supervisory Board and the Management Board.

The standards of the German Corporate Governance Code have been taken into account by Deutsche Wohnen AG. The declaration of conformity required in accordance with § 161 of the Aktiengesetz (German Stock Corporation Act) can be seen in its current version under **www.deutsche-wohnen.com**.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The Annual General Meeting selected Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as the auditor for the fiscal year 2007 on June 21, 2007. The auditor has audited the annual financial statements and the management report including the bookkeeping, the consolidated financial statements and the consolidated management report, and provided an unqualified audit opinion. The auditor has informed the Supervisory Board and the Management Board of the main conclusions of the audit.

The Supervisory Board has for its part independently examined the annual financial statements, the management report, the consolidated financial statements, the consolidated management report, the proposed appropriation of the net retained profits as well asthe audit reports of the auditor. After meeting and discussing with the Management Board and the auditor, the Supervisory Board then endorsed the findings of the auditor on the basis of its own examination. No objections were raised.

The Supervisory Board approves the annual and consolidated financial statements prepared by the Management Board. The annual financial statements are therefore adopted. The Supervisory Board endorses the proposal on the appropriation of the net retained profits.

CHANGES TO THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

On April 19, 2007, Mr. Michael Neubürger stepped down from his position as a member of the Management Board with immediate effect. The contract of employment was cancelled by mutual agreement. Mr. Neubürger had been responsible for Finance and Sales on the Management Board since 2001. The Supervisory Board appointed Dr. Michael Gellen as a member of the Management Board (responsible for Finance) with immediate effect for a transitional period of ca. 3 months. At the end of July 31, 2007, Dr. Michael Gellen stepped down from his position as a member of the Management Board.

With effect of September 28, 2007, the previous Chairman of the Management Board, Mr. Andreas Lehner, left the company and accordingly stepped down from his position as a member of the Management Board. The contract of employment was cancelled by mutual agreement.

The Supervisory Board appointed Mr. Helmut Ullrich with effect of August 1, 2007, as a new member of the Management Board; Herr Ullrich took over Finance. Upon his appointment as a member of the Management Board, Mr. Ullrich stepped down as Chairman of the Supervisory Board of Deutsche Wohnen AG.

The Supervisory Board appointed a further member of the Management Board, Mr. Michael Zahn, with effect of September 1, 2007. On October 5, 2007, Mr. Zahn was also named as the Speaker of the Management Board.

After Mr. Lehner stepped down from his position as a member of the Management Board, Mr. Ullrich and Mr. Zahn took over the following divisions: As Speaker of the Management Board, Mr. Zahn took over the operational business divisions, Portfolio Management and Acquisition as well as Company Communication. Mr. Ullrich as Chief Finance Officer took over Finance, Corporate Law and Investor Relations.

On September 7, 2007, following his judicial appointment as a member of the Supervisory Board, Mr. Herrmann T. Dambach was elected as Chairman of the Supervisory Board.

Mr. Hans-Werner Jacob stepped down from his position as a member of the Supervisory Board with effect of January 3, 2008.

Mr. Uwe E. Flach has been a new member of the Supervisory Board by judicial appointment since January 16, 2008.

The Supervisory Board thanks all of the former members of the Management and Supervisory Boards that left the company for their services rendered to the company.

The Supervisory Board thanks the Management Board and all employees of the Deutsche Wohnen Group for the work they performed in the year under review.

ANNUAL FINANCIAL STATEMENTS OF DEUTSCHE WOHNEN AG

Deutsche Wohnen AG, Frankfurt am Main Balance sheet as of 12/31/2007	(Note)	12/31/2007	12/31/2006
		EUR	EUR
Assets			
A. Fixed assets			
Financial assets			
Shares in affiliated companies	(1)	286,262,676.03	286,262,676.03
B. Current assets			
I. Receivables and other assets	(2)		
1. Receivables from affiliated companies		458,527,486.70	177,880,522.06
2. Other assets		148,212.64	109,772.83
		458,675,699.34	177,990,294.89
II Cash funds			
Bank balances		1,832,241.45	2,004,025.28
		460,507,940.79	179,994,320.17
Total Assets		746,770,616.82	466,256,996.20

	(Note)	12/31/2007	12/31/2006
		EUR	EUR
Liabilities			
A. Equity	(3)		
I. Subscribed capital		26,400,000.00	20,000,000.00
II. Capital reserves		348,922,970.37	170,156,470.37
III. Revenue reserves			
legal reserve		1,022,583.76	1,022,583.76
IV. Net retained profits		433,019.55	17,600,000.00
		376,778,573.68	208,779,054.13
B. Provisions			
Other provisions	(4)	1,683,234.04	1,624,896.00
C. Liabilities			
1. Convertible bonds	(5)	24,339,156.05	0.00
2. Liabilities to banks		338,964,158.73	251,977,834.65
3. Trade payables		796,983.97	6,606.20
4. Liabilities to affiliated companies		91,772.55	32,130.09
5. Other liabilities		4.116.737,80	3,836,475.13
		368,308,809.10	255,853,046.07
Total Liabilities		746,770,616.82	466,256,996.20

Deutsche Wohnen AG, Frankfurt am Main
Income statement 2007

	(Note)	01/01/ – 12/31/2007	07/01/ – 12/31/2006
		EUR	EUR
1. Other operating income	(7)	19,193,544.00	95,616.61
2. Personnel expenses		3,733,188.03	1,055,640.17
a) Wages and salaries EUR 3,726,921.15 (07/01/ – 12/31/2006: EUR 1,052 thousand) b) Social security EUR 6,266.88 (07/01/ – 12/31/2006: EUR 4 thousand) of which for retirement provision EUR 1,656.58 (07/01/ – 12/31/2006: EUR 2 thousand)			
3. Other operating expenses	(8)	5,097,227.90	1,252,620.96
4. Income from investments of which from affiliated companies EUR 5,711 thousand		5,710,644.30	0.00
5. Other interest and similar income of which from affiliated companies EUR 1.878 thousand (07/01/ – 12/31/2006: EUR 83 thousand)	(9)	1,913,691.39	111,644.17
6. Interest and similar expenses		17,950,510.72	7,175,716.52
7. Income from profit transfer		396,066.51	352,862.00
8. Net income for the year (previous year = net loss)		433,019.55	-8,923,854.87
9. Withdrawals from capital reserves		0.00	26,523,854.87
10. Net retained profits		433,019.55	17,600,000.00

NOTES TO FINANCIAL STATEMENTS
DEUTSCHE WOHNEN AG, FRANKFURT AM MAIN

I. GENERAL INFORMATION ON THE ANNUAL FINANCIAL STATEMENTS

Deutsche Wohnen AG is a listed corporation whose registered office is in Germany.

The accompanying annual financial statements were prepared in accordance with the accounting requirements of the Handelsgesetzbuch (HGB—German Commercial Code) and the supplementary provisions of the Aktiengesetz (AktG—German Stock Corporation Act). The income statement is classified using the total cost (nature of expense) format.

II. ACCOUNTING POLICIES

Fixed assets

Shares in affiliated companies are generally measured at cost or, in the event of permanent impairment, at the lower fair value. The list of shareholdings in accordance with § 285 no. 11 HGB is included as Annex 1 to the Notes.

Current assets

Receivables are generally carried at their nominal amount. Uncollectible receivables are written off.

Other provisions and liabilities

Provisions are recognized to take account of identifiable risks and uncertain obligations. They are carried in the amount deemed necessary as of the balance sheet date on the basis of prudent business judgment. Liabilities are recognized at the amounts repayable or the lower present value (convertible bonds) respectively.

III. BALANCE SHEET DISCLOSURES

(1) Fixed assets

The fixed assets consist entirely of shares in affiliated companies.

Deutsche Wohnen AG concluded a contribution agreement on July 2, 2007, with OCM Luxembourg Real Estate Investments S.à.R.L. and OCM Luxembourg Opportunities Investments S.à.R.L. (subsequently referred to as "the OCM companies"), which jointly held the share capital of Gehag Acquisition Co. GmbH. Gehag Acquisition Co. GmbH held for its part approx. 85per cent of the shares in GEHAG GmbH, which has its registered office in Berlin and is the parent company of the GEHAG Group. In accordance with the contribution agreement the OCM companies each contributed shareholdings of 30 per cent (each corresponding to a share of EUR 7,500 in the share capital) in Gehag Acquisition Co. GmbH to Deutsche Wohnen AG. In return for contributing its shares in Gehag Acquisition Co. GmbH to Deutsche Wohnen AG, the OCM companies each received 3,200,000 new bearer shares for Deutsche Wohnen AG with a notional share in the registered capital of EUR 1.00 each and a price of EUR 28.76 per share as of the reference date of the completion of the acquisition from a capital increase from the authorized capital excluding he subscription right of shareholders, and they also each received convertible bonds with a nomtinal value of EUR 12.5 million each.

In order to improve the management of the group these shares were sold on December 21, 2007, to Deutsche Wohnen Direkt Immobilien GmbH, a subsidiary which is owned 100 per cent by the group.

The residual carrying amounts therefore remain unchanged when compared with the previous year (EUR 286.3 million).

Financial assets	Asset cost Balance carryied forward 01/01/2007	Additions	Disposals	As of 12/31/2007	Depreciation and amortization As of 12/31/2007	Carrying amount As of 12/31/2007	As of 12/31/2006
	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
Shares in affiliated companies	286,263	213,308	213,308	286,263	0	286,263	286,263

(2) Receivables and other assets

Receivables from affiliated companies principally comprise loans receivable from subsidiaries within Deutsche Wohnen Group totaling EUR 458.6 million (previous year: EUR 177.5 million). As in the previous year, other assets mainly comprise tax refund claims. All receivables and other assets have a residual maturity of less than one year.

(3) Equity

The following table shows the changes in equity in the fiscal year of 2007:

Subscribed capital

With the issue of 6,400,000 shares as part of the GEHAG transaction the amount of registered share capital is EUR 26.4 million (previous year EUR 20 million). The registered share capital comprises 26,400,000 no-par value shares with a notional share of EUR 1 per share in the registered share capital. The shares have been issued completely and paid in full.

The company shares are registered or bearer shares. If the shares are issued as registered shares, the registered shareholders are entitled to request in writing or in text form (§ 126b German Civil Code, BGB) to the Management Board, that the registered shares for which they are listed in the company's share register are converted into bearer shares. The conversion requires the consent of the Management Board.

Equity	Registered capital	Capital reserves	Retained earnings	Net retained profits	Total
	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
As of 12/31/2006	20,000	170,156	1,023	17,600	208,779
Dividend				– 17,600	– 17,600
Consolidated profit 2007				433	433
Capital increase through issue of 6,400,000 bearer shares as part of the GEHAG transaction at a share price of EUR 28.76	6,400	177,664			184,064
Equity contribution to the convertible bonds issued as part of the GEHAG transaction		1,103			1,103
As of 12/31/2007	26,400	348,923	1,023	433	376,779

When capital increases take place the new shares are issued as bearer shares.

The Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital on one or several occasions in the period up to August 9, 2011, by up to a total of EUR 3,600,000 (in words: three million six hundred thousand Euros) of authorized capital by issuing up to 3,600,000 new ordinary bearer shares against cash or non-cash contributions (authorized capital). The capital which was originally authorized amounted to EUR 10,000,000. It was reduced by the issue of 6,400,000 shares as part of the GEHAG transaction.

The share capital is contingently increased by up to a further EUR 10,000,000.00 with the issue of no-par value bearer shares carrying dividend rights from the beginning of the fiscal year in which they were issued (contingent capital). The contingent capital increase serves to grant shares to creditors or holders of bonds with warrants or convertible bonds, or profit participation rights with conversion or subscription rights, which in accordance with the authorization of the General Meeting of August 10, 2006, will be issued by the company or by a company which is 100 per cent directly or indirectly affiliated to the company in the period up to August 9, 2011, provided that the issue is against cash. The contingent capital increase will only be carried out if rights related to the previously mentioned bonds with warrants or convertible bonds or profit participation rights are exercised or the conversion rights from such bonds subscriptions are met and if own shares are not used for this purpose. The issue of the convertible bonds as part of the GEHAG transaction would correspondingly reduce the contingent capital in case of a conversion.

The Management Board was authorized by the resolution of the Annual General Meeting of June 21, 2007, to acquire own shares of the company corresponding to a total of up to 10 per cent of the share capital in the period leading up to December 20, 2008, in observance of the principle of equal treatment (§ 53 a of the Aktiengesetz [German Stock Corporation Act]).

Capital reserves

The creation of the capital reserves was resolved by the Extraordinary General Meeting in 1999. Capital reserves amounted to EUR 349.5 million as of the balance sheet date (December 31, 2006: EUR 170.8 million). The increase is attributable to the extra amount in the fiscal year for the 6,400,000 shares issued in connection with the GEHAG transaction (EUR 177.6 million) and the equity contribution to the convertible bonds issued (EUR 1.1 million).

Retained earnings

Retained earnings comprise three components.

The legal reserve is mandatory for corporations. In accordance with § 150 paragraph (2) of the German Stock Corporation Act (AktG) an amount of 5 per cent of the profit for the fiscal year is to be retained. The legal reserve has an upper limit of 10 per cent of the share capital. In the process existing retained earnings are to be considered in accordance with § 272 paragraph (2) no. 1–3 of the German Commercial Code (HGB) in a manner which reduces the required provision to the legal reserve correspondingly. This is measured on the basis of the subscribed capital which exists and is legally effective on the reporting date and which is to be reported in this amount in the respective annual balance sheet. The legal reserve remains unchanged at EUR 1.0 million.

(4) Other provisions

Other provisions include principally the negative fair value of an interest rate swap totaling EUR 1.0 million.

(5) Convertible bonds

Convertible bonds were issued as part of the purchase price in the GEHAG transaction. The nominal value EUR 25,000,000. Deutsche Wohnen AG has issued in total 500 convertible bonds with a nominal value of EUR 50,000 each. Their term is 3 years to July 31, 2010. Repayment is at 9 per cent of the nominal value at the end of the term. The initial conversion price is EUR 45 per share. For balance sheet purposes the convertible bonds are to be split into components of equity capital and borrowed capital. The equity capital component is reported in the capital reserves.

(6) Liabilities

Residual maturity	Balance	up to one year	one to five years	more than five years
	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
1. Convertible bonds	24,339	0	24,339	0
2. Liabilities to banks	338,964	12,715	90,265	235,985
3. Trade payables	797	797	0	0
4. Liabilities to affiliated companies	92	92	0	0
5. Other liabilities	4,117	4,117	0	0

For the liabilities to banks, the subsidiaries provided collateral by way of real estate liens in the amount of EUR 140 million to cover liabilities of Deutsche Wohnen AG.

Other liabilities relate primarily to a residual liability to Hoechst AG, Frankfurt am Main totaling EUR 3.6 million. This item also contains tax liabilities in the amount of EUR 428 thousand (previous year: EUR 125 thousand).

IV. INCOME STATEMENT DISCLOSURES

(7) Other operating income

Other operating income contains mainly income from the disposal of financial assets totaling EUR 19.2 million.

(8) Other operating expenses

Other operating expenses include mainly consulting and audit costs totaling EUR 2.3 million (previous year: EUR 0.4 million).

V. CONTINGENT LIABILITIES

As of the reporting date, two corporate guarantees totaling EUR 1.21 million had been issued for Rhein-Pfalz Wohnen GmbH and Deutsche Wohnen Management- und Servicegesellschaft mbH for the benefit of R&V Versicherungs AG, Wiesbaden.

In addition, the Company issued comfort letters for a total of EUR 300 million to Deutsche Kreditbank AG, Berlin, for Rhein-Main Wohnen and Rhein-Mosel Wohnen and to Landesbank Rheinland-Pfalz, Mainz, for Rhein-Main Wohnen, Rhein-Mosel Wohnen, Rhein-Pfalz Wohnen and Main-Taunus KG.

VI. OTHER FINANCIAL OBLIGATIONS

The service agreements entered into with Rhein-Pfalz Wohnen GmbH in 2005 with regard to the provision of services in the areas of IT, finance and accounting, financial control, and investor and public relations result in other financial obligations totaling EUR 0.1 million p.a. for a period of 24 months.

OTHER DISCLOSURES

Management Board

In the fiscal year of 2007 the Management Board comprised the following members:

Name	Tenure	Membership of supervisory boards and other supervisory bodies in terms of § 125 para. 1 s. 3 of the German Stock Corporation Act (AktG)
Michael Zahn, Economist, Speaker of the Management Board	from September 1, 2007	Sanierungs- und Gewerbebau-AG, Aachen
Helmut Ullrich, Rechtsanwalt	from August 1, 2007	
Andreas Lehner	to September 28, 2007	BIH Berliner Immobilien Holding GmbH, Berlin Main-Taunus Wohnen GmbH & Co. KG
Michael Neubürger	to April 19, 2007	Main-Taunus Wohnen GmbH & Co. KG
Dr. Michael Gellen	from April 20, 2007 to July 31, 2007	

The total remuneration of the Management Board of Deutsche Wohnen AG comprises the following for the fiscal year January 1 to December 31, 2007:

Management Board remuneration	Fixed remuneration	Variable remuneration	Settlement	Total remuneration
	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
Michael Zahn	100	0	0	100
Helmut Ullrich	97	583	0	680
Andreas Lehner	211	0	1,450	1,661
Michael Neubürger	58	0	1,320	1,378
Dr. Michael Gellen	32	0	0	32
	498	583	2,770	3,851

Supervisory Board

In the fiscal year of 2007 the Supervisory Board comprised the following members:

Name	Tenure	Profession	Membership of supervisory boards and other supervisory bodies in terms of § 125 para. 1 s. 3 of the German Stock Corporation Act (AktG)
Hermann T. Dambach, Chairman	from September 7, 2007	Managing Director of Oaktree GmbH, Frankfurt am Main	GEHAG GmbH, Berlin Nordenia International AG, Greven Sanierungs- und Gewerbebau-AG, Aachen ESG Eisenbahn-Siedlungs-Gesellschaft Berlin GmbH, Berlin R&R Ice Cream Ltd., North Yorkshire / Grossbritannien
Helmut Ullrich, Chairman	to July 31, 2007		
Dr. Andreas Kretzschmer, Deputy chairman		Managing Director of Ärzteversorgung Westfalen-Lippe Einrichtung der Ärztekammer Westfalen-Lippe – KöR –, Münster	BIOCEUTICALS Arzneimittel AG, Bad Vilbel Oppenheim Immobilien-Kapitalanlagegesellschaft mbH, Wiesbaden Private Life Biomed AG, Hamburg Biofrontera AG, Leverkusen TRITON, St. Helier / Jersey
Jens Bernhardt		Managing Director and Chief Investment Officer, Zurich Group Invest Europe (Deutschland) GmbH, Königstein im Taunus	
Matthias Hünlein		Managing Director Tishman Speyer, Frankfurt am Main	A.A.A. Aktiengesellschaft Allgemeine Anlagenverwaltung, Frankfurt am Main
Dr. Florian Stetter		Managing Director of DeTe Immobilien und Service GmbH, Frankfurt am Main	

Name	Amtszeit	Beruf	Mitgliedschaften in Aufsichtsräten und anderen Kontrollgremien im Sinne des § 125 Abs. 1 S. 3 AktG
Hans-Werner Jacob	to January 3, 2008	Member of the Management of Deutsche Bank AG, Frankfurt am Main	Leoni AG, Nürnberg
Uwe E. Flach	from January 16, 2008	Senior Advisor OCM GmbH	Nordenia International AG, Greven (Chairman of the Supervisory Board) Stada AG, Bad Vilbel, Eisenbahn-Siedlungs-Gesellschaft Berlin GmbH, Berlin, Haus und Heim Wohnungsbau-Aktiengesellschaft, Berlin Andreae-Noris Zahn AG (ANZAG), Frankfurt am Main, GEHAG GmbH, Berlin, Member of the Advisory Board of DZ Bank AG, Frankfurt am Main

Remuneration granted to members of the Supervisory Board amounted to EUR 79 thousand in the fiscal year (previous year: EUR 42 thousand).

Financial instruments

Deutsche Wohnen AG has concluded an interest rate swap of EUR 78 million to hedge cash-flow risks from variable interest loans. The fair value is EUR -1.0 million and was calculated on a market-to-market basis.

Shareholdings with duty of disclosure § 160 German Stock Corporation Act (AktG)

The company Newton Investment Management Limited, Mellon Financial Centre, 160 Queen Victoria Street, London EC4V 4LA, United Kingdom, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) and in correspondence dated April 17, 2007, that it exceeded the disclosure threshold of 10 per cent of the voting rights in Deutsche Wohnen AG, Pfaffenwiese 300, 65929 Frankfurt am Main on July 17, 2006. The share of Newton Investment Management Limited in our company at the above-mentioned date is now 10.02 per cent. These voting rights are to be assigned to Newton Investment Management Limited in accordance with § 22 paragraph 1, clause 1 number 6 of the Securities Trading Act (WpHG).

Newton Investment Management Limited, also notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) and in correspondence dated April 10, 2007, that it fell below the disclosure threshold of 10 per cent of the voting rights in Deutsche Wohnen AG, Pfaffenwiese 300, 65929 Frankfurt am Main on April 05, 2007. The share of Newton Investment Management Limited in our company at the above-mentioned date is now 9.92 per cent. These voting rights are to be assigned to Newton Investment Management Limited in accordance with § 22 paragraph 1, clause 1 number 6 of the Securities Securities Trading Act (WpHG).

Mellon Financial Corporation, One Boston Place, Boston, MA 02108, USA, and

- MBC Investments Corp., 4001 Kennett Pike, Suite 218, Greenville, Delaware 19807, USA
- Mellon International Limited, Mellon Financial Centre, 160 Queen Victoria Street, London EC4V4LA, United Kingdom
- Neptune LLC, One Mellon Center, 500 Grant Street, Pittsburgh, Pennsylvania 15258, USA
- Newton Investment Management Limited, Mellon Financial Centre, 160 Queen Victoria Street, London EC4V4LA, United Kingdom
- Newton Management Limited, Mellon Financial Centre, 160 Queen Victoria Street, London EC4V4LA, United Kingdom

notified us on May 3, 2007, and in correspondence dated April 30, 2007, in accordance with § 21 paragraph 1, clause 1 of the Securities Trading Act (WpHG) that its share in the voting rights of Deutsche Wohnen AG (Pfaffenwiese 300, 65929 Frankfurt am Main) exceeded the threshold of 10 per cent on July 17, 2006, and is now 10.02 per cent.

These voting rights belong to customers of the subsidiary Newton Investment Management Limited and are to be assigned to Mellon Financial Corporation and the above-mentioned companies in accordance with § 22 paragraph 1, clause 1 no. 6 in conjunction with clause 2 of the Securities Trading Act (WpHG).

Mellon Financial Corporation, One Boston Place, Boston, MA 02108, USA, and

- MBC Investments Corp., 4001 Kennett Pike, Suite 218, Greenville, Delaware 19807, USA
- Mellon International Limited, Mellon Financial Centre, 160 Queen Victoria Street, London EC4V4LA, United Kingdom
- Neptune LLC, One Mellon Center, 500 Grant Street, Pittsburgh, Pennsylvania 15258, USA
- Newton Investment Management Limited, Mellon Financial Centre, 160 Queen Victoria Street, London EC4V4LA, United Kingdom
- Newton Management Limited, Mellon Financial Centre, 160 Queen Victoria Street, London EC4V4LA, United Kingdom

also notified us on May 3, 2007, and in correspondence dated April 20, 2007, in accordance with § 21 paragraph 1, clause 1 of the Securities Trading Act (WpHG) that its share in the voting rights of Deutsche Wohnen AG (Pfaffenwiese 300, 65929 Frankfurt am Main) fell below the threshold of 10 per cent on April 5, 2007, and is now 9.92 per cent (1,909,969 shares).

These voting rights belong to customers of the subsidiary Newton Investment Management Limited and are to be assigned to Mellon Financial Corporation and the above-mentioned companies in accordance with § 22 paragraph 1, clause 1 no. 6 in conjunction with clause 2 of the Securities Trading Act (WpHG).

OCM Luxembourg Opportunities Investments, S.à R.L., 7A Rue Robert Stümper, L-2557 Luxembourg, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007, and amounted to 12.12 per cent (3,200,000 voting rights) on that date.

OCM Luxembourg Real Estate Investments, S.à R.L., 7A Rue Robert Stümper, L-2557 Luxembourg, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007, and amounted to 12.12 per cent (3,200,000 voting rights) on that date.

OCM Luxembourg Opportunities Holdings, LLC, 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007, and amounted to 12.12 per cent (3,200,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) to OCM Luxembourg Opportunities Investments, S.à R.L., which has a share in the voting rights of 3 per cent or more.

OCM Luxembourg Real Estate Holdings, LLC, 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007, and is now 12.12 per cent (3,200,000 voting rights). All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across the Real Estate Investments, S.à R.L., who have a share in the voting rights of 3 per cent or more.

OCM Opportunities Fund V, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007, and amounted to 12.12 per cent (3,200,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:

- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,

who each have a share in the voting rights of 3 per cent or more.

OCM Opportunities Fund VI, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007, and amounted to 12.12 per cent (3,200,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:

- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,

who each have a share in the voting rights of 3 per cent or more.

OCM Principal Opportunities Fund III, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071,

USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007 and amounted to 12.12 per cent (3,200,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:
- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,

who each have a share in the voting rights of 3 per cent or more.

OCM Principal Opportunities Fund IIIA, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007, and amounted to 12.12 per cent (3,200,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG). Voting rights are assigned across:
- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,

who are each controlled by OCM Principal Opportunities Fund IIIA, L.P., and have a share in the voting rights of 3 per cent or more.

OCM Real Estate Opportunities Fund IIIA, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007, and amounted to 12.12 per cent (3,200,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:
- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,

who each have a share in the voting rights of 3 per cent or more.

OCM Opportunities Fund V GP, LLC, 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007, and amounted to 12.12 per cent (3,200,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:
- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Opportunities Fund V, L.P.,

who each have a share in the voting rights of 3 per cent or more.

OCM Opportunities Fund VI GP, LLC, 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007, and amounted to 12.12 per cent (3,200,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:
- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Opportunities Fund VI, L.P.,

who each have a share in the voting rights of 3 per cent or more.

OCM Principal Opportunities Fund III GP, LLC, 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007, and amounted to 12.12 per cent (3,200,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:

- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Principal Opportunities Fund III, L.P.,
- OCM Principal Opportunities Fund IIIA, L.P.,

who each have a share in the voting rights of 3 per cent or more.

Delta Master Trust, 100 Hartsfield Centre Parkway Suite 640, Atlanta, GA 30354-1371, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007, and amounted to 12.12 per cent (3,200,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:

- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Principal Opportunities Fund IIIA, L.P.,

who each have a share in the voting rights of 3 per cent or more.

Teachers' Retirement System of the City of New York, c/o NYC Office of the Comptroller/Bureau of Asset Management, One Centre Street, Room 736 New York, NY 10007, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007, and amounted to 12.12 per cent (3,200,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:

- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Real Estate Opportunities Fund IIIA, L.P.,

who each have a share in the voting rights of 3 per cent or more.

OCM Real Estate Opportunities Fund III, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007, and amounted to 12.12 per cent (3,200,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Real Estate Holdings, LLC,

who each have a share in the voting rights of 3 per cent or more.

OCM Real Estate Opportunities Fund III GP, LLC, 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5, 10, 15, and 20 per cent on August 9, 2007, and amounted to 24.24 per cent (6,400,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Real Estate Holdings, LLC,
- OCM Luxembourg Opportunities Holdings, LLC,

» OCM Real Estate Opportunities Fund III, L.P,
» OCM Real Estate Opportunities Fund IIIA, L.P,

who each have a share in the voting rights of 3 per cent or more.

Oaktree Fund GP I, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007, and amounted to 12.12 per cent (3,200,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:
» OCM Luxembourg Opportunities Investments, S.à R.L.,
» OCM Luxembourg Opportunities Holdings, LLC,
» OCM Opportunities Fund V, L.P,
» OCM Opportunities Fund VI, L.P.,
» OCM Principal Opportunities Fund III, L.P.,
» OCM Principal Opportunities Fund IIIA, L.P.,
» OCM Opportunities Fund V GP, LLC,
» OCM Opportunities Fund VI GP, LLC,
» OCM Principal Opportunities Fund III GP, LLC,

who each have a share in the voting rights of 3 per cent or more.

Oaktree Fund GP II, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5, 10, 15, and 20 per cent on August 9, 2007 and amounted to 24.24 per cent (6,400,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:
» OCM Luxembourg Real Estate Investments, S.à R.L.,
» OCM Luxembourg Opportunities Investments, S.à R.L.,
» OCM Luxembourg Real Estate Holdings, LLC,
» OCM Luxembourg Opportunities Holdings, LLC,
» OCM Real Estate Opportunities Fund III, L.P,
» OCM Real Estate Opportunities Fund IIIA, L.P,
» OCM Real Estate Opportunities Fund III GP, LLC,

who each have a share in the voting rights of 3 per cent or more.

Oaktree Capital I, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007, and amounted to 12.12 per cent (3,200,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:
» OCM Luxembourg Opportunities Investments, S.à R.L.,
» OCM Luxembourg Opportunities Holdings, LLC,
» OCM Opportunities Fund V, L.P,
» OCM Opportunities Fund VI, L.P.,
» OCM Principal Opportunities Fund III, L.P.,
» OCM Principal Opportunities Fund IIIA, L.P.,
» OCM Opportunities Fund V GP, LLC,
» OCM Opportunities Fund VI GP, LLC,
» OCM Principal Opportunities Fund III GP, LLC,
» Oaktree Fund GP I, L.P.,

who each have a share in the voting rights of 3 per cent or more.

Oaktree Capital II, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5, 10, 15, and 20 per cent on August 9, 2007, and amounted to 24.24 per cent (6,400,000 voting rights) on that date. All of the voting rights are

assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:
- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Real Estate Holdings, LLC,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Real Estate Opportunities Fund III, L.P,
- OCM Real Estate Opportunities Fund IIIA, L.P,
- OCM Real Estate Opportunities Fund III GP, LLC,
- Oaktree Fund GP II, L.P.,

who each have a share in the voting rights of 3 per cent or more.

Oaktree Capital Management, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5, 10, 15, and 20 per cent on August 9, 2007, and amounted to 24.24 per cent (6,400,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 6 of the Securities Trading Act (WpHG) across:
- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Opportunities Investments, S.à R.L.,

who each have a share in the voting rights of 3 per cent or more.

OCM Holdings I, LLC, 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007, and amounted to 12.12 per cent (3,200,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:
- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Opportunities Fund V, L.P,
- OCM Opportunities Fund VI, L.P.,
- OCM Principal Opportunities Fund III, L.P.,
- OCM Principal Opportunities Fund IIIA, L.P.,
- OCM Opportunities Fund V GP, LLC,
- OCM Opportunities Fund VI GP, LLC,
- OCM Principal Opportunities Fund III GP, LLC,
- Oaktree Fund GP I, L.P.,
- Oaktree Capital I, L.P.,

who each have a share in the voting rights of 3 per cent or more.

Oaktree Holdings, LLC, 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5 and 10 per cent on August 9, 2007, and amounted to 12.12 per cent (3,200,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:
- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Opportunities Fund V, L.P,
- OCM Opportunities Fund VI, L.P.,
- OCM Principal Opportunities Fund III, L.P.,
- OCM Principal Opportunities Fund IIIA, L.P.,
- OCM Opportunities Fund V GP, LLC,
- OCM Opportunities Fund VI GP, LLC,
- OCM Principal Opportunities Fund III GP, LLC,
- Oaktree Fund GP I, L.P.,
- Oaktree Capital I, L.P.,
- OCM Holdings I, LLC,

who each have a share in the voting rights of 3 per cent or more.

Oaktree Holdings, Inc., 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5, 10, 15, and 20 per cent on August 9, 2007, and amounted to 24.24 per cent (6,400,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 and no. 6 in conjunction with clause 2 of the Securities Trading Act (WpHG). Voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Real Estate Holdings, LLC,
- OCM Real Estate Opportunities Fund III, L.P,
- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Real Estate Opportunities Fund IIIA, L.P.,
- OCM Real Estate Opportunities Fund III GP, LLC,
- Oaktree Fund GP II, L.P.,
- Oaktree Capital II, L.P.,

who each have a share in the voting rights of 3 per cent or more.

Voting rights are also assigned in accordance with § 22 paragraph 1 no. 6 in conjunction with clause 2 of the Securities Trading Act (WpHG) across:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Opportunities Investments, S.à R.L.,

who each have a share in the voting rights of 3 per cent or more.

Oaktree Capital Group, LLC, 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5, 10, 15, and 20 per cent on August 9, 2007, and amounted to 24.24 per cent (6,400,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 and no. 6 in conjunction with clause 2 of the Securities Trading Act (WpHG). Voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Real Estate Holdings, LLC,
- OCM Real Estate Opportunities Fund III, L.P,
- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Opportunities Fund V, L.P.,
- OCM Opportunities Fund VI, L.P.,
- OCM Principal Opportunities Fund III, L.P.,
- OCM Principal Opportunities Fund IIIA, L.P.,
- OCM Real Estate Opportunities Fund IIIA, L.P.,
- OCM Opportunities Fund V GP, LLC,
- OCM Opportunities Fund VI GP, LLC,
- OCM Principal Opportunities Fund III GP, LLC,
- OCM Real Estate Opportunities Fund III GP, LLC,
- Oaktree Fund GP I, L.P,
- Oaktree Fund GP II, L.P.,
- Oaktree Capital I, L.P.,
- Oaktree Capital II, L.P.,
- OCM Holdings I, LLC,
- Oaktree Holdings, LLC,
- Oaktree Holdings, Inc.,

who each have a share in the voting rights of 3 per cent or more.

Voting rights are also assigned in accordance with § 22 paragraph 1 no. 6 in conjunction with clause 2 of the Securities Trading Act (WpHG) across:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Opportunities Investments, S.à R.L.,

who each have a share in the voting rights of 3 per cent or more.

Oaktree Capital Group Holdings, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5, 10, 15, and 20 per cent on August 9, 2007, and amounted to 24.24 per cent (6,400,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 and no. 6 in conjunction with clause 2 of the Securities Trading Act (WpHG). Voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:
>> OCM Luxembourg Real Estate Investments, S.à R.L.,
>> OCM Luxembourg Real Estate Holdings, LLC,
>> OCM Real Estate Opportunities Fund III, L.P,
>> OCM Luxembourg Opportunities Investments, S.à R.L.,
>> OCM Luxembourg Opportunities Holdings, LLC,
>> OCM Opportunities Fund V, L.P.,
>> OCM Opportunities Fund VI, L.P.,
>> OCM Principal Opportunities Fund III, L.P.,
>> OCM Principal Opportunities Fund IIIA, L.P.,
>> OCM Real Estate Opportunities Fund IIIA, L.P.,
>> OCM Opportunities Fund V GP, LLC,
>> OCM Opportunities Fund VI GP, LLC,
>> OCM Principal Opportunities Fund III GP, LLC,
>> OCM Real Estate Opportunities Fund III GP, LLC,
>> Oaktree Fund GP I, L.P,
>> Oaktree Fund GP II, L.P.,
>> Oaktree Capital I, L.P.,
>> Oaktree Capital II, L.P.,
>> OCM Holdings I, LLC,
>> Oaktree Holdings, LLC,
>> Oaktree Holdings, Inc.,
>> Oaktree Capital Group, LLC,

who each have a share in the voting rights of 3 per cent or more.

Voting rights are also assigned in accordance with § 22 paragraph 1 no. 6 in conjunction with clause 2 of the Securities Trading Act (WpHG) across:
>> OCM Luxembourg Real Estate Investments, S.à R.L.,
>> OCM Luxembourg Opportunities Investments, S.à R.L.,

who each have a share in the voting rights of 3 per cent or more.

Oaktree Capital Group Holdings GP, LLC, 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071, USA, notified us that its share in the voting rights of Deutsche Wohnen AG exceeded the thresholds of 3, 5, 10, 15, and 20 per cent on August 9, 2007, and amounted to 24.24 per cent (6,400,000 voting rights) on that date. All of the voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 and no. 6 in conjunction with clause 2 of the Securities Trading Act (WpHG). Voting rights are assigned in accordance with § 22 paragraph 1, clause 1 no. 1 of the Securities Trading Act (WpHG) across:
>> OCM Luxembourg Real Estate Investments, S.à R.L.,
>> OCM Luxembourg Real Estate Holdings, LLC,
>> OCM Real Estate Opportunities Fund III, L.P,
>> OCM Luxembourg Opportunities Investments, S.à R.L.,
>> OCM Luxembourg Opportunities Holdings, LLC,
>> OCM Opportunities Fund V, L.P.,
>> OCM Opportunities Fund VI, L.P.,
>> OCM Principal Opportunities Fund III, L.P.,
>> OCM Principal Opportunities Fund IIIA, L.P.,
>> OCM Real Estate Opportunities Fund IIIA, L.P.,
>> OCM Opportunities Fund V GP, LLC,
>> OCM Opportunities Fund VI GP, LLC,
>> OCM Principal Opportunities Fund III GP, LLC,
>> OCM Real Estate Opportunities Fund III GP, LLC,

- Oaktree Fund GP I, L.P,
- Oaktree Fund GP II, L.P.,
- Oaktree Capital I, L.P.,
- Oaktree Capital II, L.P.,
- OCM Holdings I, LLC,
- Oaktree Holdings, LLC,
- Oaktree Holdings, Inc.,
- Oaktree Capital Group, LLC,
- Oaktree Capital Group Holdings, L.P.,

who each have a share in the voting rights of 3 per cent or more.

Voting rights are also assigned in accordance with § 22 paragraph 1 no. 6 in conjunction with clause 2 of the Securities Trading Act (WpHG) across:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Opportunities Investments, S.à R.L.,

who each have a share in the voting rights of 3 per cent or more.

Asset Value Investors Limited Bennet House, 54 St James's Street, London SW1A 1JT, United Kingdom, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on August 15, 2007, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C exceeded the threshold of 3 per cent of the voting rights with shares on August 9, 2007, and is now 4.15 per cent (which corresponds to 1,096,296 voting rights). 4.15 per cent of the voting rights (which corresponds to 1,096,296 voting rights) are to be assigned to the company in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG).

Asset Value Investors Limited Bennet House, 54 St James's Street, London SW1A 1JT, United Kingdom, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on August 15, 2007, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C exceeded the threshold of 3 per cent of the voting rights with shares on August 8, 2007, and is now 2.92 per cent (which corresponds to voting 771,019 voting rights).
2.92 per cent of the voting rights (which corresponds to 771,019 voting rights) are to be assigned to the company in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG).

Asset Value Investors Limited Bennet House, 54 St James's Street, London SW1A 1JT, United Kingdom, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on August 15, 2007, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C exceeded the threshold of 3 per cent of the voting rights with shares on August 9, 2007, and is now 4.15 per cent (which corresponds to 1,096,296 voting rights). 4.15 per cent of the voting rights (which corresponds to 1,096,296 voting rights) are to be assigned to the company in accordance with § 22 paragraph 1, clause 1, no . 6 of the Securities Trading Act (WpHG).

Colonia Real Estate AG, 50667 Cologne, Germany, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on September 5, 2007, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C exceeded the threshold of 3 per cent of the voting rights with shares on August 31, 2007, and is now 3.59 per cent (which corresponds to 947,038 voting rights).

CMI Asset Management, 8009 Strassen, Luxembourg notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on September 4, 2007, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C fell below the threshold of 3 per cent of the voting rights with shares on August 6, 2007, and is now 2.80 per cent (which corresponds to 560,776 voting rights).

2.80 per cent of the voting rights (which corresponds to 560,776 voting rights) are to be assigned to the company CMI Asset Management (Luxembourg) SA in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG).

CMI Asset Management, 8009 Strassen, Luxembourg notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on September 4, 2007, that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 3 per cent of the voting rights with shares on August 6, 2007, and is now 2.80 per cent (which corresponds to 560,776 voting rights). All of these 2.80 per cent of the voting rights (which corresponds to 560,776 voting rights) are to be assigned to CMI Asset Management (Luxembourg) SA in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG).

Massachusetts Financial Services Company (MFS), Boston, USA, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on November 16, 2007, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, exceeded the threshold of 3 per cent of the voting rights with shares on November 6, 2007, and is now 3.01 per cent (which corresponds to 795,223 voting rights).

3.01 per cent of the voting rights (which corresponds to 795,223 voting rights) are to be assigned to Massachusetts Financial Services Company (MFS) in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG). No individual party exceeds 3 per cent of the voting rights in Deutsche Wohnen AG.

Sun Life of Canada (U.S.) Financial Services Holdings, Inc., Boston, USA, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on November 16, 2007, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, exceeded the threshold of 3 per cent of the voting rights with shares on November 6, 2007, and is now 3.01 per cent (which corresponds to 795,223 voting rights).

3.01 per cent of the voting rights (which corresponds to 795,223 voting rights) are to be assigned to Sun Life of Canada (U.S.) Financial Services Holdings, Inc. in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG) in conjunction with § 22 paragraph 1, clause 2 of the Securities Trading Act (WpHG).

Sun Life Assurance Company of Canada—U.S. Operations Holdings, Inc., Wellesley Hills, USA, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on November 16, 2007, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, exceeded the threshold of 3 per cent of the voting rights with shares on November 6, 2007, and is now 3.01 per cent (which corresponds to 795,223 voting rights).

3.01 per cent of the voting rights (which corresponds to 795,223 voting rights) are to be assigned to Sun Life Assurance Company of Canada—U.S. Operations Holdings, Inc. in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG) in conjunction with § 22 paragraph 1, clause 2 of the Securities Trading Act (WpHG).

Sun Life Financial (U.S.) Investments LLC, Wellesley Hills, USA, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on November 16, 2007, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, exceeded the threshold of 3 per cent of the voting rights with shares on November 6, 2007, and is now 3.01 per cent (which corresponds to 795,223 voting rights).

3.01 per cent of the voting rights (which corresponds to 795,223 voting rights) are to be assigned to Sun Life Financial (U.S.) Investments LLC in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG) in conjunction with § 22 paragraph 1, clause 2 of the Securities Trading Act (WpHG).

Sun Life Financial (U.S.) Holdings, Inc., Wellesley Hills, USA, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on November 16, 2007, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, exceeded the threshold of 3 per cent of the voting rights with shares on November 6, 2007, and is now 3.01 per cent (which corresponds to 795,223 voting rights).

3.01 per cent of the voting rights (which corresponds to 795,223 voting rights) are to be assigned to Sun Life Financial (U.S.) Holdings, Inc. in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG) in conjunction with § 22 paragraph 1, clause 2 of the Securities Trading Act (WpHG).

Sun Life Financial Inc., Toronto, Canada, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on November 16, 2007, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, exceeded the threshold of 3 per cent of the voting rights with shares on November 6, 2007, and is now 3.01 per cent (which corresponds to 795,223 voting rights).

3.01 per cent of the voting rights (which corresponds to 795,223 voting rights) are to be assigned to Sun Life Financial Inc. in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG) in conjunction with § 22 paragraph 1, clause 2 of the Securities Trading Act (WpHG).

Sun Life Financial Corp., Toronto, Canada, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on November 16, 2007, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, exceeded the threshold of 3 per cent of the voting rights with shares on November 6, 2007, and is now 3.01 per cent (which corresponds to 795,223 voting rights).

3.01 per cent of the voting rights (which corresponds to 795,223 voting rights) are to be assigned to Sun Life Financial Corp. in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG) in conjunction with § 22 paragraph 1, clause 2 of the Securities Trading Act (WpHG).

British Empire Securities and General Trust plc London, United Kingdom, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on November 29, 2007, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C exceeded the threshold of 3 per cent of the voting rights with shares on November 29, 2007, and is now 3.05 per cent (which corresponds to 806,477 voting rights).

Ärzteversorgung Westfalen-Lippe Münster, Germany, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on December 3, 2007, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C exceeded the threshold of 3 per cent of the voting rights with shares on November 30, 2007, and is now 3.21 per cent (which corresponds to 846,822 voting rights).

Colonia Real Estate AG, Cologne, Germany, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on December 3, 2007, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C exceeded the threshold of 3 per cent of the voting rights with shares on November 27, 2007, and is now 2.99 per cent (which corresponds to 789,258 voting rights).

MLP AG Wiesloch, Germany, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on January 15, 2008, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C exceeded the threshold of 3 per cent of the voting rights with shares on December 6, 2007, and is now 3.33 per cent (which corresponds to 878,157 voting rights). 3.33 per cent of the voting rights (which corresponds to 878.157 voting rights) are to be assigned to the company in accordance with § 22 paragraph 1, clause 1, no. 1 of the Securities Trading Act (WpHG). The assigned voting rights are held by the following companies which are controlled by MLP AG and who each have a share in the voting rights of Deutsche Wohnen AG of 3 per cent or more: Feri Finance AG, Feri Institutional Advisors GmbH and Ferrum Pension Managment S.a.r.l.

Ferrum Pension Management S.à.r.l., Luxembourg, Luxembourg, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on January 17, 2008, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C exceeded the threshold of 3 per cent of the voting rights with shares on December 6, 2007, and is now 3.33 per cent (which corresponds to 878,157 voting rights).

Feri Institutional Advisors GmbH, Bad Homburg, Germany, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on January 17, 2008, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C exceeded the threshold of 3 per cent of the voting rights with shares on December 6, 2007, and is now 3.33 per cent (which corresponds to 878,157 voting rights). 3.33 per cent of the voting rights (which corresponds to 878,157 voting rights) are to be assigned to the company in accordance with § 22 paragraph 1, clause 1, no. 1 of the Securities Trading Act (WpHG). The assigned voting rights are held by the following companies which are controlled by Feri Institutional Advisors GmbH and who each have a share in the voting rights of Deutsche Wohnen AG of 3 per cent or more: Ferrum Pension Managment S.a.r.l.

Feri Finance AG, Bad Homburg, Germany, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on January 17, 2008, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C exceeded the threshold of 3 per cent of the voting rights with shares on December 6, 2007, and is now 3.33 per cent (which corresponds to 878,157 voting rights). 3.33 per cent of the voting rights (which corresponds to 878,157 voting rights) are to be assigned to the company in accordance with § 22 paragraph 1, clause 1, no. 1 of the Securities

Trading Act (WpHG). The assigned voting rights are held by the following companies which are controlled by Feri Finance AG and who each have a share in the voting rights of Deutsche Wohnen AG of 3 per cent or more: Feri Institutional Advisors GmbH and Ferrum Pension Managment S.a.r.l.

1) The Bank of New York Mellon Corporation, Pittsburgh, USA, notified us for and on behalf of Newton Investment Management Ltd. London, United Kingdom, in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on February 4, 2008, that Newton Investment Management Ltd.'s share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C exceeded the threshold of 10 per cent of the voting rights on December 4, 2006, and amounted to 10.26 per cent (which corresponds to 2,052,430 voting rights).

These voting rights are to be assigned to Newton Investment Management Ltd. in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG).

The Bank of New York Mellon Corporation (previously: Mellon Financial Corporation), Pittsburgh, USA, also informed us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on February 4, 2008, for and on behalf of the following companies, that its share and the share of each of the following companies exceeded the threshold of 10 per cent of the voting rights on December 4, 2006, and amounted to 10.26 per cent (which corresponds to 2,052,430 voting rights) on that date:

- MBC Investment Corp., Greenville, USA
- Neptune LLC, Pittsburgh, USA
- Mellon International Holdings S.A.R.L., Luxembourg, Luxembourg
- Mellon International Limited, London, United Kingdom

These voting rights are to be assigned to The Bank of New York Mellon Corporation and to each of the companies mentioned in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG) and § 22 paragraph 1, clause 2 of the Securities Trading Act (WpHG).

2) The Bank of New York Mellon Corporation, Pittsburgh, USA, notified us for and on behalf of Newton Investment Management Ltd. London, United Kingdom, in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on February 4, 2008, that Newton Investment Management Ltd.'s share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C fell below the threshold of 10 per cent of the voting rights on December 12, 2006, and amounted to 9.89 per cent (which corresponds to 1,977,671 voting rights) on that date.

These voting rights are to be assigned to Newton Investment Management Ltd. in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG).

The Bank of New York Mellon Corporation (previously: Mellon Financial Corporation), Pittsburgh, USA, also informed us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on February 4, 2008, for and on behalf of the following companies, that its share and the share of each of the following companies fell below the threshold of 10 per cent of the voting rights on December 12, 2006 and amounted to 9.89 per cent (which corresponds to 1,977,671 voting rights) on that date:

- MBC Investment Corp., Greenville, USA
- Neptune LLC, Pittsburgh, USA
- Mellon International Holdings S.A.R.L., Luxembourg, Luxembourg
- Mellon International Limited, London, United Kingdom

These voting rights are to be assigned to The Bank of New York Mellon Corporation and to each of the companies mentioned in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG) and § 22 paragraph 1, clause 2 of the Securities Trading Act (WpHG).

3) The Bank of New York Mellon Corporation, Pittsburgh, USA, notified us for and on behalf of Newton Investment Management Ltd. London, United Kingdom, in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on February 4, 2008, that Newton Investment Management Ltd.'s share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C exceeded the threshold of 10 per cent of the voting rights on December 15, 2006, and amounted to 10.01 per cent (which corresponds to 2,001,237 voting rights) on that date.

These voting rights are to be assigned to Newton Investment Management Ltd. in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG).

The Bank of New York Mellon Corporation (previously: Mellon Financial Corporation), Pittsburgh, USA, also informed us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on February 4, 2008, for and on behalf of the following companies, that its share and the share of each of the following companies exceeded the threshold of 10 per cent of the voting rights on December 15, 2006, and amounted to 10.01 per cent (which corresponds to 2,001,237 voting rights) on that date:

- MBC Investment Corp., Greenville, USA
- Neptune LLC, Pittsburgh, USA
- Mellon International Holdings S.A.R.L., Luxembourg, Luxembourg
- Mellon International Limited, London, United Kingdom

These voting rights are to be assigned to The Bank of New York Mellon Corporation and to each of the companies mentioned in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG) and § 22 paragraph 1, clause 2 of the Securities Trading Act (WpHG).

4) The Bank of New York Mellon Corporation, Pittsburgh, USA, notified us for and on behalf of Newton Investment Management Ltd. London, United Kingdom, in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on February 4, 2008, that Newton Investment Management Ltd.'s share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C fell below the threshold of 10 per cent of the voting rights on March 29, 2007, and amounted to 9.78 per cent (which corresponds to 1,955,324 voting rights) on that date.

These voting rights are to be assigned to Newton Investment Management Ltd. in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG).

The Bank of New York Mellon Corporation (previously: Mellon Financial Corporation), Pittsburgh, USA, also informed us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on February 4, 2008, for and on behalf of the following companies, that its share and the share of each of the following companies fell below the threshold of 10 per cent of the voting rights on March 29, 2007, and amounted to 9.78 per cent (which corresponds to 1,955,324 voting rights) on that date:

- MBC Investment Corp., Greenville, USA
- Neptune LLC, Pittsburgh, USA
- Mellon International Holdings S.A.R.L., Luxembourg, Luxembourg
- Mellon International Limited, London, United Kingdom

These voting rights are to be assigned to The Bank of New York Mellon Corporation and to each of the companies mentioned in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG) and § 22 paragraph 1, clause 2 of the Securities Trading Act (WpHG).

5) The Bank of New York Mellon Corporation, New York, USA, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on February 4, 2008, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C exceeded the threshold of 3 per cent and 5 per cent of the voting rights on July 1, 2007, and amounted to 7.72 per cent (which corresponds to 1,543,761 voting rights) on that date.

These voting rights are to be assigned to The Bank of New York Mellon Corporation in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG) and § 22 paragraph 1, clause 2 of the Securities Trading Act (WpHG).

6) The Bank of New York Mellon Corporation, Pittsburgh, USA, notified us for and on behalf of Newton Investment Management Ltd. London, United Kingdom, in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on February 4, 2008, that Newton Investment Management Ltd.'s share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C fell below the threshold of 5 per cent of the voting rights on August 8, 2007, and amounted to 4.17 per cent (which corresponds to 1,100,466 voting rights) on that date.

These voting rights are to be assigned to Newton Investment Management Ltd. in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG).

The Bank of New York Mellon Corporation, Pittsburgh, USA, also informed us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on February 4, 2008, for and on behalf of the following companies, that the share of each of the following companies fell below the threshold of 5 per cent of the voting rights on August 8, 2007, and amounted to 4.17 per cent (which corresponds to 1,100,466 voting rights) on that date:

- MBC Investment Corp., Greenville, USA
- Neptune LLC, Pittsburgh, USA
- Mellon International Holdings S.A.R.L., Luxembourg, Luxembourg
- Mellon International Limited, London, United Kingdom

These voting rights are to be assigned to each of the companies mentioned in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG) and § 22 paragraph 1, clause 2 of the Securities Trading Act (WpHG).

The Bank of New York Mellon Corporation, Pittsburgh, USA, also notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on February 4, 2008, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C, fell below the threshold of 5 per cent on

August 8, 2007 and amounted to 4.37 per cent (which corresponds to 1,154,680 voting rights) on that date.

These voting rights are to be assigned to The Bank of New York Mellon Corporation in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG) and § 22 paragraph 1, clause 2 of the Securities Trading Act (WpHG).

7) The Bank of New York Mellon Corporation, Pittsburgh, USA, notified us for and on behalf of Newton Investment Management Ltd. London, United Kingdom, in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on February 4, 2008, that Newton Investment Management Ltd.'s share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany, ISIN: DE000A0HN5C6, WKN: A0HN5C fell below the threshold of 3 per cent of the voting rights on August 31, 2007, and amounted to 2.48 per cent (which corresponds to 655,692 voting rights) on that date.

These voting rights are to be assigned to Newton Investment Management Ltd. in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG).

The Bank of New York Mellon Corporation, Pittsburgh, USA, also informed us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on February 4, 2008, for and on behalf of the following companies, that the share of each of the following companies fell below the threshold of 3 per cent of the voting rights on August 31, 2007, and amounted to 2.48 per cent (which corresponds to 655,692 voting rights) on that date:

- MBC Investment Corp., Greenville, USA
- Neptune LLC, Pittsburgh, USA
- Mellon International Holdings S.A.R.L., Luxembourg, Luxembourg
- Mellon International Limited, London, United Kingdom

These voting rights are to be assigned to each of the companies mentioned in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG) and § 22 paragraph 1, clause 2 of the Securities Trading Act (WpHG).

The Bank of New York Mellon Corporation, Pittsburgh, USA, also notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on February 4, 2008, that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 3 per cent of the voting rights on August 31, 2007, and amounted to 2.71 per cent (which corresponds to 716,308 voting rights) on that date. These voting rights are to be assigned to The Bank of New York Mellon Corporation in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG) and § 22 paragraph 1, clause 2 of the Securities Trading Act (WpHG).

Cohen & Steers, Inc., New York, USA, notified us in accordance with § 21 paragraph 1 of the Securities Trading Act (WpHG) on February 28, 2008, that its share of the voting rights in Deutsche Wohnen AG, Frankfurt am Main, Germany (ISIN: DE000A0HN5C6, WKN: A0HN5C) exceeded the threshold of 3 per cent of the voting rights with shares on February 25, 2008, and now amounts to 3.09 per cent (which corresponds to 815,188 voting rights). These voting rights are to be assigned to Cohen & Steers, Inc. in accordance with § 22 paragraph 1, clause 1, no. 6 of the Securities Trading Act (WpHG) in conjunction with clause 2.

Auditor's fee

The fees of the auditors Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft recognized as expenses in the fiscal year amounted to EUR 100 thousand for the audit and EUR 971 thousand for other services. The other services include primarily the audit costs relating to the stock exchange prospectus and due diligence services as part of the GEHAG transaction.

Consolidated financial statements

The Company is the Group parent and prepares consolidated financial statements which are filed with the commercial register of Frankfurt am Main Local Court (Reg. no. HRB 42388).

Corporate Governance

The Management Board and Supervisory Board have issued the declaration of conformity with the German Corporate Governance Code required in accordance with § 161 AktG (German Companies Act), which has been made permanently available to shareholders in the Internet under www.deutsche-wohnen.com.

Appropriation of profits

The Management Board proposes to carry forward the profit totaling EUR 433,019.55 to a new account.

Frankfurt am Main, March 25, 2008

Deutsche Wohnen AG

Michael Zahn
Speaker of the
Management Board

Helmut Ullrich
Management Board

AUDIT OPINION

We have audited the annual financial statements consisting of the balance sheet, income statement and the explanatory notes to the consolidated financial statement, taking into account the bookkeeping and the management report on the position of the Deutsche Wohnen AG Group, Frankfurt am Main, for the fiscal year of January 1 to December 31, 2007. The bookkeeping and the preparation of the annual financial statements and the management report for the company and the Group in accordance with the regulations of German Commercial Law are the responsibility of the legal representatives of the company. It is our task to issue an assessment of the annual financial statements including the bookkeeping and the management report for the company and the Group on the basis of the audit carried out.

We have carried out our audit of the annual financial statements in accordance with § 317 of the German Commercial Code (HGB), taking into account the established German principles for proper and orderly reporting relating to audits of financial statements of the Institut der Wirtschaftsprüfer (IDW, Institute of German Auditors). The audit is to be planned and implemented in a manner that inaccuracies and breaches, which can have a significant impact on the presentation of the view of the revenue, financial and asset position conveyed by the annual financial statements—also taking into account the principles of proper and orderly bookkeeping—and by the management report for the company and the Group, are recognized with sufficient reliability. When determining the audit measures, knowledge of the company's business activities and economic and legal environment as well as the expectations of possible errors are taken into account. In the course of the audit, the effectiveness of the internal control system relating to accounting standards and the evidence for the information in the bookkeeping, the annual financial statements and the management report for the company and the Group are assessed primarily on the basis of random checks. The audit includes the assessment of the accounting principles applied and the major estimations of the legal representatives and the evaluation of the overall view of the annual financial statements and the management report for the company and the Group. We believe that our audit provides a sufficiently secure basis for our assessment.

Our audit has not resulted in any objections.

According to our assessment—based on the knowledge obtained during the audit—the annual financial statements take into account the principles of proper and orderly bookkeeping, comply with the legal regulations and convey a view of the revenue, financial and asset position of the company which corresponds with the actual circumstances. The management report for the company and the Group is consistent with the annual financial statements, conveys overall an appropriate view of the position of the company and presents the opportunities and risks related to its future development appropriately.

Eschborn/Frankfurt am Main, March 26, 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Völker	Spall
Auditor	Auditor

BALANCE SHEET OATH FOR ANNUAL FINANCIAL STATEMENTS

We assure to the best of our knowledge that in accordance with the applicable financial accounting principles the annual financial statements convey a view of the revenue, financial and asset position of the company, which corresponds with the actual circumstances, and in the management report the business performance including the financial result and the position of the company is portrayed in a manner that the significant opportunities and risks of the company's likely development are depicted.

Frankfurt am Main, March 25, 2008

Deutsche Wohnen AG

Michael Zahn Speaker of the Management Board	Helmut Ullrich Management Board

CONSOLIDATED FINANCIAL STATEMENTS OF DEUTSCHE WOHNEN AG

Deutsche Wohnen AG, Frankfurt am Main Consolidated Balance Sheet as of December 31, 2007		2007	2006 (adjusted)
Assets	Note	in EUR thousands	in EUR thousands
Investment properties	D.1	3,271,205	1,341,596
Property, plant and equipment	D.2	27,948	3,898
Intangible assets	D.3	370	189
Other noncurrent assets		168	318
Shares in affiliated companies	D.4	435	0
Deferred tax assets	D.16	86,614	38,559
Noncurrent assets		3,386,740	1,384,560
Land and buildings held for sale	D.5	21,887	8,388
Other inventories		1,725	366
Trade receivables	D.6	18,562	52,459
Derivatives	D.7	32,231	0
Current tax receivables		2,879	1,652
Other current assets		3,907	1,596
Cash and cash equivalents	D.8	47,874	33,516
Subtotal current assets		129,065	97,977
Noncurrent assets held for sale	C.10	4,597	3,340
Current assets		133,662	101,317
Total assets		3.520.402	1.485.877

		2007	2006 (adjusted)
Liabilities	Note	in EUR thousands	in EUR thousands
Equity apportionable to shareholders in the parent company			
Subscribed capital	D.9	26,400	20,000
Capital reserves	D.9	349,521	170,754
Accumulated consolidated profit	D.9	559,902	545,666
		935,823	736,420
Minority shareholdings		302	0
Total equity		936,125	736,420
Noncurrent financial liabilities	D.10	2,034,087	562,186
Convertible bonds	D.11	24,339	0
Pension obligations	D.12	41,562	5,084
Liabilities to fund limited partners	D.13	46,631	49,783
Noncurrent tax liabilities	D.15	68,126	0
Other noncurrent liabilities		0	255
Other noncurrent provisions	D.14	11,375	219
Deferred tax liabilities	D.16	135,835	79,669
Total noncurrent liabilities		2,361,955	697,196
Current financial liabilities	D.10	145,468	11,504
Trade receivables		25,420	10,618
Other current provisions	D.14	9,440	599
Derivatives	D.7	3,804	55
Current tax liabilities	D.15	13,739	4,184
Other current liabilities		24,451	25,301
Total current liabilities		222,322	52,261
Total liabilities		3,520,402	1,485,877

Deutsche Wohnen AG, Frankfurt am Main Consolidated Income Statement for the Fiscal Year 2007	Note	2007 in EUR thousands	Short fiscal year 07/01/ – 12/31/2006 (adjusted) in EUR thousands
Revenue	E.18	204,354	62,085
Profit from housing privatization			
Sales proceeds		58,501	78,474
Carrying amounts of assets disposed		– 53,216	– 70,338
		5,285	8,136
Other operating income		6,291	1,868
Profit from merger	B.1	64,099	0
Profit from fair value adjustment of investment property	D.1	30,948	12,941
Total income		310,978	85,030
Expenses for related trade receivables	E.19	– 96,914	– 28,746
Employee expenses	E.20	– 31,729	– 8,354
Other operating expenses	E.21	– 27,268	– 11,784
Restructuring and reorganization expenses	E.22	– 9,989	0
Expenses related to stock exchange prospectus	E.23	-1,810	0
Total expenses		– 167,710	– 48,884
Interim result		143,268	36.146

Deutsche Wohnen AG, Frankfurt am Main Consolidated Income Statement for the Fiscal Year 2007		2007	Short fiscal year 07/01/ – 12/31/2006 (adjusted)
	Note	in EUR thousands	in EUR thousands
Depreciation, amortization and impairment losses		– 1,689	– 249
Profit from affiliated companies	D.4	18	0
Earnings before interest and tax (EBIT)		141,597	35,897
Financial income		4,736	733
Financial expenses	E.24	– 80,584	– 16,293
Profit before tax		65,749	20,337
Income Tax	E.25	– 35,963	– 9,412
Net result for the period		29,786	10,925
Of which is apportioned to:			
Shareholders in the parent company		29,786	10,925
Minority shareholdings		0	0
		29,786	10,925
Earnings per share			
basic		1.32	0.55
diluted		1.32	0.55

Deutsche Wohnen AG, Frankfurt am Main Consolidated Cash Flow Statement for the Fiscal Year 2007	2007	Short fiscal year 07/01/ – 12/31/2006 (adjusted)
	in EUR thousands	in EUR thousands
Operating activities		
Result for the period before interest and tax	141,596	35,897
Non-cash expenses/income		
Non-cash consolidation difference	– 64,099	0
Fair value adjustment of investment property	– 30,948	– 12,941
Depreciation and amortization expense	1,689	249
Profit from affiliated companies	– 18	0
Other non-cash expenses/income	2,178	– 7,941
Change in net working capital		
Change in receivables, inventories and other current assets	45,099	10,333
Change in operating liabilities	– 43,023	– 21,355
Operating cash flow	52,475	4,242
Interest paid	– 62,472	– 11,294
Interest received	1,396	0
Tax paid	– 1,878	– 2,626
Cash flow from operating activities	– 10,479	– 9,678

Deutsche Wohnen AG, Frankfurt am Main Consolidated Cash Flow Statement for the Fiscal Year 2007 (Continuation)	2007	Short fiscal year 07/01/ – 12/31/2006 (adjusted)
	in EUR thousands	in EUR thousands
Investment activities		
Proceeds from the sale of property	96,397	34,771
Payments made to acquire investment property	– 165,452	– 23,276
Other payments	– 497	– 508
Payment made for the acquisition of receivables as part of the acquisition of subsidiaries	– 78,000	0
Payments made to acquire subsidiaries less cash and cash equivalents received	– 146,261	0
Payments made for the acquisition of minority shareholdings of the DB 14	– 5,195	– 6,399
Cash flow from investment activities	– 299,007	4,588
Financing activities		
Proceeds from taking on loans	380,989	34,878
Repayment of loans	– 39,545	– 8,799
Distributions to shareholders	– 17,600	– 52,600
Cash flow from financing activities	323,844	– 26,521
Net increase of cash and cash equivalents	14,358	– 31,611
Cash and cash equivalents at the start of the period	33,516	65,127
Cash and cash equivalents as of December 31	47,874	33,516

Deutsche Wohnen AG, Frankfurt am Main
Statement of Changes in Group Equity as of December 31, 2007

	Shares	Registered capital
	in thousands	in EUR thousands
Note	D.9	D.9
Equity as of June 30, 2006	20,000	10,226
Effect of the fair value conversion (see note A.6)[1]		
Correction of the first consolidation of DB 14 (see note A.5)[2]		
Equity as of June 30, 2006 (adjusted)	20,000	10,226
Income and expense recognized directly in equity		
Result for the period		
Total result for the period		
Appropriations		9,774
Withdrawals		
Distributions		
Equity as of December 31, 2006	20,000	20,000
Income and expense recognized directly in equity		
Result for the period		
Total result for the period		
Issue of 6,400,000 shares relating to the GEHAG transaction	6,400	6,400
Equity relating to the the convertible bonds issued in connection with the GEHAG transaction		
Minority shareholdings related to company acquisition		
Distributions		
Equity as of December 31, 2007	26,400	26,400

1) see appendix
2) see appendix

Capital reserves	Accumulated consolidated profit	Total	Minority shareholdings	Equity
in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
D.9	D.9		B	
207,053	201,383	418,662	0	418,662
	350,506	350,506		350,506
	8,779	8,779		8,779
207,053	560,668	777,947	0	777,947
	149	149		149
	10,925	10,925		10,925
	11,074	11,074		11,074
	26,524	36,298		36,298
– 36,298	0	– 36,298		– 36,298
	– 52,600	– 52,600		– 52,600
170,755	545,666	736,421	0	736,421
	2,050	2,050		2,050
	29,786	29,786	0	29,786
	31,836	31,836		31,836
177,664	0	184,064		184,064
1,102	0	1,102		1,102
			302	302
	– 17,600	– 17,600		– 17,600
349,521	559,902	935,823	302	936,125

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

A GENERAL INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE DEUTSCHE WOHNEN GROUP

1 Deutsche Wohnen Group

(1) The consolidated financial statements of Deutsche Wohnen AG ("Deutsche Wohnen") as of December 31, 2007, are expected to be released for publication upon resolution of the Management Board on March 25, 2008. The Supervisory Board will approve the consolidated financial statements in its meeting on April 8, 2008. Deutsche Wohnen AG is a nationally operating property company based in Germany whose registered office is Pfaffenwiese 300, Frankfurt am Main, and is registered in the commercial register of the Frankfurt am Main Local Court under the number HRB 42388.

(2) Deutsche Wohnen AG's business activities are restricted exclusively to its role as the holding company for the companies included in the Group. The operations of the subsidiaries focus on residential property management and housing privatization of the property which is mainly located in Berlin and in the Rhine-Main/Rhineland Palatinate area. Since the acquisition of the GEHAG Group, Deutsche Wohnen has become the second largest listed residential property company in Germany.

(3) The consolidated financial statements have been prepared in Euros. Unless otherwise stated, all figures are rounded in EUR thousand. Slight mathematical rounding differences may be reflected in the tables and references. The consolidated financial statements for the short fiscal year of July 1 to December 31, 2006, serve as the comparison period. We also inform that the GEHAG Group was not included in the consolidated financial statements of Deutsche Wohnen in the short fiscal year of July 1 to December 31, 2006, which further limits comparability.

2 Consolidated financial statements

(4) The consolidated financial statements of Deutsche Wohnen and its subsidiaries were prepared in line with the International Financial Reporting Standards (IFRS), as they apply in the EU.

(5) The consolidated financial statements have generally been prepared using the historical cost approach, with the exception of in particular investment property and derivatives, which are valued at fair value.

(6) The consolidated financial statements comprise the financial statements of Deutsche Wohnen and its subsidiaries as of December 31 of a given fiscal year. The financial statements of the subsidiaries are prepared using standard accounting policies as of the same balance sheet date as the financial statements of the parent company.

3 Application of IFRS in the fiscal year

(7) No significant effects on the Group's net assets, financial position and results of operations resulted from the application of the newly revised standards and interpretations. They did however result in additional disclosures. The following new/revised IFRS/IAS and interpretations were applied for the first time in 2007:

» IFRS 7 Financial instruments
(8) This standard requires additional disclosures which enable the person reading the financial statements to assess the significance of the financial instruments for the Group's financial position and earnings power as well as the nature and extent of the risks related to the use of

these financial instruments. The disclosures related to this are revealed in particular in the disclosures concerning balance sheet and income statement items which concern financial instruments.

» IAS 1 Presentation of financial statements
(9) New disclosures related to this revision enable the reader of the financial statements to assess the Group's targets, methods and processes concerning capital management.

» IFRIC 8 Scope of IFRS 2
(10) This interpretation requires the application of IFRS 2 for all company transactions concerning equity instruments granted to employees, where a company cannot specifically identify some or all of the goods or services received.

» IFRIC 9 Reassessment of embedded derivatives
(11) In accordance with this interpretation, the company has to assess whether there is an embedded derivative in a contract using a structured instrument at the time of the conclusion of the contract. A reassessment is only allowed if there is a considerable change in the contract's terms and conditions which result in a significant change in the cash flows.

» IFRIC 10 Interim financial reporting and impairment
(12) This regulates that an impairment loss recognized as goodwill, as equity instruments held or as noncurrent financial assets, which are recognized in the balance sheet of an interim financial report at historical cost, may not be reversed in the following financial statement.

(New/revised) IFRS/IAS and interpretations to be applied for the first time in following fiscal years: No significant effects on the Group's net assets, financial position and results of operations are expected to result from the application of the following newly revised standards and interpretations. They will though in some cases result in additional disclosures.

» IFRS 8 Operating segments
(13) IFRS 8 replaces IAS 14 Segment reporting. IFRS 8 requires the company to report financial and descriptive information concerning the segments which are subject to reporting requirements. Segments which are subject to reporting requirements represent operating segments or summaries of operating segments. Operating segments represent components of a company for which separate financial information is available, which is regularly checked by the management of the operational division. IFRS 8 is to be applied in fiscal years which start on or after January 1, 2009.

(14) The Group has decided against early application of IFRS 8 and continues to use IAS 14 Segment reporting. The new standard will have an impact on the manner in which financial information concerning the Group's divisions is published, but not on the valuation and assessment of assets and liabilities in the consolidated financial statements.

» IAS 1 (revised) Presentation of financial statements
(15) According to the revised IAS 1, changes in equity which are not the result of transactions with owners are in future to be separated from changes in equity which are the result of transactions with owners and more detailed disclosures concerning other accumulated equity are to be made. The revised IAS 1 is to be applied for the first time in fiscal years which start on or after January 1, 2009.

» IFRS 2 Share-based Payment

(16) The amendment to IFRS 2 was published in January 2008 and is to be applied for the first time in fiscal years which start on or after January 1, 2009. The amendment concerns, on the one hand, the clarification that the term of vesting conditions only includes service and performance conditions. On the other hand, the accounting regulations for early cancellation of share-based payment plans are extended to include cases of cancellation by the employees. The temporary provisions provide for retrospective application of the new regulation.

» IFRS 3 Business Combinations

(17) The amendment to IFRS 3 was published in January 2008 and is to be applied for the first time in fiscal years which start on or after January 1, 2009. The standard was subject to a comprehensive revision as part of the convergence project of IASB and FASB. The important amendments concern in particular the introduction of an option when evaluating minority interests between recognition with the identifiable net assets on a pro-rata basis (so-called purchased-goodwill method) and the full-goodwill method, according to which all of the goodwill including the share attributable to the minority interests of the acquired business is to be recognized. Furthermore, the revaluation of pre-existing shareholdings recognized in the income statement when control is obtained for the first time (successive business acquisition), the mandatory consideration of a counter-performance—which is linked to the occurrence of future events—at the time of the acquisition, and the recognition of transaction costs in the income statement are to be highlighted. The temporary provisions provide for prospective application of the new regulation. There are no amendments for assets and liabilities which relate to business combinations before application of the new standard for the first time.

» IAS 27 Consolidated and Separate Financial Statements in accordance with IFRS

The amended standard IAS 27 was published in January 2008. The amendments are to be applied for the first time in fiscal years which start on or after July 1, 2009. The amendments are the result of the joint project of IASB and FASB concerning the revision of accounting regulations applicable to business combinations. The amendments concern primarily the accounting of shares over which the company has no controlling influence (minority shareholdings), which are in future to share in full in the losses of the Group, and of transactions which result in the loss of control in a subsidiary and the impact of which is to be recognized in the income statement. The impact from the sale of shares which do not result in the loss of control is, on the other hand, to be recognized directly in equity. The temporary provisions, which in principle require retrospective application of changes made, provide for prospective application in the circumstances listed above. There are thus no amendments for assets and liabilities which relate to such transactions before application of the new standard for the first time.

» IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements

The amendment to IAS 32 and IAS 1 was published in February 2008 and is to be applied for the first time in fiscal years which start on or after January 1, 2009. The amendment concerns the classification of redeemable partner investments as liability or equity. In accordance with the previous regulation, businesses were in part forced to report the capital for company law purposes as financial liabilities due to the partners' legal right to cancel.. In future, these partner investments are in general to be classified as equity, provided settlement is agreed at fair value and the investments made represent an insignificant claim on the net assets of the business.

» IAS 23 Borrowing costs

The revised standard is to be applied for the first time in fiscal years which start on or after January 1, 2009. The standard requires borrowing costs, which can be attributed to a qualified asset, to be capitalized. The Group will apply this change prospectively in accordance with the standard's transitional regulations. Borrowing costs will therefore be capitalized to qualified assets from January 1, 2009. There will be no changes for previously incurred borrowing costs which were recognized immediately.

» IFRIC 11 IFRS 2 – Transactions with own shares and shares in the Group

(18) According to IFRIC 11 agreements, whereby employees are granted rights in a company's equity instruments, are to be reported in the balance sheet as share-based payment transactions and to be offset with equity instruments, if the company acquires the instruments from a third party or if the shareholders provide the necessary equity instruments. IFRIC 11 is to be applied in fiscal years which start on or after March 1, 2007.

(19) As the companies included in the consolidated financial statements do not grant any share-based payments in the sense of IFRS 2, this interpretation has no impact on the consolidated financial statements.

» IFRIC 12 Service Concession Arrangements (to be applied for the first time in fiscal years which start on or after January 1, 2008).

» IFRIC 13 Customer loyalty programs

(20) The interpretation is to be applied for the first time in fiscal years which start on or after July 1, 2008. According to this interpretation, benefits granted to customers (awards) are to be shown in the balance sheet as a sales component separately from the transaction in line with which they were granted. Therefore, a part of the fair value of the service received will be allocated to the benefits granted (awards) and shown as a liability. The revenue is recognized in the period in which the benefits granted (awards) will be exercised or are due. No significant effects on the Group's net assets, financial position and results of operations are expected to result from the application of the following revised interpretations, as the circumstances upon which these standards and interpretations are based are not present.

» IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction (to be applied for the first time in fiscal years which start on or after January 1, 2008).

4 Material judgments, estimates and assumptions

(21) In the preparation of the consolidated financial statements, discretionary judgments, estimates and assumptions are made by the management which have an impact on the level of income, expenses, assets, and liabilities reported on the balance sheet date and the reporting of contingent liabilities. Due to the uncertainty associated with these assumptions and estimates, results might emerge which in future would lead to considerable adjustments being made to the carrying amount of the assets or liabilities concerned.

Discretionary judgments

(22) The management made the following discretionary judgments in applying the accounting policies, which materially affected the amounts in the financial statements. This does not include decisions involving estimates:

Obligations under operating leases—Group as lessor

(23) The Group has concluded lease agreements to rent its investment property. It was determined—based on an analysis of the contract terms and conditions—that all significant risks and rewards of the properties leased under operating leases remain with the Group, which reports these contracts as operating leases. The carrying amount of investment property is EUR 3,271.2 million (previous year EUR 1,341.6 million).

Estimates and assumptions

(24) The key forward-looking assumptions and other significant sources of uncertainty which existed for estimates as of the reporting date—which indicate that there is a considerable risk that a significant adjustment of carrying amounts of assets and liabilities will be necessary in the coming fiscal year—are explained in the following.

Fair value of investment property

(25) The fair value of investment property was established on June 30, 2007, on the basis of a portfolio assessment conducted by an external, independent expert. As of December 31, 2007, a validation of the values took place. The properties are divided into clusters dependent upon their location and their quality. On the basis of these clusters, assumptions are made on the development of rent, vacancy rates, income shortfalls, maintenance expenses, and discount rates. These valuation assumptions are subject to uncertainties due to their long-term nature which could in future result in positive or negative changes in value. The carrying amount of investment property is EUR 3,271.2 million (previous year EUR 1,341.6 million).

Deferred tax assets

(26) Deutsche Wohnen only reports deferred tax assets to the extent of available deferred tax liabilities against which they can be offset. Deferred tax assets were not capitalized beyond this.

Minority interests

(27) The minority interests (with Eisenbahn-Siedlungsgesellschaft mbH, Berlin) have been calculated based on the regulations in the articles of the company. In accordance with this, the minority partner is only entitled—in the case of a distribution—to a dividend to the amount of 4 per cent of the capital it holds.

Pensions and other post-employment benefits

(28) The expense from post-employment defined benefit plans is determined based on actuarial calculations. The actuarial valuation is based on assumptions relating to discount rates, future wage and salary increases, mortality rates, and future pension increases. Such estimates are subject to considerable uncertainty because of the long-term nature of these plans. Provisions for pensions

and similar obligations amounted to EUR 41.6 million as of December 31, 2007 (previous year EUR 5.1 million).

Liabilities to fund limited partners

(29) The limited partners of DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co.KG, Eschborn (from here on 'DB 14'), have the opportunity to tender their shares until 2019. For the valuation of the liability it is assumed that the shares will be tendered fully in the following year. The liability amounted to EUR 46.6 million as of December 31, 2007 (previous year EUR 49.8 million).

5 Process concerning the Deutsche Prüfstelle für Rechnungslegung (DPR)

(30) The audit procedure of the Deutsche Prüfstelle für Rechnungslegung e.V. (German Financial Reporting Enforcement Panel) in relation to the short fiscal year of July 1 to December 31, 2006, is closed. The DPR concludes that DB 14 should have already been included in the consolidated financial statements of the Deutsche Wohnen Group in previous years. We agree with this conclusion and have correspondingly adjusted the consolidated financial statements for the short fiscal year of July 1 to December 31, 2006.

(31) The correction took place as of June 30, 2006. With this, all assets and liabilities of DB 14 are to be posted as of June 30, 2006. Furthermore, the assets and liabilities included in the consolidated balance sheet, in particular the derivatives and the related deferred tax, are to be eliminated. The resulting balance is to be recognized directly in equity in the retained earnings. The expenses and revenues of DF 14 for the second half of the year and the adjustments related to the consolidation are to be recognized in the consolidated income statement of July 1 to December 31, 2006.

(32) The related changes in the consolidated balance sheet and the changes due to the transition to the fair value method are shown in a table in the following chapter.

6 Changes in accounting policies

(33) Deutsche Wohnen basically applied the same accounting policies as in the previous year, with the following exceptions:

Change to fair value method for investment property

(34) As already mentioned in the company communication concerning the acquisition of the GEHAG Group, Deutsche Wohnen is changing the valuation of its investment property over from the cost method to the fair value method. The change to the fair value method took place retrospectively (IAS 8.19, 23). Deutsche Wohnen's previous consolidated financial statements were for a short fiscal year from July 1 to December 31, 2006. The retrospective adjustment took place as of July 1, 2006.

This value adjustment, based on the historical figures released by Deutsche Wohnen, results in the following changes to the historical financial data reported for the period July 1 to December 31, 2006: an increase in investment property value; an increase in deferred tax assets and liabilities, and a write-off of non-current accruals and deferrals. The deferrals and accruals for the interest rate advantage from low interest loans had to be written off because rental restrictions for the respective properties are already accounted for in the fair value appraisal of the properties. In addition to these adjustments in the Balance Sheet, a reduction in the privatization sector (income from the sale of residential properties), an increase in trade receivables through allowances for the maintenance and repair portion of tenant charges, a reduction in depreciation, a reduction in other operating income as a result of the write off of non-current deferrals and accruals, as well as an adjustment in the fair value of properties have been made to the consolidated income statement for the short fiscal year from July 1 to December 31, 2006. The change in the balance sheet also led to a change in the consolidated income statement for the deferred taxes reported. The maintenance and repair portion of tenant charges, formerly balanced as an asset, are entered now as an expense in connection with the implementation of the fair value method.

(35) The following table shows the effects to the balance sheet at the time of the change to the new method (July 1, 2006), including a correction made for DB 14:

	07/01/2007 Cost method	Adjustment Fair value method	07/01/2006 Fair value method	Adjustment DB 14	07/01/2006 (adjusted)
	in EUR millions	in EUR millions	in EUR millions	in EUR millions	in EUR millions
Investment property	799.4	372.9	1,172.3	186.1	1,358.4
Other noncurrent assets	23.8		23.8	– 23.6	0.2
Deferred tax assets	40.4	– 12.5	27.9	– 1.6	26.3
Receivables and other assets	18.0	– 2.3	15.8	2.7	18.5
Derivatives	6.1		6.1	6.1	0.0
Cash and cash equivalents	54.4		54.4	10.8	65.1
Noncurrent assets held for sale	8.5	11.3	19.8		19.8
Noncurrent financial liabilities	407.2		407.2	111.4	518.6
Other provisions	4.2		4.2	– 3.9	0.3
Liabilities to fund limited partners	0.0		0.0	54.8	54.8
Deferred tax liabilities	2.2	55.0	57.2	3.5	60.7
Deferred income (long-term)	36.2	– 36.2	0.0		0.0
Other provisions	11.9		11.9	0.3	12.2
Trade payables and other liabilities	24.7		24.7	0.4	25.1
Derivatives	7.1		7.1	– 7.1	0.0
Accumulated consolidated profit	201.4	350.5	380.1	8.8	560.7

Following are the changes for the consolidated financial statements for the short fiscal year from July 1 to December 31, 2006:

	2nd short fiscal year 2006 Cost method	Adjustment Fair Value method	2nd short fiscal year 2006 Fair Value	Adjustment DB 14 2nd short fiscal year 2006	2nd short fiscal year 2006 (adjusted)
	in EUR millions	in EUR millions	in EUR millions	in EUR millions	in EUR millions
Revenue	57.3		57.3	4.8	62.1
Carrying amount of assets disposed	-44.4	-25.9	-70.3		-70.3
Other operating income	2.3	-0.8	1.6	0.3	1.9
Profit from merger	8.8		8.8	-8.8	0.0
Profit from fair value adjust-ment of investment property	0.0	12.9	12.9		12.9
Expenses for trade receivables	-27.8	-0.6	-28.4	-0.3	-28.7
Other operating expenses	-11.0		-11.0	-0.8	-11.8
Depreciation. amortization and impairment losses	-14.8	14.6	-0.2		-0.2
Financial income	0.9		0.9	-0.2	0.7
Financial expenses	-12.6		-12.6	-3.8	-16.4
Income and expenses from derivatives	-0.3		-0.3	0.3	0.0
Income tax	0.7	-9.8	-9.1	-0.4	-9.4
Net result for the period	29.3	-9.6	19.7	-8.8	10.9
Earnings per share	1.47	-0.48	0.99	-0.44	0.55

There are no changes to the cash flow statement as a result of the error correction of DB 14:

	07/01/– 12/31/2006	Adjustment DB 14	07/01/– 12/31/2006 (adjusted)
	in EUR millions	in EUR millions	in EUR millions
Cash flow from operating activities	– 11.6	1.9	-9.7
Cash flow from investment activities	15.7	– 11.1	4.6
Cash flow from financing activities	– 25.0	– 1.5	– 26.5
Changes in the fiscal year	– 20.9	– 10.7	– 31.6
Cash and cash equivalents at the start of the period	54.4	10.7	65.1
Cash and cash equivalents at the end of the period	33.5	0.0	33.5

For the consolidated balance sheet as of December 31, 2006, there were the following adjustments as a result of the change to the fair value method:

	Cost method	Carry forward adjustment	Adjustment 07/01/– 12/31/2006	Fair value methode
	in EUR millions	in EUR millions	in EUR millions	in EUR millions
Investment property	956.6	372.8	12.1	1,341.6
Deferred tax assets	51.8	-12.5	– 0.7	38.6
Other assets	10.2	-2.3	– 0.6	7.3*
Noncurrent assets held for sale	2.7	11.3	– 10.5	3.4
Noncurrent deferred income	– 35.4	36.2	-0.8	0.0
Deferred tax liabilities	– 15.6	-55.0	– 9.1	-79.7
		350.5	– 9.6	

*) Due to the reporting change described below concerning the service charges as trade receivables, EUR 1.6 million is reported in the balance sheet (EUR 7.3 million – EUR 5.7 million = EUR 1.6 million).

The error correction of DB 14 did not have a significant impact on the consolidated balance sheet as this had already been consolidated as of December 31, 2006.

Report on operating costs

Contrary to the previous year, the Deutsche Wohnen Group has reported work in progress from operating costs under receivables from rental activities offset against prepayments received for operating costs. This change does not have an impact on the income statement.

Combining of balance sheet items

(36) Furthermore, balance sheet items—which were still reported as separate balance sheet items as of December 31, 2006—were combined for reasons of clarity and materiality.

The following table summarizes the reporting changes made:

Balance sheet format	old 2006	new 2006
	in EUR thousands	in EUR thousands
Financial assets	173	173
Receivables and other assets	145	145
Other noncurrent assets		318
Land without buildings	2,480	2,480
Land with finished buildings	5,908	5,908
Land and buildings held for sale		8,388
Work in progress, other inventories	28,153	28,153
Reported operating costs as receivables from rental activities		– 27,787
Other inventories		366
Receivables from rental activities	4,284	4,284
Operating costs from work in progress, other inventories		27,787
Service charges from other current assets		5,775
Prepayments received		-32,547
		5,299
Receivables from property sales	47,160	47,160
Trade receivables		52,459

Balance sheet format (Continuation)	alt 2006	neu 2006
	in EUR thousands	in EUR thousands
Receivables and other assets	10,250	10,250
Maintenance portion of service charges recognized as expense		-2,879
		7,371
Reported service charges as receivables from rental activities		– 5,775
Other assets		1,596
Noncurrent bank loans and overdrafts	503,587	503,587
Noncurrent liabilities to other lenders	58,599	58,599
Noncurrent financial liabilities		562,186
Current bank loans and overdrafts	9,004	9,004
Current liabilities to other lenders	2,500	2,500
Current financial liabilities		11,504
Current trade payables	10,401	10,401
Prepayments received	32,764	32,764
Reported operating costs as receivables from rental activities		– 32,547
Trade payables		10,618

(37) The voluntary change in the accounting policy was made in order to provide more reliable and relevant information concerning the Deutsche Wohnen Group's net assets, financial position, results of operations, and cash flows. The new accounting policy also conforms to current industry practice, making it much easier to compare with the market competition.

B CONSOLIDATED COMPANIES AND CONSOLIDATION METHODS

Consolidated companies

(38) The consolidated financial statements include Deutsche Wohnen AG and the subsidiaries under its control from the time of acquisition, i.e. from the time that the Group took over control. Inclusion in the consolidated financial statements ends as soon as the parent company no longer has control. The composition of the Deutsche Wohnen Group is in accordance with the list of sharehold-ings attached as Annex 1.

Changes in the consolidated companies

(39) Through various associated, individual transactions, Deutsche Wohnen acquired the majority of shares in the GEHAG Group from the previous shareholders on August 9, 2007. The total cost of the acquisition was EUR 371 million.

(40) The acquisition of the shares in the GEHAG Group by Deutsche Wohnen is based on the following contractual agreements:

» On July 2, 2007, Deutsche Wohnen AG concluded a contribution agreement with OCM Luxembourg Real Estate Investments S.à.R.L. and OCM Luxembourg Opportunities Investments S.à.R.L. (subsequently referred to as "the OCM companies"), which jointly held the share capital of Gehag Acquisition Co. GmbH. Gehag Acquisition Co. GmbH holds for its part almost 85 per cent in GEHAG GmbH which has its registered office in Berlin and is the parent company of the GEHAG Group. In accordance with the contribution agreement, the OCM companies each contributed shareholdings of 30 per cent (each corresponding to a share of EUR 7,500 in the share capital) in Gehag Acquisition Co. GmbH to Deutsche Wohnen AG. In return for contributing its shares in Gehag Acquisition Co. GmbH to Deutsche Wohnen AG, the OCM companies each received 3,200,000 new bearer shares for Deutsche Wohnen AG with a notional share in the registered capital of EUR 1.00 each and a price of EUR 28.76 per share as of the reference date of the completion of the acquisition from a capital increase from the authorized capital excluding the subscription right of shareholders. They also each received convertible bonds with a nominal value of EUR 12.5 million each.

» By an agreement dated again July 2, 2007 ("the share purchase agreement"), the OCM companies sold shareholdings of 20 per cent each in Gehag Acquisition Co. GmbH to Deutsche Wohnen Direkt Immobilien GmbH, an indirect 100 per cent subsidiary of Deutsche Wohnen AG. The contractually agreed cash purchase price in return for the sale of the remaining shares of the OCM companies in Gehag Acquisition Co. GmbH to Deutsche Wohnen Direkt Immobilien GmbH totaled around EUR 179 million. As part of the share purchase agreement, Deutsche Wohnen AG also acquired receivables from shareholders loans of the OCM companies to GEHAG GmbH with a nominal value totaling EUR 78 million at a purchase price corresponding to the receivable amount. Furthermore, the contract allowed for an adjustment of the purchase price if mandatory EK02 taxation were introduced. With the Tax Amendment Act 2008 this mandatory EK 02 taxation came into force, so that the cash purchase price was reduced by a partial amount of EUR 25 million.

» After occurrence of all of the conditions precedent in accordance with the contribution agreement and the share purchase agreement, the shares in Gehag Acquisition Co. GmbH were transferred to Deutsche Wohnen AG or Deutsche Wohnen Direkt Immobilien GmbH on August 9, 2007. The other transactions agreed in the contribution agreement and in the share purchase agreement were carried out as well.

(41) The other shareholders of GEHAG GmbH were HSH Real Estate AG at 9.9 per cent, its subsidiary KALAIS GmbH at 5.1 per cent and the Land Berlin at 0.0004 per cent (equivalent to a share in the business at a nominal value of EUR 50). With a purchase agreement dated June 12, 2007, Gehag Acquisition Co. GmbH and its 99.99 per cent subsidiary GEHAG Erwerbs GmbH & Co. KG agreed with HSH Real Estate AG and KALAIS GmbH to the transfer of these shareholdings to GEHAG GmbH. The

shares of HSH Real Estate AG and its subsidiary KALAIS GmbH were transferred in December 2007.

(42) As a result, the Deutsche Wohnen Group holds 99.99 per cent of the shares in the GEHAG Group. The following table shows the preliminary—the final analysis has not as yet been completed—distribution of the acquisition costs.

(43) The provisional fair values determined for the assets and liabilities which could be identified at the time of the acquisition and the corresponding carrying amounts directly before the time of the acquisition were as follows:

	Fair value at the time of the acquisition	Previous carrying amounts
	in EUR thousands	in EUR thousands
Investment property	1,790,248	1,790,248
Shares in affiliated companies	417	417
Deferred tax assets	64,884	55,265
Derivatives	36,272	36,272
Other assets	62,091	62,091
Cash and cash equivalents	15,617	15,617
	1,969,529	1,959,910
Financial liabilities	1,120,957	1,156,674
Pension provisions	39,686	39,686
Deferred tax liabilities	64,133	53,418
Liabilities to shareholders	78,000	78,000
Other liabilities	231,712	184,653
	1,534,488	1,512,431
Net asset position	435,041	
Negative consolidation difference	– 64,099	
Cost of acquisition	370,942	

The difference between the fair value of the other liabilities and the carrying amount is due to the EK02 taxation (EUR 47.1 million) in the GEHAG Group, which was already taken into account.

The provisional cost of acquisition comprises the following:

Provisional costs of acquisition

	in EUR thousands
Contribution agreement of July 2, 2007	
- Issue of 6,400,000 shares at fair value (closing price EUR 28.76 / share at the time of the acquisition)	184,064
- Issue of convertible bonds	25,000
	209,064
Share purchase agreement of July 2, 2007	
- Cash purchase price	179,145
- Correction related to EK02 guarantee	– 25,000
	154,145
Incidental cost of acquisition	7,733
	370,942

(44) The issue of convertible bonds was reported at fair value. The borrowed capital components totaled EUR 23.9 million at the time of the acquisition. The difference between the fair value of other liabilities and the carrying amount is attributable to the EK02 taxation (EUR 47.1 million) in the GEHAG Group, which had already been accounted for.

(45) The amount of the negative consolidation difference is attributable—amongst other things—to the development of the share price between the time of the signing of the purchase contract and the actual effective date of the transfer. It fell between July 2, 2007 and August 9, 2007 from approximately 39 EUR/share to approximately 29 EUR/share. With the number of shares issued this corresponds to a reduction in the purchase price of approximately EUR 64 million.

(46) With the acquisition of the company, cash and cash equivalents totaling EUR 15,617 thousand were acquired.

The net purchase price to be paid concerning the acquisition of the GEHAG Group is calculated as follows:

Net purchase price

	in EUR thousands
Purchase price	154.145
Incidental cost of acquisition	7.733
Acquired cash and cash equivalents	– 15.617
	146.261

(47) A minority shareholding of EUR 302 thousand resulted from the acquisition of the GEHAG Group. This corresponds with the shareholding of the Land Berlin of 0.0004 per cent and minority shareholdings of other subsidiaries.

(48) Since the time of the acquisition, the GEHAG Group has contributed EUR 112.9 million to revenue and EUR -16.6 million to profit. If the merger had already taken place

at the start of the year, the revenue would have amounted to EUR 210.4 million and profit to EUR 248.8 million.

2 Consolidation methods

(49) The financial statements of the subsidiaries are prepared using standard accounting policies as of the same balance sheet date as the financial statements of the parent company. Subsidiaries are fully consolidated from the time of the acquisition, i.e. from the time when the Group had control. Inclusion in the consolidated financial statements ends as soon as the parent company no longer has control.

(50) The capital consolidation takes place according to the acquisition method (IFRS 3); this nets the cost of the acquisition at the time of the acquisition with the net assets corresponding to the amount of the shareholding, assessed at fair value. If the share of net assets acquired exceeds the cost of acquisition of the shareholding, the amount of the cost of acquisition and the amount of the net assets are reviewed again in accordance with IFRS 3. The income-related difference remaining after this is immediately recognized as a "lucky buy".

(51) All intercompany balances, transactions, revenues, expenses, profits and losses from intercompany transactions which are included in the carrying amount of assets are eliminated in full.

(52) Minority shareholdings represent the share of the profit and net assets which are not to be assigned to the Group. Minority shareholdings are reported separately in the consolidated income statements and in the consolidated balance sheets. This is reported in the consolidated balance sheets under equity, separate from the equity allocated to the shareholders of the parent company.

C ACCOUNTING POLICIES

1 Investment property

(53) Investment property is property held to earn rentals or for capital appreciation and not for owner occupancy or for sale as part of normal business activities. The investment property includes land with residential and commercial buildings, land without buildings and land with heritable third-party building rights.

(54) At the initial recognition, investment property is measured using the cost method including incidental expenses. After initial recognition, the investment property is measured at fair value. Profits or losses from the adjustment are recognized in the consolidated profit as revenue or expense. Prepayments or assets under construction related to investment property are measured using the cost method and reported under investment property.

(55) A valuation was carried out by Catella Property Valuation GmbH as of June 30, 2007. This was validated again as of December 31, 2007. There were no significant changes in value.

(56) The following process was utilized for the valuation as of June 30, 2007. The properties were assigned to clusters. Homogeneous groups (clusters) were formed, which differed from each other in respect of the location and quality of the administrative units and therefore their respective risk.

(57) The cluster formation was in line with the following scheme:

Cluster	Location quality	Property quality
AA	good location	good property
AB	good location	normal property
AC	good location	basic property
BA	normal location	good property
BB	normal location	normal property
BC	normal location	basic property
CA	basic location	good property
CB	basic location	normal property
CC	basic location	basic property

(58) The following principles were used for the valuation as of June 30, 2007:

(59) The following were derived based on the cluster:
- annual rent increase rates,
- target vacancy rates (2 per cent to 10 per cent) in a period of 1 to 4 years
- capitalization interest rates and discount interest rates.

(60) Based on the property:
- the market rent as of the balance sheet date was established,
- development of rent per m² of rental area relating to the adjustment of market rent and actual rent,
- development of the vacancy rate when making cluster-specific assumptions concerning the target vacancy rate,
- development of costs (maintenance, administration, risk of default of rent payments, non-recoverable operating costs, ground rent as far as relevant),
- evaluation of cash flow from annual proceeds and payments and the terminal value at the end of year 10, based on the stabilized cash flow expected in year 11, or an expected selling price less selling costs.
- calculation of a fair value based on the administrative unit as of the balance sheet date.

(61) The capitalization and discount interest rates were derived based on risk-free interest (10-year average of net yields of federal bonds: 4.5 per cent) and cluster-specific risk estimates. In the process, discount interest rates between 5.5 and 8.75 per cent and capitalization interest rates between 4.75 per cent and 8.0 per cent were used, according to the cluster.

(62) An investment property is derecognized on its sale or permanent withdrawal from use and when no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property are recognized in the income statement in the year the property was retired or disposed of.

(63) A property is transferred from the stock of investment property when there is a change in its utilization which is due to the start of owner occupancy or the commencement of the selling process.

(64) When an investment property is transferred to the stock of owner-occupied property, the historical cost of the property for the following valuation corresponds with the fair value at the time of the change of utilization.

2 Property, plant and equipment

(65) Property, plant and equipment are recognized at acquisition or manufacturing cost less accumulated, scheduled depreciation and accumulated impairment losses. Subsequent costs are only recognized if it is probable that a future economic benefit associated with the property, plant and equipment will flow to the company.

(66) Property, plant and equipment are subsequently measured at amortized cost. The straight-line depreciation or depreciation by usage is based on the estimated useful life of the assets. The useful life of land and buildings is 50 years. For moveable assets the useful life is 4-10 years.

(67) The carrying amounts of property, plant and equipment are checked for impairment, as soon as there are indications that the carrying amount of an asset exceeds its recoverable amount.

(68) An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses relating to the asset's disposal are recognized in the profit or loss calculation as the difference between the net disposal proceeds and the carrying amount of the asset when the item is derecognized.

(69) Carrying amounts related to the assets, useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted where necessary.

3 Intangible assets

(70) In the Deutsche Wohnen only purchased intangible assets are reported. These are measured at cost and systematically amortized using the straight-line method over the respective useful life of the asset. The useful life is between 3-5 years.

4 Shares in affiliated companies

(71) Shares in affiliated companies are reported in accordance with the equity method. An affiliated company is a company in which the Group has a significant influence and which is neither a subsidiary nor a joint venture.

(72) In accordance with the equity method, shares in associated companies are recognized in the balance sheet at cost and including changes of the Group's share in the net assets of the company that take place after the acquisition. With the application of the equity method, the group establishes whether it is necessary to consider an additional impairment loss with respect to the net investment of the Group in the affiliated company. The income statement includes the share of the Group in the profits of the affiliated company. The balance sheet date and the accounting policies for similar business transactions and events of the affiliated company are consistent with those of the Group.

5 Borrowing costs

(73) Interest on borrowing costs is recognized as an expense in the period in which it is incurred.

6 Impairment of non-financial assets

The Group examines whether there are indications that an asset could be impaired at each balance sheet date. If there are such indications or if an annual examination of the impairment of an asset is necessary, the Group makes an estimate of the recoverable amount of the respective asset. The recoverable amount of an asset is the higher of the two amounts—the fair value of an asset or a cash-generating unit less selling costs and rental value. The recoverable amount is to be determined for each individual asset, unless an asset does not produce any cash flows that are largely independent of those of other assets or other groups of assets. If the carrying amount exceeds its recoverable amount, the asset is impaired and is depreciated to its recoverable amount.

(74) Impairment losses are recognized in profit or loss in the expense categories which correspond with the function of the impaired asset in the company.

(75) Assets are examined as of every balance sheet date to determine whether the indications for a previously recognized impairment loss no longer exist or have lessened. If such indications exist, the Group makes an estimate of the recoverable amount. A previously registered impairment loss is only reversed if since its last entry there has been a change in the estimates, which were drawn upon when determining the recoverable amount. If this is the case, the carrying amount of the asset is increased to its recoverable amount. This amount, however, may not exceed the carrying amount which would result from a scheduled depreciation, if no impairment loss were registered for the asset in previous years. An upward revaluation is registered in the profit for the period.

7 Financial assets

(76) Financial assets in terms of IAS 39 are either classified

- as financial assets, which are measured in the profit or loss at fair value,
- as loans and receivables,
- as financial investments held until final maturity or
- as available-for-sale financial assets.

(77) At initial recognition financial assets are measured at fair value. In the case of other financial investments which are classified as measurable at fair value on the profit and loss account, transaction costs which are to be assigned directly to the acquisition of the asset are also considered. The financial assets are designated to measurement categories at initial recognition. Reclassifications are made, provided that they are permitted and necessary, at the end of the fiscal year.

(78) All purchases and sales of financial assets which are customary for the market are recognized in the balance sheet at the trade date, i.e. at the day when the Group made the commitment to purchase or sell the asset. Purchases and sales which are customary for the market are purchases and sales of financial assets, which specify delivery of the assets within a period determined by market regulations or conventions.

(79) Except for derivatives (interest rate swaps), no financial assets held for commercial purposes and financial investments held until final maturity have been reported in the Deutsche Wohnen Group so far.

(80) The receivables and other assets recognized in the consolidated balance sheet of the Deutsche Wohnen Group are allocated to the category loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment. Profits and losses are recognized in the profit and loss for the period when the loans and receivables were derecognized or impaired, or when amortization takes place.

(81) Impairment of receivables from rental activities is recorded on the basis of empirical values. For other receivables and assets appropriate value adjustments are made on a case-by-case basis.

(82) A financial asset (or a part of a financial asset or a part of a group of similar financial assets) is derecognized if one of the three following conditions is met:

- The contractual rights to the cash flow from a financial asset have expired.
- The Group retains the contractual rights to draw cash flows from financial assets, but assumes a contractual obligation to pay the cash flow without any significant delay to a third party as part of an agreement which meets the conditions in IAS 39.19 ("pass-through arrangement").
- The Group has transferred its contractual rights to cash flow from a financial asset and has (a) essentially transferred all of the risks and opportunities which are associated with the ownership of the financial asset or has (b) essentially neither transferred nor retained all of the risks and opportunities which are associated with the ownership of the financial asset, but has transferred the authority to dispose the asset.

(83) If the Group transfers its contractual rights to cash flow from an asset and essentially neither transfers nor retains all of the risks and opportunities which are associated with the ownership of the financial asset and also retains the authority to dispose the transferred asset, the Group continues to recognize the transferred asset within the scope of its ongoing commitment.

8 Inventories

(84) Inventories include land held for sale with finished and unfinished buildings, work in progress and other inventories.

(85) The initial measurement is at cost. As of the balance sheet date, the measurement is at the lower value of the two figures—cost or net realizable value. The net realizable value is the estimated recoverable sales proceeds related to regular business operations, less the estimated costs to completion and the estimated necessary cost of sales.

9 Cash and cash equivalents

(86) Cash and cash equivalents in the balance sheet comprises cash in hand, bank balances and short-term investments with original maturities of less than three months.

10 Assets held for sale

(87) The Deutsche Wohnen Group reports investment property as assets held for sale where notarial purchase contracts exist on the balance sheet date, but the transfer of ownership is taking place later. The measurement is at the lower value of the two amounts—the carrying amount or the fair value, less selling costs. In the case of owner-occupied property (IAS 16), depreciation is discontinued from the date of reclassification. The property is allocated to the housing privatization segment.

11 Financial liabilities

(88) Financial liabilities in terms of IAS 39 are either classified

- as financial liabilities, which are measured in the profit or loss at fair value,
- as other financial liabilities measured at amortized cost.

Financial liabilities

(89) At initial recognition, loans are measured at fair value, less the transaction costs which are directly associated with the borrowing. After initial recognition, the interest loans are subsequently measured at amortized cost using the effective interest method. Profits and losses are recognized in the profit and loss for the period when the debts were derecognized or when amortization takes place.

Participation rights

The employees of GEHAG have the opportunity of taking an interest in GEHAG in the form of participation rights as silent partners. These participation rights are acquired at a nominal amount and provide entitlement to a share in the profits. After eight years, the employee has the right to cancel the participation rights agreement. When exercising the right of cancellation, the accumulated balance of the capital account is paid out (nominal value + profit share ./. loss share). There is no obligation to make an additional payment. Participation rights are reported as noncurrent borrowed capital (EUR 0.3 million) under financial liabilities.

Convertible bonds

(90) Convertible bonds were issued as part of the acquisition of the GEHAG Group. Convertible bonds are viewed as compound financial instruments which consist of liability and equity components. The liability component as of the issue date is measured with a discount of future payments at the appropriate interest rate customary for the market.

(91) The equity and liablity components were assessed by means of an independent expert. The total of both components represents the total value of the convertible bonds.

Trade payables and other liabilities

(92) At initial recognition, the liabilities are measured at fair value. After initial recognition, the liabilities are subsequently measured at amortized cost using the effective interest method. Profits and losses are recognized in the profit and loss for the period when the debts were derecognized or when amortization takes place.

Liabilities to fund limited partners

(93) In accordance with IAS 32 (rev 2003), the cancellation options of the limited partners are an important criterion for the separation of equity and borrowed capital. Financial instruments, which grant the holder (here: limited partner) the right of return to the issuer against payment of a sum of money, represent a financial liability. Due to the existing rights of cancellation of the limited partners, the limited partner shares and the "net assets of the shareholders" are included in the reported borrowed capital. In accordance with IAS 32.35 (rev 2003), the share of the limited partners and minority shareholders in the profits are to be reported as financial expenditure.

(94) The net assets of the limited partner have to be recognized as of the end of the fiscal year end at the fair value amount of a possible repayment amount. Thus, increases in value are recognized as a financing expense and impairment as a financing revenue in the income statement. The amount of the repayment obligation is in accordance with the articles of the company.

(95) In Deutsche Wohnen liabilities to fund limited partners total EUR 46,631 thousand (previous year EUR 49,783 thousand).

(96) A financial liability is derecognized when the obligation upon which this liability is based is met, cancelled or has expired. If an existing financial liability is exchanged for another financial liability with the same lender at substantially different contract terms and conditions or if the terms and conditions of an existing liability are changed significantly, such an exchange or change is treated as a derecognition of the original liability and the entry of a new liability. The difference between the respective carrying amounts is recognized in the profit and loss for the period.

12 Pensions and other post-employment benefits

(97) Pension provisions are formed for obligations (pension, invalidity, widow/widower pension and orphan pension benefits) from deferred benefits and from current benefits to entitled active and former employees and their surviving dependents.

(98) The expenses for the benefits granted as part of the defined benefit plans are established using the projected-unit-credit-method. Actuarial profits and losses are recognized directly in retained earnings in the statement of recognized income and expense ('SORIE').

(99) Any possible expense related to former employment is allocated straight-line over the average period until non-forfeiture of the benefits. If benefits are non-forefeitable immediately after the introduction or change of a pension plan, the expense related to former employment is to be recognized immediately in the profit and loss.

(100) The Deutsche Wohnen Group pays contributions from defined contribution plans based on legal requirements to state pension fund providers. The current contribution payments are reported as social security under employee expenses. With the payment of the contributions there are no further benefit obligations for the Group.

(101) There are also pension plans in accordance with the regulations governing public-sector supplementary pensions. This is based on membership of a Group company in the Bayerische Versorgungskammer (BVK—Bavarian pension fund for professional groups). The supplementary pension comprises a partial or full pension for reduced earnings capacity and an old-age pension as a full pension or a surviving dependents' pension. The charge levied by the BVK is determined as the portion of the employee's remuneration used to calculate the supplementary pension contribution.

(102) 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.

(103) No concrete information is known about any overfunding or underfunding of the plan or the related future effects on Deutsche Wohnen Group. However, an external expert opinion puts Deutsche Wohnen's currently unfunded pension obligations to the BVK at EUR 12.35 million. This could be regarded as an indication of a deficit, which could result in an increase in the contribution payments made by Deutsche Wohnen to the BVK in the future.

13 Provisions

(104) A provision is set if the Group has a current (legal or factual) obligation based on a past event, if the outflow of resources embodying economic benefits is probable and a reliable estimate of the amount of the obligation is possible. If the Group expects at least in part restitution of a

provision recognized as a liability (for example in connection with an insurance policy), the restitution is only recognized as separate asset if the restitution is as good as certain. The expense for creating the provision is reported in the income statement after deduction of the restitution. If the impact of the interest rate is significant, provisions are discounted at an interest rate before tax, which reflects the specific risks of the liability, if applicable. In the case of a discount, the increase in provisions necessary over time is recognized as financial expenditure.

14 Leases

(105) Leasing transactions are differentiated between finance leases and operating leases. Contractual regulations, which transfer all significant opportunities and risks associated with the ownership of an asset to the lessee, are reported as finance leasing. The leasing object is recorded as an asset with the lessee, and the corresponding obligations are recorded as liabilities. All other leasing transactions are reported as operating leases.

15 Realizing income

(106) Income is recognized when it is probable that the economic benefits will flow to the Group and the amount of the income can be reliably determined. In addition, the following criteria have to be met when realizing income:

Rental income

(107) Rental income from investment property is recognized monthly over the period of the lease in accordance with the tenancy agreement.

Sale of property

(108) Income is recognized when the significant risks and opportunities associated with the ownership of the property sold have been transferred to the buyer.

Services

(109) Income is recognized in accordance with the performance of the service.

Interest income

(110) Income is recognized when the interest occurred (using the effective interest method, i.e. the discount rate with which the estimated future cash flows over the expected term of the financial instrument are discounted to the net book value of the financial asset).

16 Government grants

(111) Government grants are recognized when there is sufficient certainty that the grants will be awarded and the company meets the associated conditions. In the case of grants related to expenditure, these are scheduled over the period which is required in order to set them off against the appropriate expenses which they shall compensate.

(112) Deutsche Wohnen has received government grants in the form of redemption subsidies, redemption loans and interest-subsidized loans.

(113) Redemption subsidies, in the form of rent subsidies, are recognized in the income statement. This is recognized in the revenue from residential property management.

(114) The redemption and interest-subsidized loans are project-related loans and are reported as financial liabilities. Both offer benefits compared to loans at market

conditions such as lower interest rates or interest and redemption-free periods. The loans have been measured at fair value and are subsequently measured at amortized cost. However, they are to be seen in conjunction with restrictions in the property's rent development, which were considered in the fair value evaluation.

17 Tax

Current tax refund claims and tax liabilities

(115) The current tax refund claims and tax liabilities for the current period and for previous periods are to be measured at the amount at which a refund from the tax authorities or a payment to the tax authorities is expected. The calculation of the amount is based on the tax rates and tax laws which apply on the balance sheet date.

Deferred taxes

(116) The formation of deferred taxes uses the asset and liability method for all temporary differences on the balance sheet date between the valuation of an asset or liability in the balance sheet and the tax value. Deferred tax liabilities are recognized for all temporary differences which are to be taxed, with the exception of the following: The deferred tax liability from taxable temporary differences which are associated with interests in subsidiaries, affiliated companies and shares in joint ventures, is not recognized, if the reversal of the temporary differences is manageable over the course of time and if it is probable that the temporary differences will not be reversed in the foreseeable future.

(117) Deferred tax assets are recognized for all deductible temporary differences, unused tax loss carryforwards and unused income tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the unused loss carryforwards and income tax credits can be offset. The exceptions to this are as follows:

» Deferred tax assets from deductible temporary differences, which arise from the initial recognition of an asset or a liability in a business transaction, which is not a company merger and which at the time of the business transaction does not have an impact on the profit and loss for the period pursuant to commercial law nor the taxable profit and loss, may not be recognized.

» Deferred tax assets from taxable temporary differences which are associated with interests in subsidiaries, affiliated companies and shares in joint ventures, may only be recognized to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and sufficient taxable profit will be available against which the temporary differences can be offset.

(118) The carrying amount for deferred tax assets is reviewed as of every balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be offset at least in part. Deferred tax assets which are not recognized are reviewed as of every balance sheet date and recognized to the extent that it has become probable that a future taxable profit allows the deferred tax asset to be realized.

(119) Deferred tax assets and liabilities are measured on the basis of tax rates which are expected to apply for the period in which an asset is realized or a liability is met. This is based on the tax rates (and tax regulations) which apply or are notified as of the balance sheet date.

(120) Income tax related to items recognized directly in equity is recognized in equity and not on the income statement.

(121) Deferred tax assets and deferred tax liabilities are offset against each ofther if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and if they relate to income tax levied against the same taxable entity by the same taxation authority.

Change of tax rates

(122) With the company tax reform 2008, the tax rates (among other things) have changed as of January 1, 2008. The corporate income tax rate has fallen from 25% to 15%. Furthermore, the trade tax base rate has been reduced from 5 per cent to 3.5 per cent. The new tax rates have been used in the calculation of deferred taxes.

Value added tax

(123) Revenue, expense and assets are recognized after the deduction of value added tax. The exceptions to this are as follows:

- If value added tax on the purchase of assets or services cannot be recovered from the taxation authority, it is recognized as part of the production cost of the asset or as part of the expenses; and
- Receivables and liabilities are recognized together with the amount of value added tax contained therein.

(124) The amount of the value added tax recoverable from or payable to the taxation authority is reported in the consolidated balance sheet under receivables or liabilities.

18 Derivatives and hedges

(125) The Group uses derivatives (interest rate swaps) to hedge itself against interest rate risk. These derivatives are recognized at fair value when the respective agreement is entered into and subsequently measured at fair value. Derivatives are recognized as assets if their fair value is positive, and are recognized as liabilities if their fair value is negative. The measurement is based on the market-to-market method.

(126) For derivatives which do not meet the criteria for hedge accounting, profits or losses from changes in the fair value are immediately recognized in profit or loss.

The Deutsche Wohnen Group only hedges cash flows which relate to future interest payments.

D CONSOLIDATED BALANCE SHEET DISCLOSURES

Noncurrent assets

1 Investment property

(127) Investment property is measured at fair value. The fair value has developed as follows in the fiscal year:

	12/31/2007	12/31/2006
	in EUR thousands	in EUR thousands
Start of period	1,341,596	1,358,413
Additions due to company acquisition	1,790,248	0
Additions due to portfolio acquisition	138,936	18,850
Other credits	22,692	21,729
Disposals due to sale	– 53,215	– 70,337
Adjustment of fair value	30,948	12,941
End of period	3,271,205	1,341,596

(128) All of the Group's investment property is leased under operating leases. The related rental income amounted to EUR 144.6 million (2nd short fiscal year 2006 (adjusted): EUR 43.2 million). The expenditure directly associated with the investment property was EUR 89.7 million (2nd short fiscal year 2006 (adjusted): EUR 27.1 million).

(129) Deutsche Wohnen is partly subject to restrictions with regards to rental increases related to certain preferential tenants and in relation to grants in the form of interest-subsidized loans or investment subsidies. Additionally, legal obligations when privatizing housing have to be met.

2 Property, plant and equipment

In accordance with IAS 16, classified land and buildings, technical equipment and operating and office equipment are reported under this item. The development in the fiscal year was as follows:

	12/31/2007	12/31/2006
	in EUR thousands	in EUR thousands
Acquisition cost		
Start of period	8,184	8,212
Changes in the consolidated companies	25,773	0
Additions	4,752	38
Disposals	– 4,635	– 66
Transfers	– 2,147	0
End of period	31,927	8,184
Accumulated depreciation		
Start of period	4,286	4,145
Additions	1,514	207
Disposals	– 1,529	– 66
Transfers	– 292	0
End of period	3,979	4,286
Carrying amounts	27,948	3,898

The land and buildings included in property, plant and equipment are essentially secured by real estate collateral.

3 Intangible assets

(130) Intangible assets have developed as follows:

	12/31/2007	12/31/2006
	in EUR thousands	in EUR thousands
Acquisition cost		
Start of period	845	645
Changes in the consolidated companies	198	0
Additions	157	199
End of period	1,200	844
Accumulated depreciation		
Start of period	655	613
Additions	175	42
End of period	830	655
Carrying amounts	370	189

4 Affiliated companies

(131) The following companies were included in the consolidated financial statements at equity:

	Share	12/31/2007
	%	in EUR thousands
SES Stadtentwicklungsgesellschaft Eldenaer Strasse mbH	50.00	135
GbR Fernheizung Gropiusstadt	44.26	300
		435

(132) Both companies—which have their registered office in Berlin—are in Deutsche Wohnen's consolidated financial statements for the first time due to the first-time inclusion of the GEHAG Group.

(133) The following table shows the summarized information for the reported, affiliated companies:

	12/31/2007
	in EUR thousands
Share in the balance of affiliated companies	
Current assets	2,646
Noncurrent assets	5
Current liabilities	1,786
Equity	865
Revenue and profit contributed by the associated companies	
Revenue	27
Profit	18

5 Land and buildings held for sale

(134) The increase in land and buildings held for sale is primarily attributable to the first-time consolidation of the GEHAG Group (EUR 13,976 thousand). In the fiscal year 2007, revenue totaling EUR 812 thousand (2nd short fiscal year 2006: EUR 2,791 thousand) was generated. At the same time there were reductions in the carrying amount totaling EUR 480 (2nd short fiscal year 2006: EUR 1,666 thousand) thousand.

6 Trade receivables

(135) Trade receivables comprised the following:

	12/31/2007	12/31/2006
	in EUR thousands	in EUR thousands
Receivables from rental activities	7,569	5,299
Receivables from property sales	9,264	47,160
Other trade receivables	1,729	0
	18,562	52,459

Trade receivables are interest-free and are fundamentally due between 0 and 90 days. Appropriate valuation allowances are considered for default risk totaling EUR 7,554 thousand (previous year: EUR 1,710 thousand). The valuation allowances are formed on the basis of the age structure and are dependent upon whether the tenants are active or former tenants. Based upon this procedure, the extent of overdue, non-impaired trade receivables is very low.

The value adjustments for receivables from rental activities were as follows:

	12/31/2007	12/31/2006	06/30/2006
	in EUR thousands	in EUR thousands	in EUR thousands
Value adjustments made	8,072	1,710	1,463
Additions due to company acquisition	– 6,467	0	0
	1,605	1,710	1,463
Net addition / write-off	– 105	247	

Receivables from property sales are interest-free and are in principle due between 1 and 90 days. A value adjustment was made to the receivables from property sales in the fiscal year 2007 totaling EUR 2.l million.

The non-impaired receivables from property sales are due as follows:

	of which: as of the balance sheet date neither impaired nor overdue	of which as of the balance sheet date non-impaired and overdue in the following timebands			
		less than 30 days	between 30 and 60 days	between 61 and 90 days	more than 91 days
	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
2007	4,391	291	1,392	181	2,209
2006	45,841	381	790	0	148

The other receivables are interest-free and are fundamentally due between 1 and 90 days.

7 Derivatives

(136) Deutsche Wohnen has concluded several interest rate hedges. If the interest rate swaps are to be hedged, this is done with an underlying transaction. The following overview represents the significant contract terms:

Nominal	Strike	From	Maturity	12/31/2007	12/31/2006
in EUR thousands				in EUR thousands	in EUR thousands
230,000	3.9 %	07/01/2003	07/01/2013	6,855	0
125,000	3.4 %	04/10/2006	12/31/2015	8,421	0
101,700	4.1 %	12/08/2006	12/30/2016	3,833	0
75,000	3.2 %	04/10/2006	12/31/2012	3,918	0
50,000	4.2 %	01/18/2007	12/30/2016	1,096	0
50,000	4.1 %	04/10/2007	12/30/2016	1,659	0
35,000	3.5 %	06/30/2003	06/30/2013	1,075	0
34,250	3.4 %	04/10/2006	12/31/2015	2,457	0
30,000	3.5 %	04/10/2006	12/31/2015	2,143	0
31,307	3.5 % – 4.5 %	07/29/2005	12/30/2016	739	0
2,596	5.0 %	10/02/2006	10/03/2016	36	– 55
764,853				32,232	– 55
172,000	4.7 %	09/20/2007	12/29/2017	– 2,308	0
78,000	4.7 %	09/20/2007	12/29/2017	– 1,047	0
50,000	4.7 %	03/20/2008	12/29/2017	– 451	0
300,000				– 3,806	0
1,064,853				28,426	– 55

In the fiscal year, net finance costs were recognized from the adjustment totaling EUR 7,845 thousand (previous year: EUR 55 thousand). The interest rate swap of the previous year (EUR 55 thousand) is from now on reported under current liabilities.

Interest rate swaps for a nominal amount of EUR 120.0 million and at interest rates between 3.88 and 4.06 per cent were again concluded in March 2008.

There are no significant credit risks as the interest rate swaps were concluded with major banks with first-class credit ratings. With changes in interest rate levels the market values change accordingly. Revenue and expense is recognized in the current profit. If the interest rate level should rise/fall by 50 basis points, the interest rate swap rises/falls by approximately EUR 30 million (previous year EUR 0.1 million).

8 Cash and cash equivalents

The cash equivalent of EUR 47.9 million (previous year: EUR 33.5 million) consists mainly of credit balances at banks, cheques and cash in hand. Credit balances at banks are on call deposit and earn interest at varying rates. Short-term investments are for varying periods of between one day and three months according to the requirements of the company. As at the balance sheet date the Deutsche Wohnen Group had cash equivalent to an amount of EUR 21.1 million (previous year: EUR 21.5 million) which was not freely available. This was in essence the cash equivalent of DB 14 and rental security deposits.

9 Equity

(137) Concerning the development of equity, the statement concerning changes in the Group equity is referred to.

a) Subscribed capital

(138) With the issue of 6,400,000 shares as part of the GEHAG transaction, the amount of registered share capital is EUR 26.4 million (previous year EUR 20 million). The registered share capital comprises 26,400,000 no-par value shares with a notional share of EUR 1 per share in the registered share capital. The shares have been issued completely and paid in full.

(139) The company shares are registered or bearer shares. If the shares are issued as registered shares, the registered shareholders are entitled to request—in writing or in text form (§ 126b German Civil Code, BGB)—to the Management Board, that the registered shares for which they are listed in the company's share register are converted into bearer shares. The conversion requires the consent of the Management Board.

(140) When capital increases take place, the new shares are issued as bearer shares.

(141) The Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital on one or several occasions in the period up to August 9, 2011, by up to an aggregate of EUR 3,600,000 of authorized capital by issuing up to 3,600,000 new ordinary bearer shares against cash or non-cash contributions (authorized capital). The capital which was originally authorized amounted to EUR 10,000,000. It was reduced by the issue of 6,400,000 shares as part of the GEHAG transaction.

(142) The share capital is contingently increased by up to a further EUR 10,000,000.00 with the issue of no-par value bearer shares carrying dividend rights from the beginning of the fiscal year in which they were issued (contingent capital). The contingent capital increase serves to grant shares to creditors or holders of bonds with warrants or convertible bonds, or profit participation rights with conversion or subscription rights, which in accordance with the authorization of the General Meeting of August 10, 2006, will be issued by the company or by a company which is 100 per cent directly or indirectly affiliated to the company in the period up to August 9, 2011, provided that the issue is against cash. The capital increase will only be carried out if rights related to the previously mentioned bonds with warrants or convertible bonds or convertible bonds or profit participation rights are exercised or the conversion rights from such debt securities are met and if own shares are not used for this purpose. The issue of the convertible bonds as part of the GEHAG transaction would correspondingly reduce the contingent capital in case of a conversion.

(143) The Management Board was authorized by the resolution of the Annual General Meeting of June 21, 2007, to acquire own shares of the company corresponding to a total of up to 10 per cent of the share capital in the period leading up to December 20, 2008. However the principle of equal treatment (§ 53 a of the Aktiengesetz [German Stock Corporation Act]) needs to be observed.

b) Capital reserves

(144) The creation of the capital reserves was resolved by the Extraordinary General Meeting in 1999. Capital reserves amounted to EUR 349.5 million as of the balance sheet date (December 31, 2006: EUR 170.8 million). The increase is attributable to the extra amount in the fiscal year for the 6,400,000 shares issued in connection with the GEHAG transaction (EUR 177.6 million) and the equity contribution to the convertible bonds issued (EUR 1.1 million).

c) Accumulated consolidated profit

(145) The accumulated consolidated profit includes the retained earnings of Deutsche Wohnen as well as the accumulated profit/loss carried forward.

(146) The legal reserve is mandatory for corporations. In accordance with § 150 paragraph (2) of the German Stock Corporation Act (AktG), an amount of 5 per cent of the profit for the fiscal year is to be retained. The legal reserve has an upper limit of 10 per cent of the share capital. In the process, existing retained earnings are to be considered in accordance with § 272 paragraph (2) no. 1-3 of the German Commercial Code (HGB) in a manner which reduces the required provision to the legal reserve correspondingly. This is measured on the basis of the subscribed capital which exists and is legally-effective on the reporting date and which is to be reported in this amount in the respective annual balance sheet. The legal reserve remains unchanged at EUR 1.0 million.

(147) Furthermore, the valuation differences between the HGB (German Commercial Code) and IFRS accounting standards (EUR 28.9 million), the effect of the change in the measurement of investment property in the balance sheet from the cost method to the fair value method (EUR 350.5 million) and the DB 14 correction (EUR 8.8 million) are here reported.

(148) The income and expense which is recognized directly in equity (SORIE) considers the share of the actuarial profits and losses related to the pension obligations, less the deferred taxes allocated to it (EUR 2.1 million; previous year EUR 0.2 million).

(149) For 2007 the Management Board proposes to carry forward the profit of Deutsche Wohnen totaling EUR 433 thousand to a new account.

d) Minority interests

(150) The minority interests are the result of the first consolidation of the GEHAG Group.

NON-CURRENT LIABILITIES

10 Financial liabilities

(151) The company has taken on bank loans in particular to finance the GEHAG transaction and the purchase of property. With the increase in borrowed finance, finance expenditure has increased accordingly.

(152) The financial liabilities comprise the following:

	12/31/2007 Carrying amount	12/31/2007 Nominal amount	12/31/2006 Carrying amount	12/31/2006 Nominal amount
	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
Company-related loans	1,632,172	1,632,172	250,789	250,789
Project-related loans	547,075	668,907	322,901	417,416
Participation rights	308	308	0	0
	2,179,555	2,301,387	573,690	668,205
of which noncurrent	2,034,087		562,186	
of which current	145,468		11,504	
	2,179,555		573,690	

The company-related loans are loans which were taken on as part of portfolio acquisitions in 2007 or 2006 or in relation to company acquisitions. These loans have variable interest rates and a remaining term of between 4 and 8 years. The average interest rates are 4.61 to 5.69 per cent. The loans are hedged by means of interest rate swaps to approximately 86 per cent against the interest-induced risk to cash flow. Interest rate swaps for a nominal amount of EUR 120.0 million and at interest rates between 3.88 and 4.06 per cent were again concluded in March 2008.

(153) The following overview lists the loans which are greater than EUR 10.0 million:

	Nominal amount	Remaining balance	Term	Interest Rate
Syndicate loan	440,000	396,166	12/31/2012	EURIBOR + margin
Acquisition of GEHAG	410,000	385,000	12/31/2017	EURIBOR + margin
Loan 1				
Loan tranche (a)	127,823	127,823	05/06/2014	5.79 %
Loan tranche (b)	51,129	51,129	05/06/2009	5.37 %
Loan tranche (c)	71,837	71,837	05/06/2014	5.74 %
Purchase loan 1	183,000	183,000	12/31/2015	EURIBOR + margin
Purchase loan 2	230,000	225,086	12/31/2016	EURIBOR + margin
Loan 2	270,000	89,400	09/30/2008	EURIBOR + margin
Purchase loan 3	45,000	43,125	12/31/2015	EURIBOR + margin
Purchase loan 4	19,000	19,000	12/31/2013	EURIBOR + margin
Others < EUR 10.0 million		40,606		
	1,847,789	1,632,172		

(154) As part of a down-stream merger in 2002, GEHAG has taken over loans totaling EUR 421 million. With a credit agreement of October 15, 2003, the borrowings and other financial liabilities taken on were converted into long-term project financing (syndicate loan of EUR 440 million). The syndicate loan is used as roll-over credit and the interest rate is based on EURIBOR. Of the total credit volume, EUR 340 million is hedged long-term with three payer swaps against interest rate risks. The credit period is limited to December 31, 2012. Land charges, personally enforceable promises to pay, assignment of rights and claims from rent and lease agreements, and purchase contracts serve as collateral.

(155) A loan agreement of over EUR 410 million was concluded for the financing of the GEHAG transaction. The loan is divided into 4 facilities. The interest is determined based upon EURIBOR, plus a margin. The term is until December 31, 2017. 61 per cent of the loan is hedged long-term against interest rate risks by means of interest rate swaps.

(156) Loan 1 was taken on as part of the disengagement of the Deutsche Bank Group and the associated restructuring of finance.

(157) Purchase loans 1 and 2 can be used either as short-term or long-term loans. As of the balance sheet date, funds were only taken on as short-term EURIBOR loans. The terms of the purchase loans end on December 31, 2015/ 2016.

(158) Purchase loans 3 and 4 are related to the financing of the property that is to be allocated to the section of nursing and residential care homes.

(159) A borrowing limit of EUR 270 million was made available to the Deutsche Wohnen Group; as of December

31, 2007, EUR 89.4 million had been drawn from the credit line.

(160) The project-related loans are loans which can be directly allocated to property. These have been taken up in the past primarily for purchases or modernization purposes. In the case of a sale, these are to be reduced accordingly. The average interest rates of the loans are between 0.0 and 7.5 per cent. The loans with no or low interest—for which in return rent is granted at conditions below the market rent—are measured at amortized cost. In the Deutsche Wohnen Group, the price-fixed stock totals approximately 23 per cent.

(161) The residual terms are as follows:

	Summe	Residual term to 1 year	Residual term over 1 to 5 years	Residual term over 5 years
	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
Financial liabilities as of 12/31/2007	2,179,555	145,468	255,917	1,778,170
Financial liabilities as of 12/31/2006	573,690	11,504	128,766	433,420

(162) The liabilities are secured to the amount of EUR 1,616.0 million (previous year EUR 376.9 million) by the property.

11 Convertible bonds

(163) Convertible bonds were issued as part of the GEHAG acquisition on July 31, 2007. They can be converted at any time between the day of issue and the date of repayment into ordinary shares of the company. At the time of issue, the convertible bonds were convertible at a conversion price of EUR 45/share.

	12/31/2007
	in EUR thousands
Nominal value of convertible bonds	25,000
Equity component	– 1,102
	23,898
Debt component as of the day of issue	23,898
Deferred interest	441
Debt component as of 12/31/2007	24,339

(164) If the convertible bonds are not converted into ordinary shares, they will be taken back on July 31, 2010 at the nominal value multiplied by 109 per cent. No interest is paid until the settlement date.

(165) The revenue from the issue of the convertible bonds was divided into debt and equity components. The equity component reflects the value of the option in connection with the right to convert the bond into equity.

(166) The fair value of the convertible bonds basically correspond with the carrying amount due to the short remaining term and the basically unchanged market parameters since their issue. The convertible bonds mature on July 31, 2010, and are reported as a non-current liability.

12 Pension provisions

(167) The company's occupational pension scheme consists of defined benefit and contribution pension plans.

(168) 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.

(169) The level of the pension obligation (net present value of the projected benefit of the pension commitment) was calculated in accordance with actuarial methods on the basis of the following factors:

	12/31/2007	12/31/2006
	%	%
Discount factor	5.60	4.40
Salary dynamics	2.00	3.00
Pension trend	1.75	1.75
Increase in the income threshold for contribution assessment	2.00	2.75
Mortality tables	R 05G	R 05G

(170) The salary trend includes expected future salary increases. This is estimated and depends among other things on the inflation rate and the length of service in the company.

(171) The net pension expenditure/revenue comprises the following:

	12/31/2007	12/31/2006
	in EUR thousands	in EUR thousands
Interest expense	– 1,021	– 113
Service period expense reported under employee expenses	– 268	– 14
Curtailment	310	0
Actuarial profits reported in SORIE	2,933	63
	1,954	– 64

The acturial profits/losses are directly recognized in equity—by also taking into account deferred taxes—in the accumulated consolidated financial statements (EUR 2.1 million, previous year EUR 0.2 million).

The following overview shows the development of the pension obligations:

	12/31/2007	12/31/2006
	in EUR thousands	in EUR thousands
Pension obligation, start of period	5,084	5,121
Pension payments	– 1,308	– 160
Changes in the consolidated companies	39,685	0
Interest expense	1,021	113
Service period expense	268	14
Curtailment	– 310	0
Adjustment of current pensions	53	59
Actuarial profits/losses	– 2,933	– 63
Pension obligation, end of period	41,562	5,084

(172) The increase in the pension obligation is basically attributable to the pension obligation towards the employees of the GEHAG Group. The pension commitments extend to old-age, disability, widow/widower, and orphan pensions. The reference base is the final fixed annual gross salary. Depending on the position in the company, there are different benefit plans.

(173) Interest cost is recognized ratably as an expense under the accrued interest expenses item in the income statement, while current pension payments, service costs and adjustments of current pensions are recognized in the employee expenses item.

(174) The adjustments included in the actuarial profits are EUR -174 thousand, based on empirical figures. There were no adjustments of this kind in previous years.

(175) The amounts for the current and previous four reporting periods are as follows:

	12/31/2007	12/31/2006	06/30/2006	12/31/2005
	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
Defined benefit obligations	41,562	5,084	5,121	5,355

(176) For defined contribution pensions, expenditure totaling EUR 802 thousand (previous year: EUR 395 thousand) was recognized. For 2008, based on the actual employee status, expenditure totalling EUR 3.4 million will be recognized.

13 Liabilities to fund limited partners

(177) On the basis of individual agreements, Rhein-Pfalz Wohnen GmbH has granted the limited partners of DB 14 the right to sell back the limited partner shares from 2005 to 2019. Under these agreements, the Group is obliged to acquire the shares initially (in 2005) at 105 per cent of the paid-in capital share on request. From 2005, the agreed purchase price for the shares increases by five percentage points per annum. Furthermore, outstanding dividend payments are considered for limited partner shares that were sold back.

(178) The liabilities have developed as follows in the fiscal year:

	12/31/2007	12/31/2006
	in EUR thousands	in EUR thousands
Liabilities at the start of the period	49,783	54,817
Payment for shares sold back	– 5,195	– 6,399
Dividends	– 497	0
Accrued Interest	2,540	1,365
Liabilities at the end of the period	46,631	49,783

(179) Liabilities to fund limited partners are reported under noncurrent liabilities because no further limited partners had exercised their rights to sell back as of December 31, 2007. Maturities may change due to the actual exercise of the right to sell back shares.

14 Provisions

(180) Provisions comprise the following:

	Revitalization	Restructuring	Others	Total
	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
Start of period	0	0	818	818
Changes in the consolidated companies	10,994	0	4,702	15,696
Utilization	– 131	0	– 231	– 362
Reversal	0	0	– 805	– 805
Additions	180	3,444	1,844	5,468
End of period	11,043	3,444	6,328	20,815
Noncurrent	11,043	0	332	11,375
Current	0	3,444	5,996	9,440

(181) The provision for revitalization relates to the privatization agreement between the Land Berlin and GEHAG. According to this agreement, GEHAG is committed to invest a total of originally EUR 25,565 for improving housing conditions. There are no provisions in the agreement concerning the time period. The calculation assumes a period up to 2017 and an interest rate of 5 per cent. The additions concern the accrued interest effect of the provision.

(182) The restructuring provision takes into account obligations from a social compensation plan, severance payments and salaries for released employees.

15 Tax liabilities

(183) Tax liabilities include mainly the present value (EUR 77,397 thousand; previous year EUR 0 thousand) from the payment for the EK 02 stocks in the Deutsche Wohnen Group. In accordance with the Annual Tax Law 2008, the previous regulation concerning the treatment of EK02 stocks is being abolished and instead a for us compulsory, flat-rate payment is being introduced. In accordance with this, the closing balance of EK02 as of December 31, 2006, is taxed flat-rate at 3 per cent, regardless of the usage. Remaining stock is not applicable and triggers no further increases in corporation tax. The resultant tax amount is to be paid either within a period of 10 years from 2008 to 2017 in ten equal annual installments or at present value in a one-off amount. The whole EK02 stock of the Deutsche Wohnen Group amounts to EUR 3.2 billion. The measurement was based on an interest rate of 4.2 per cent. Furthermore, it was assumed that the payment will be in 10 annual installments and not in a one-off payment at present value.

16 Deferred taxes

(184) Deferred taxes comprise the following:

	12/31/2006	Additions due to company acquisition	Change	12/31/2007
	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
Deferred tax assets				
Property	9,400	47,889	– 10,123	47,166
Loss carryforwards	28,629	9,619	– 7,494	30,754
Other provisions	266	2,571	1,057	3,894
Employer pension plans	254	2,682	– 653	2,283
Interest rate swaps	10	0	1,234	1,244
Others	0	2,123	– 850	1,273
	38,559	64,884	– 16,829	86,614
Deferred tax liabilities				
Property	64,089	42,995	219	106,865
Interest rate swaps	0	10,882	1,169	9,713
Loans	15,580	9,976	6,581	18,975
Others	0	280	– 2	282
	79,669	64,133	7,966	135,835
Deferred taxes—net	– 41,110	751	– 8,863	– 49,222

	2007	2nd short fiscal year 2006
	in EUR thousands	in EUR thousands
As a change to SORIE not recognized in profit	– 883	– 86
As a tax expense recognized in profit	– 7,980	3,439
	– 8,863	3,353

(185) The actuarial profits and losses from the pensions are recognized directly in equity (SORIE). The related deferred taxes are also recognized directly in SORIE.

The Deutsche Wohnen Group has corporation tax loss carryforwards totaling EUR 1,090.1 million (previous year EUR 199.2 million) and trade tax carryforwards totaling EUR 908.8 million (previous year EUR 73.9 million). In principle, the tax loss carryforwards do not expire. Deferred tax assets were capitalized to tax loss carryforwards only to the value of existing deferred tax liabilities. The amount of deferred taxes which were not capitalized to loss carryforwards is EUR 259.0 million (previous year EUR 38.0 million).

17 Leases

(186) The tenancy agreements which the Deutsche Wohnen Group concluded with its tenants are classified as operating leases in accordance with IFRS. Accordingly, the Group acts as lessor in a most diverse range of operating lease agreements for investment properties, from which it obtains the largest part of its income and revenue.

(187) The Deutsche Wohnen Group will receive minimum lease payments in 2008 totaling EUR 193.0 million (previous year: 90.0 million) from existing operating lease agreements with third parties based on the current property stock. Furthermore, the Deutsche Wohnen Group will receive from property related to residential care homes and nursing minimum lease payments in 2008 totaling EUR 31 million, for between one and five years the payments will amount to ca. EUR 124 million and for more than 5 years they will will amount to ca. EUR 155 million. In the process, a remaining lease of 5 years after the fifth year was assumed. The tenancy agreements are in principle indefinite and end with the passing of the tenants or if there is a default of payments, cancellation on the part of the landlord is possible. There were also leasing agreements in the previous year for property from which Deutsche Wohnen would have received payments (up to one year: EUR 1.2 million, for between one and five years EUR 3.2 million and for longer than five years EUR 0.7 million).

E CONSOLIDATED INCOME STATEMENT DISCLOSURES

(188) The consolidated income statement is prepared using the total cost approach.

18 Revenue

(189) Revenue comprises the following:

	2007	2nd short fiscal year 2006 (adjusted)
	in EUR thousands	in EUR thousands
Residential property management	180,784	58,310
Nursing and residential care homes	16,124	0
Caregiving activities	3,124	963
Telecommunications services	2,981	0
Other services	1,341	2,812
	204,354	62,085

The revenue from residential property management comprises the following:

	2007	2nd short fiscal year 2006 (adjusted)
	in EUR thousands	in EUR thousands
Estimated rent and other income	144,564	47,019
Income shortfalls	– 12,383	– 3,862
Actual rent and other income	132,181	43,157
Revenue from billing of cost allocations	48,603	15,153
	180,784	58,310

(190) The revenue from nursing and residential care homes is achieved by Katharinenhof GmbH. This was considered for the first time with the first-time inclusion of the GEHAG Group in the consolidation.

19 Cost of purchased services

(191) The cost of purchased services comprises the following:

	2007	2nd short fiscal year 2006 (adjusted)
	in EUR thousands	in EUR thousands
Expenses for residential property management	89,718	27,080
Expenses for nursing and residential care homes	3,312	0
Telecommunications services	2,267	0
Other expenses	1,617	1,666
	96,914	28,746

The expenses for residential property management comprise the following:

	2007	2nd short fiscal year 2006 (adjusted)
	in EUR thousands	in EUR thousands
Operating costs	52,625	16,474
Maintenance expenses	32,162	9,624
Other expenses	4,931	982
	89,718	27,080

20 Employee expenses

(192) Deutsche Wohnen Group employed on average 1,361 employees (previous year 271 employees) in the fiscal year. There were 8 employees employed in the affiliated companies.

21 Other operating expenses

(193) Other operating expenses comprise the following:

	2007	2nd short fiscal year 2006 (adjusted)
	in EUR thousands	in EUR thousands
Legal, consultancy and audit costs	2,462	995
Valuation allowances for receivables	4,214	378
Cost of office space	3,859	588
Cost of sales	3,296	5,597
Cost of data processing and communication	2,752	773
Vehicle and travel costs	1,035	384
Insurance	238	107
Administrative and miscellaneous costs	9,412	2,963
	27,268	11,784

The valuation allowances for receivables include a valuation allowance for a receivable relating to a sale from 2005 (EUR 2.1 million, previous year: EUR 0.0 million).

22 Restructuring and reorganization expenses

(194) The restructuring and reorganization costs include primarily employee costs (EUR 7.3 million, previous year: EUR 0.0 million) for severance payments and salary payments to released or retired employees as well as associated legal and consultancy costs (EUR 1.4 million, previous year: EUR 0.0 million) and expenses associated with the integration and reorganization (EUR 1.1 million, previous year: EUR 0.0 million).

23 Expenses relating to the stock exchange prospectus

(195) The expenses relating to the stock exchange prospectus (EUR 1.8 million) include primarily legal, consultancy and audit costs.

24 Financial expenses

(196) The increase in financial expenses is primarily attributable to the necessary financing for the portfolios which were newly acquired in the fiscal year and the acquisition of the GEHAG Group.

(197) Financial expenses comprise the following:

	2007	2nd short fiscal year 2006
	in EUR thousands	in EUR thousands
Interest	62,506	14,017
Adjustment of interest rate swaps	7,845	55
Accrued interest on liabilities and pensions	10,233	2,221
	80,584	16,293

25 Income tax

(198) For companies located in Germany with the legal form of a public limited company, corporation tax of 25 per cent and a solidarity surcharge of 5.5 per cent of the corporation tax due are accrued. These companies are also subject to trade tax, the amount depending on tax rates set by local authorities. Companies in the legal form of a partnership are only subject to trade tax. The profit less trade tax is assigned to the partner for corporation tax purposes. The trade tax reduces its own assessment basis and for public limited companies the assessment basis for the corporation tax. Limited use of the corporation and trade tax loss carryforwards is to be considered as of the assessment period 2004. In the process, a positive tax assessment basis is unlimited up to EUR 1 million, amounts beyond EUR 1 million may only be reduced by maximum 60 per cent by an existing loss carryforward.

(199) The Corporate Tax Reform Act 2008 was passed by a resolution of the Bundesrat (Federal Council of Germany) on July 6, 2007. The law primarily aims at a fall in tax rates and, for counter-financing purposes, a broadening of the assessment basis; the deductibility of interest payable is limited to 30 per cent of the taxable EBITDA, the trade tax will in future no longer represent a tax deductible expense. The expected income tax rate for 2008 for the Group parent Deutsche Wohnen AG will nominally amount to 31.93 per cent. This tax rate was already used for the calculation of deferred tax as of December 31, 2007.

(200) The income tax expense for the current fiscal year comprises the following:

	2007	2nd short fiscal year 2006 (adjusted)
	in EUR thousands	in EUR thousands
Current tax expense		
Current income tax	– 1,824	2,626
EK 02 taxation	29,808	0
Deferred tax expense		
Property	6,808	9,061
Loss carryforwards	7,494	– 2,951
Interest rate swaps	– 2,403	– 10
Other provisions	– 1,057	737
Pensions	– 230	– 18
Others	– 2,634	– 33
	35,963	9,412

For the fiscal year 2007, the current income tax takes into account income relating to other periods totaling EUR 3.3 million (previous year expenses of EUR 0.1 million).

The change in the tax expense/revenue can be seen in the following overview:

	2007	2nd short fiscal year 2006 (adjusted)
	in EUR thousands	in EUR thousands
Consolidated profit before tax	65,749	20,337
Applicable tax rate	40.86 %	40.86 %
Expected tax expense	26,865	8,310
Negative consolidation difference	– 26,191	0
Tax expense from EK 02	29,808	0
Effect from change in tax rate	3,483	0
Other effects	1,998	1,102
	35,963	9,412

F SEGMENT REPORTING

(201) The Deutsche Wohnen reports by business segments. Segment information is not reported by geographical region as the property and therefore all of the operational activities are in Germany.

(202) Deutsche Wohnen focuses within its business activities on the following three main areas of activity:

Residential property management

(203) The primary business activity of Deutsche Wohnen is the management of residential property as part of an active stock management. In the residential property management segment, all of the activities are performed by the previous four regional offices in Mainz, Frankfurt am Main, Koblenz and Neustadt a.d. Weinstrasse as well as the GEHAG Group in Berlin. The stock management includes the modernization and maintenance of the property portfolio of Deutsche Wohnen, the management of tenancy agreements, support for tenants and the marketing of property. The focus of property management is on the optimization of rental income. Therefore, as part of the maintenance of the buildings, possible measures which could potentially increase rent are continually reviewed, tenant change is used to enhance value and services providing the greatest possible savings are bought and passed on to the tenants.

Property held for sale is included in this segment.

Housing privatization

(204) The housing privatization segment is the other pillar of the Deutsche Wohnen Group's operational business. Privatization can be in the form of individual privatization, i.e. by selling an individual residential unit (e.g. to tenants), or it can also in the form of block sales.

(205) The housing privatization segment includes all aspects of the preparation and realiziation of the sale of property from the own portfolio as part of portfolio optimization and adjustment.

(206) Housing privatization can also take place in connection with the future acquisition of portfolios for portfolio adjustment and for financing.

(207) In view of the housing privatization segment's change in focus, continual measurement and assessment of the property stock takes place with the aim of optimizing the portfolio. The sale's aim is to sell all of the residential units in a property. In the case of scattered properties, the properties which are to be privatized are also offered for individual sale. In future, the annual privatization volume should be around 500 residential units. For larger properties / part portfolios, however, the aim is to complete a block sale.

(208) With regards to certain residential units—particularly in Rhineland-Palatinate—and in view of individual stocks of the GEHAG Group, Deutsche Wohnen's privatizations are subject to certain restrictions due to the acquisition agreements. Due to these obligations, it is partly bound to certain specifications (e. g. sale to tenants, social conditions, etc.) when making privatization decisions. In part also due to those restrictions, it is not possible to sell the property concerned for a certain period.

Housing-related services

(209) With the acquisition of the majority interest in the GEHAG Group, the management of nursing homes and the provision of telecommunications services has become a further pillar of the business activities of Deutsche Wohnen. The nursing homes business is run by KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH and includes the marketing and management of nursing and residential care homes as well as services for the care of the senior citizens who live in the homes. The telecommunications services are performed by AKF—Telekabel TV und Datennetze GmbH.

(210) The values for the previous year have been adjusted due to the change over from the cost method to the fair value method.

(211) Intercompany transactions primarily concern agency agreements which are carried out at conditions which are customary for the market.

(212) The segment reporting is attached as Annex 2 in the explanatory notes to the consolidated financial statement.

(213) The segment reporting was basically adjusted due to the change to the fair value method and the correction of DB 14. The important adjustments are described below. Depreciation in the residential property management segment accordingly no longer applies. The revenue from residential property management has risen from EUR 52.7 million by the revenue of DB 14 (EUR 4.8 million) to EUR 57.5 million. Earnings from housing privatization have fallen due to the change to the fair value method from EUR 35.3 million to EUR 8.1 million. The reclassification of the sales vacancy rate is no longer necessary.

(214) The transition from the segment assets or segment liabilities to the consolidated balance sheet can be see in the following table:

	12/31/2007	12/31/2006 (adjusted)
	in EUR thousands	in EUR thousands
Segment assets	3,430,909	1,445,666
Deferred taxes	86,614	38,559
Receivables from income tax	2,879	1,652
	3,520,402	1,485,877

	2007	2006 (adjusted)
	in EUR thousands	in EUR thousands
Segment liabilities	2,366,576	665,605
Deferred taxes	135,835	79,669
Liabilities from income tax	81,865	4,184
	2,584,276	749,458

G CASH FLOW STATEMENT DISCLOSURES

(215) The cash flow statement shows the changes in the Group's cash funds due to cash inflows and cash outflows in the course of the fiscal year. In accordance with IAS 7 (cash flow statements), a distinction is made between cash flows from operating, investing and financing activities.

(216) The cash and cash equivalents considered in the cash flow statement comprise all cash funds which consist of cash and bank balances. In total, EUR 21.1 million is not freely available to the Group. This concerns the cash and cash equivalents for DB 14 and rental deposits held in trust.

(217) The Group has at its disposal, funds amounting to EUR 212.3 million (previous year EUR 270.0 million) from financing commitments that had not been utilized as of the balance sheet date.

(218) Cash flows from investment and financing activities are determined when payment is made. The cash flow from operating activities, on the other hand, is indirectly derived from the consolidated profit for the year.

H EARNINGS PER SHARE

(219) In the calculation of the basic earnings per share, the consolidated profit is divided by the weighted number of shares in circulation in the fiscal year.

(220) In the calculation of the diluted earnings per share, the consolidated profit is adjusted for the interest related to the convertible bonds and divided by the weighted number of shares in circulation in the fiscal year, including the shares which would result from the conversion.

(221) The following tables contain the amounts upon which the calculations of the basic and diluted earnings per share are based:

	2007	2nd short fiscal year 2006 (adjusted)
Consolidated profit for calculating basic earnings per share	29,786	10,925
./. Convertible bond interest (after tax)	309	0
Adjusted consolidated profit for calculating diluted earnings per share	30,095	10,925

	2007	Short fiscal year 2006
Shares issued, start of period	20,000	20,000
Shares issued as of August 9, 2007	6,400	0
Shares issued, end of period	26,400	20,000
Average shares issued, basic	22,525	20,000
+ conversion rights	231	0
Average shares issued, diluted	22,756	20,000
Earnings per share		
basic	1.32	0.55
diluted	1.32	0.55

The following dividends were distributed:

		2007	2nd short fiscal year 2006 (adjusted)
Dividends	in EUR thousands	17,600	52,600
Number of shares at the time of the distribution	Thousand shares	20,000	20,000
Dividends per share	EUR / share	0.88	2.63

I OTHER DISCLOSURES

Risk management

General information on risk management

(222) The risk management system (RMS) is an instrument for achieving the central goal of the company, i.e. to develop into a profitable and sustainable property company which mainly concentrates on the management and development of its own housing stock. It provides the basis for active risk control and serves as a basis for information for the Management Board and the Supervisory Board concerning the current risk situation of the company.

(223) Risk management is a continual process which is divided into the following phases:
- Establishing the standards
- Risk identification and analysis
- Risk control
- Reporting
- Risk controlling

(224) Risks are monitored in accordance with the risk management guidelines established by management

in a qualified and timely manner. The risk management guidelines establish the roles and responsibilities, set the basic principles of the RMS and define the framework for the measurement and control of risk. Risk is proactively controlled by using the early warning system.

In the following the measures relating to financial risk management are described:

(225) With the exception of derivatives, the main financial instruments used by the Group are bank loans and cash and cash equivalents. The primary purpose of these financial instruments is to finance the Group's business activities. The Group has various financial assets and liabilities, such as trade receivables and liabilities, which result directly from its business activities.

(226) The Group also carries out derivative transactions in the form of interest rate swaps. The purpose of these derivatives is the management of interest risk which relate to the Group's business activities and its sources of finance. There has been no trading of interest rate swaps and this will not take place in future either.

(227) The following table shows the arrangement of the financial instruments in the appropriate classes in accordance with IFRS 7.6 and the allocation of the measurement categories in accordance with IAS 39:

		Measurement category in accordance with IAS 39	Carrying amount 12/31/2007	Balance sheet valuation in accordance with IAS 39: Amortized cost	Balance sheet valuation in accordance with IAS 39: Fair value recognized in the income statement	Fair value 12/31/2007
			in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
Financial assets						
	Receivables from trade receivables	(1)	18,562	18,562		18,562
	Other assets	(1)	3,907	3,907		3,907
	Cash and cash equivalents	(1)	47,874	47,874		47,874
	Derivatives	(2)	32,231		32,231	32,231
Financial liabilities						
	Finance liabilities	(3)	2,179,555	2,179,555		2,179,555
	Convertible bonds	(3)	24,339	24,339		24,339
	Liabilities to fund limited partners	(4)	46,631		46,631	46,631
	Liabilities from trade receivables	(3)	25,420	25,420		25,420
	Other liabilities	(3)	24,451	24,451		24,451
	Derivatives	(4)	3,804		3,804	3,804
(1)	Loans and receivables		70,343			
(2)	Assets recognized at fair value in the income statement		32,231			
(3)	Liabilities recognized at amortized cost		2,253,765			
(4)	Liabilities recognized at fair value in the income statement		50,435			

	Measurement category in accordance with IAS 39	Carrying amount 12/31/2006	Balance sheet valuation in accordance with IAS 39 Amortized cost	 Fair value recognized in the income statement	Fair value 12/31/2006
		in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
Financial assets					
Receivables from trade receivables	(1)	52,459	52,459		52,459
Other assets	(1)	1,596	1,596		1,596
Cash and cash equivalents	(1)	33,516	33,516		33,516
Interest rate swaps	(2)	0		0	0
Financial liabilities					
Finance liabilities	(3)	573,690	573,690		573,690
Liabilities to fund limited partners	(4)	49,783		49,783	49,783
Liabilities from trade receivables	(3)	10,618	10,618		10,618
Other liabilities	(3)	25,301	25,301		25,301
Derivatives	(4)	55	55	55	55
(1) Loans and receivables		87,571			
(2) Assets recognized at fair value in the income statement		0			
(3) Liabilities recognized at amortized cost		609,609			
(4) Liabilities recognized at fair value in the income statement		49,838			

(228) The following overview shows the contractual payments (undiscounted interest and redemption payments) for year 2008 to 2011.

	Carrying amount 12/31/2007	2008	2009	2010	2011
	EUR millions	EUR millions	EUR millions	EUR millions	EUR millions
Financial liabilities[1]	2,179.6	204.6	153.2	104.0	103.2
Convertible bonds	24.3	24.3			
Liabilities to fund limited partners	46.6	46.6[2]			
Liabilities from Tax	81.9	13.7	9.6	9.6	9.6
Liabilities from trade receivables	25.4	25.4			
Other liabilities	25.4	25.4			

	Carrying amount 12/31/2006	2007	2008	2009	2010
	EUR millions	EUR millions	EUR millions	EUR millions	EUR millions
Financial liabilities[1]	573.7	27.5	37.9	83.9	35.8
Liabilities to fund limited partners	49.8	49.8[2]			
Liabilities from Tax	4.2	4.2			
Liabilities from trade receivables	10.6	10.6			
Other liabilities	25.3	25.0	0.3		

1) The payments relating to interest-rate swaps are considered in the payments of financial liabilities.
2) The actual payments depend on the actual exercise of the right to sell back share by the limited partners, and the estimate of the payment is therefore uncertain.

2007	Interest	Valuation adjustment	Fair value	Net loss
	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
Loans and receivables		2,029		2,029
Assets recognized at fair value in the income statement			4,041	4,041
Liabilities recognized at amortized cost	69,178			69,178
Assets recognized at fair value in the income statement	2,540		3,804	6,344
	71,718	2,029	7,845	81,592

2nd Short fiscal year 2006	Interest	Valuation adjustment	Fair value	Net loss
	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
Loans and receivables		247		247
Liabilities recognized at amortized cost	14,873			14,873
Assets recognized at fair value in the income statement	1,365		55	1,420
	16,238	247	55	16,540

(229) The significant risks to the Group relating to financial instruments consist of interest-induced risk to cash flow, liquidity risk, default risk, and market price risk. The company management prepares and monitors guidelines for the risk management of each of these risks, which are described as follows:

Default risk

(230) Default risk, or the risk that a contractual partner does not meet its payment obligations, is controlled by using borrowing limits and control procedures. If appropriate, the company acquires collateral. For Deutsche Wohnen there is no significant default risk in relation to an individual contractual partner or a group of similar contractual partners. The maximum default risk is the carrying amount of financial assets reported in the balance sheet.

Liquidity risk

(231) The Group daily monitors the risk of a liquidity squeeze by employing a liquidity planning tool. This tool takes into account the receipts and payments from operational business and the payment of financial liabilities.

(232) Deutsche Wohnen aims to have sufficient liquidity to meet future obligations at all times. Deutsche Wohnen currently has a borrowed capital ratio of approximately 73 per cent (previous year: 50 per cent) and a loan-to-value ratio (= total of financial liabilities divided by investment property) of 67 per cent (previous year: 43 per cent).

Interest-induced cash flow risk

(233) The risk of changes in interest rates, to which the Group is exposed, is mainly due to noncurrent liabilities with variable interest rates.

(234) The Group's interest expenditure is controlled by a combination of fixed-interest and variable-interest-based borrowed capital. In order to construct this combination of fixed-interest and variable-interest-based borrowed capital in a cost-efficient manner, the Group concludes interest rate swap agreements. At specified intervals and based on an agreed nominal amount, the Group accordingly exchanges the difference between fixed-interest and variable-interest amounts with the contractual partner. These interest rate swaps hedge the underlying borrowed capital .

Market risk

(235) The financial instruments of Deutsche Wohnen which are not reported at fair value comprise primarily cash and cash equivalents, receivables from trade payables, other current assets, financial liabilities, liabilities from trade receivables, and other liabilities.

(236) The carrying amount of cash and cash equivalents is very close to their fair value due to the short term of these financial instruments. For receivables and liabilities which are based on normal trade credit conditions, the carrying amount based on the historical cost is also very close to the fair value.

(237) Fair value risk can primarily result from fixed-rate loans. A large part of the bank loans and overdrafts of Deutsche Wohnen is at fixed rate, so that the impact of fluctuations in interest rates can be estimated for the medium term.

Capital management

(238) 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 maximize shareholder value.

(239) The management of the capital structure takes into account bank loans and overdrafts and convertible bonds. This is based on the remaining balance.

(240) Important figures for capital management are:

» Equity/borrowed capital ratio and debt-to-equity ratio
The Group aims to achieve an equity ratio of 30 per cent. Future investments will therefore be made against a background of balanced financing, among other things.

» Loan-to-value ratio
The ratio of financial liabilities to the value of investment property is called the loan-to-value ratio.

	2007	2006 (adjusted)
	in EUR thousands	in EUR thousands
Financial liabilities	2,179,555	573,690
Convertible bonds	24,339	0
	2,203,894	573,690
Fair value of investment property	3,271,205	1,341,596
Loan-to-value-ratio	67.4 %	42.8 %

Hedge accounting

(241) As of December 31, 2007 there are various interest rate hedges (payer swaps), with which variable interest rate conditions can be exchanged against fixed interest rate conditions.

Events after the balance sheet date

(242) The Management Board announced a restructuring program for the whole Group on February 11, 2008. This affects around 140 employees. The restructuring program is to lead to personnel cost savings totaling EUR 10 million per annum. The costs for the implementation are estimated at approximately EUR 10 million.

Other financial obligations and contingent liabilities

(243) Contingent liabilities as of December 31, 2007, totaled EUR 8.5 million (previous year EUR 3.4 million). They relate primarily to settlement guarantees for partial retirement credit balances and guarantees securing bank loans and advances.

(244) Financial obligations relating to leasehold agreements totaled EUR 11.2 million (previous year: EUR 10.7 million).

(245) Other financial obligations relating to agency agreements concerning IT services totaled EUR 2.0 million (previous year: EUR 1.1 million).

(246) A Group company (Rhein-Pfalz Wohnen GmbH) has been certified as development and redevelopment agency in accordance with sections 158 and 167 of the Baugesetzbuch (Federal Building Code). Rhein-Pfalz Wohnen GmbH performs assignments delegated by local authorities as their trustee.

(247) As of December 31, 2007, the company holds bank balances amounting to EUR 0.4 million in trust relating to property renovation and development measures. The assignments for which Rhein-Pfalz Wohnen GmbH is responsible as trustee have been transferred to the development company Rhein-Pfalz GmbH & Co. KG under the terms of the agency agreement entered into with this company as of June 30, 2001. The bank accounts were transferred in 2007. In this context, the company raised loans for local authorities amounting to EUR 0.0 million (previous year: EUR 3.6 million) as a trustee. No risk results from this; the transfer took place in 2007.

(248) The Group companies administer rental deposit accounts on behalf of tenants amounting to EUR 29.7 million (previous year: EUR 4.4 million).

Leases

The following lease payments are due in future:

2007	up to 1 year	longer than 1 year and up to 5 years	longer than 5 years
	in EUR thousands	in EUR thousands	in EUR thousands
Leasehold agreements	62	304	3,448
Leasing agreements	2,194	4,928	0
	2,256	5,232	3,448

2nd short fiscal year 2006	up to 1 year	longer than 1 year and up to 5 years	longer than 5 years
	in EUR thousands	in EUR thousands	in EUR thousands
Leasehold agreements	51	253	2,859
Leasing agreements	1,200	4,555	0
	1,251	4,808	2,859

Auditors' services

(249) The fees of the auditors Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft recognized as expenses in the fiscal year amounted to EUR 393 thousand for the audit and EUR 980 thousand for other services. The other services are primarily the audit costs relating to the stock exchange prospectus and due diligence services in connection with the GEHAG transaction.

Disclosures concerning related parties

(250) Companies and persons who have the possibility of controlling or exercising a significant influence on the financial and business policy of the Deutsche Wohnen Group are considered to be related parties. When defining the significant influence which Deutsche Wohnen's related parties have on the financial and business policy, the existing control relationships were taken into account.

Related companies

(251) The associated, jointly managed and affiliated companies included in the consolidated financial statements are to be considered as related companies.

(252) In the Group there are service and cash management agreements. The services between the companies are eliminated in the consolidation.

(253) There is a consultancy agreement between the main shareholder and Deutsche Wohnen AG. The agreement can be cancelled with a period of one month to the end of the month. Remuneration is dependent upon the services performed and is limited to EUR 300 thousand per annum, plus value added tax. Any travel costs are reimbursed separately. In 2007, EUR 50 thousand were billed.

Related persons

(254) The following persons are to be considered as related persons:

Members of the Management Board of Deutsche Wohnen AG

- Michael Zahn, Berlin, Speaker of the Management Board
- Helmut Ullrich, Königstein

The former Members of the Management Board of Deutsche Wohnen AG, Mr. Andreas Lehner, Mr. Michael Neubürger and Dr. Michael Gellen are also to be considered as related persons in 2007.

Members of the Supervisory Board of Deutsche Wohnen AG

- Hermann T. Dambach, Bad Homburg, Chairman, since September 7, 2007 Managing Director of Oaktree GmbH, Frankfurt am Main

Membership in other Supervisory Boards

- GEHAG GmbH, Berlin
- Nordenia International AG, Greven
- Sanierungs- und Gewerbebau-AG, Aachen
- ESG Eisenbahn-Siedlungs-Gesellschaft Berlin GmbH, Berlin
- OCM German Real Estate Holding AG, Hamburg
- R&R Ice Cream Ltd., North Yorkshire / United Kingdom

- Dr. rer. pol. Andreas Kretzschmer, Deputy chairman Managing Director of Ärzteversorgung Westfalen-Lippe an organization of the Ärztekammer Westfalen-Lippe – a corporation under public law –, Münster

Membership in other Supervisory Boards

- BIOCEUTICALS Arzneimittel AG, Bad Vilbel
- Biofrontera AG, Leverkusen
- Oppenheim Immobilien-Kapitalanlagegesellschaft mbH, Wiesbaden
- Private Life Biomed AG, Hamburg
- TRITON, St. Helier/Jersey

- Uwe E. Flach, Frankfurt/Main, Senior Advisor (from January 16, 2008) Corporate Consultant, Financial Sector, Frankfurt am Main

Membership in other Supervisory Boards

- Nordenia International AG, Greven (Chairman of the Supervisory Board)
- Stada AG, Bad Vilbel
- Andreae-Noris Zahn AG (ANZAG), Frankfurt am Main
- GEHAG GmbH, Berlin, (Chairman of the Supervisory Board)
- Eisenbahn-Siedlungs-Gesellschaft Berlin GmbH, Berlin
- Haus und Heim Wohnungsbau-Aktiengesellschaft, Berlin (Chairman of the Supervisory Board)
- Member of the Advisory Board of DZ Bank AG, Frankfurt am Main

- Dr. Florian Stetter, Managing Director of DeTe Immobilien und Service GmbH, Frankfurt am Main

Membership in other Supervisory Boards and other Supervisory Committees

- GEHAG GmbH, Berlin
- gep Global Equity Partners, Wien
- Conject.com, München

- Matthias Hünlein Managing Director Tishman Speyer, Frankfurt am Main

Membership in other Supervisory Boards and other Supervisory Committees

- A.A.A. Aktiengesellschaft Allgemeine Anlagenverwaltung, Frankfurt am Main

- Jens Bernhardt Managing Director Oppenheim Vermögenstreuhand GmbH, Köln

Membership in other Supervisory Boards and other Supervisory Committees

- GEHAG GmbH, Berlin

- Hans-Werner Jacob (until January 3, 2008) Member of the Management of Deutsche Bank AG, Private Banking, Frankfurt am Main

Membership in other Supervisory Boards and other Supervisory Committees

- GEHAG GmbH, Berlin

- Helmut Ullrich (until July 31, 2007) Managing Director of DB Real Estate Management GmbH, Eschborn, (until July 31, 2007)

Transactions with related persons

(255) In the fiscal year, no business transactions took place between the related persons and Deutsche Wohnen.

Remuneration for the Management Board and the Supervisory Board

(256) For the remuneration of the Management Board, the following expenses which are due in the short-term were occurred:

2007	Fixed remuneration	Variable remuneration	Severance payments	Total
	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
Michael Zahn, since September 01, 2007	100	0	0	100
Helmut Ullrich, since August 01, 2007	97	583	0	680
Andreas Lehner, until October 31, 2007	211	0	1,450	1,661
Michael Neubürger, until April 19, 2007	58	0	1,320	1,378
Dr. Michael Gellen, from April 20, 2007 to July 31, 2007	32	0	0	32
	498	583	2,770	3,851

2nd short fiscal year 2006	Fixed remuneration	Variable remuneration	Severance payments	Total
	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
Andreas Lehner	93	551	0	644
Michael Neubürger	84	364	0	448
	177	915	0	1,092

(257) There are no pension provisions for active members or members who have left the Management Board or Supervisory Board.

(258) The Supervisory Board has received remuneration totaling EUR 79 thousand (2006: EUR 42 thousand).

Corporate Governance

(259) The Management Board and Supervisory Board have issued the declaration of conformity with the German Corporate Governance Code required in accordance with § 161 AktG (German Stock Corporation Act), which has been made permanently available to shareholders on the Internet under www.deutsche-wohnen.com.

Frankfurt am Main, March 25, 2008

Michael Zahn Speaker of the Management Board	Helmut Ullrich Management Board

Deutsche Wohnen AG, Frankfurt am Main Shareholdings—Name and Registered Office, Appendix 1 relates to the Notes to the Consolidated Report	Interest held in	Equity*	Profit*
	%	in EUR thousands	in EUR thousands
Aufbau-Gesellschaft der GEHAG mbH, Berlin (GEHAG-Aufbau)	100.00	434.2	– 994.7
ESG Grundwert Beteiligungs GmbH, Berlin	100.00	24.9	– 0.1
GEHAG GmbH	100.00	131,107.0	– 74,133
ESG Grundwert I GmbH & Co. KG	100.00	0.9	– 0.1
ESG Grundwert II GmbH & Co. KG	100.00	0.9	– 0.1
ESG Grundwert III GmbH & Co. KG	100.00	0.9	– 0.1
Gehag Akquisition Co. GmbH	100.00	2,125.0	– 6.5
HESIONE Vermögensverwaltungsgesellschaft mbH	100.00	23.9	– 1.1
GEHAG Erwerbs GmbH & Co KG	99.99	19,193	– 2.0
GEHAG Erste Beteiligungs GmbH, Berlin	100.00	23.7	– 1.0
GEHAG Zweite Beteiligungs GmbH, Berlin	100.00	494.0	– 6,623.8
GEHAG Immobilien Management GmbH, Berlin	100.00	19.2	0.0
GEHAG Immobilien Vertriebs GmbH, Berlin	100.00	17.7	0.0
GEHAG Versicherungsvermittlungs- und Vermögensverwaltungs GmbH, Berlin	100.00	25.6	0.0
GEHAG Wohnungsverwaltungs- und Vertriebs-GmbH, Berlin	100.00	79.9	0.0
GEHAG Service Technik GmbH, Berlin	100.00	25.0	0.0
KATHARINENHOF Service GmbH, Berlin	100.00	36.0	16.0
Pflegedienst Daheim GmbH, Berlin	100.00	4.6	– 19.3
BWi Berliner Wohnimmobilien GmbH, Berlin	100.00	25.0	0.0
KATHARINENHOF Seniorenwohn- und Pflegeanlagen Betriebs GmbH, Berlin (Katharinenhof)	100.00	1,950.0	0.0
Fortimo GmbH, Berlin	100.00	4,284.6	0.0
AKF—Telekabel TV und Datennetze GmbH, Frankfurt	100.00	3,483.0	0.0
AKF—Betreibungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00	621.1	– 203.9
Main-Taunus Wohnen GmbH & Co. KG, Eschborn	100.00	8,252	3,906

*) Disclosures are based on HGB (German Commercial Code) accounting standards

Deutsche Wohnen AG, Frankfurt am Main Shareholdings—Name and registered office, Appendix 1 relates to the Notes to the Consolidated Report	Interest held in	Equity*	Profit*
	%	in EUR thousands	in EUR thousands
Deutsche Wohnen Management- u. Servicegesellschaft mbH, Frankfurt am Main	100.00	26	0
Rhein-Pfalz Wohnen GmbH, Mainz	100.00	31,017	– 6,807
Rhein-Main Wohnen GmbH, Frankfurt am Main	100.00	239,190	8,801
Rhein-Mosel Wohnen GmbH, Mainz	100.00	93,629	– 1,318
RMW Projekt GmbH, Frankfurt am Main	100.00	16,231	0
Deutsche Wohnen Asset Immobilien GmbH, Frankfurt am Main	100.00	24	0
Deutsche Wohnen Beteiligung Immobilien GmbH, Frankfurt am Main	100.00	– 905	– 928
Deutsche Wohnen Corporate Immobilien GmbH, Frankfurt am Main	100.00	21	– 3
Deutsche Wohnen Direkt Immobilien GmbH, Frankfurt am Main	100.00	133	– 891
Deutsche Wohnen Eigentum Immobilien GmbH, Frankfurt am Main	100.00	21	– 3
Sanierungs- und Gewerbebau-AG, Aachen	99.44	2,193.0	0.0
Sanierungs- und Gewerbebau-AG & Co. KG, Aachen	99.55	1,405.0	0.0
Eisenbahn-Siedlungsgesellschaft mbH, Berlin	94.90	1,019.4	– 6,226.7
Haus und Heim AG, Berlin	97.29	761.9	26.1
Kabel Service Prenzlau GmbH, Prenzlau	90.00	25.0	0.0
DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Eschborn	32.17	38,881	– 751
SES Stadtentwicklungsgesellschaft Eldenaer Strasse mbH, Berlin	50.00	687.6	36.9
GbR Fernheizung Gropiusstadt, Berlin	44.26	563	– 32
AVUS Immobilien Treuhand GmbH & Co. KG	100.00	not specified	not specified

*) Disclosures are based on HGB (German Commercial Code) accounting standards

Deutsche Wohnen AG, Frankfurt am Main
Consolidated Segment Reporting for the Fiscal Year 2007, Appendix 2 relates to the Notes to the Consolidated Report

	Residential property management		Housing privatization	
	12/31/2007	2nd short fiscal year 2006 (adjusted)	12/31/2007	2nd short fiscal year 2006 (adjusted)
	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
Segment revenue from third parties	180,784	57,510		
Revenue from privatization			5,285	8,136
Other revenue	30,948	12,941		
Transactions with other segments	501	98		
Segment revenue	212,233	70,549	5,285	8,136
Expenses related to goods and services received	– 89,718	– 27,080		
Expenses related to sales activities				
Personnel expenses				
Other operational expenses			– 4,254	– 5,573
Depreciation and amortization expense				
Profit from affiliated companies				
Financial income				
Financial expenses				
Income tax				
Segment expenses	– 89,718	– 27,080	– 4,254	– 5,573
Segment profit or loss	122,515	43,469	1,031	2,563
Segment assets	3,280,499	1,347,260	35,748	50,500
Segment liabilities				
Segment investments	161,628	3,701	0	0

Services		Miscellaneous and Group function		Transition		Group	
12/31/2007	2nd short fiscal year 2006 (adjusted)	12/31/2007	2nd short fiscal year 2006 (adjusted)	12/31/2007	2nd short fiscal year 2006 (adjusted)	12/31/2007	2nd short fiscal year 2006 (adjusted)
in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
19,105	0	4,465	4,575			204,354	62,085
						5,285	8,136
		70,390	1,868			101,338	14,809
		40,320	12,514	– 40,821	– 12,612	0	0
19,105	0	115,175	18,957	– 40,821	– 12,612	310,978	85,030
– 5,579	0	– 1,617	– 1,666			– 96,914	– 28,746
– 8,057	0	– 23,672	– 8,354			– 31,729	– 8,354
		– 34,813	– 6,211			– 39,067	– 11,784
– 1,180	0	– 509	– 249			– 1,689	– 249
		18	0			18	0
300	0	4,436	733			4,736	733
– 509	0	– 80,075	– 16,293			– 80,584	– 16,293
– 11	0	– 35,952	– 9,412			– 35,963	– 9,412
– 15,036	0	– 172,184	– 41,452			– 281,192	– 74,105
4,069	0	– 57,008	– 22,495			29,786	10,925
30,553	0	84,109	47,906			3,430,909	1,445,666
20,514	0	2,346,063	665,604			2,366,577	665,604
0	0	3,824	26,505			165,452	30,206

AUDIT OPINION

We have audited the consolidated financial statements consisting of the balance sheet, income statement and the explanatory notes to the consolidated financial statement, taking into account the bookkeeping and the management report on the position of the Deutsche Wohnen AG Group, Frankfurt am Main, for the fiscal year of January 1 to December 31, 2007. The bookkeeping and the preparation of the consolidated financial statements and the management report for the company and the Group in accordance with the regulations of German Commercial Law are the responsibility of the legal representatives of the company. It is our task to issue an assessment of the consolidated financial statements including the bookkeeping and the management report for the company and the Group on the basis of the audit carried out.

We have carried out our audit of the consolidated financial statements in accordance with § 317 of the German Commercial Code (HGB), taking into account the established German principles for proper and orderly reporting relating to audits of financial statements of the Institut der Wirtschaftsprüfer (IDW, Institute of German Auditors). The audit is to be planned and implemented in a manner that inaccuracies and breaches, which can have a significant impact on the presentation of the view of the revenue, financial and asset position conveyed by the consolidated financial statements—also taking into account the principles of proper and orderly bookkeeping—and by the management report for the company and the Group, are recognized with sufficient reliability. When determining the audit measures, knowledge of the Group's business activities and economic and legal environment as well as the expectations of possible errors are taken into account. In the course of the audit, the effectiveness of the internal control system relating to accounting standards and the evidence for the information in the bookkeeping, the consolidated financial statements and the management report for the company and the Group are assessed primarily on the basis of random checks. The audit includes the assessment of the accounting principles applied and the major estimations of the legal representatives and the evaluation of the overall view of the consolidated financial statements and the management report for the company and the Group. We believe that our audit provides a sufficiently secure basis for our assessment.

Our audit has not resulted in any objections.

According to our assessment—based on the knowledge obtained during the audit—the consolidated financial statements take into account the principles of proper and orderly bookkeeping, comply with the legal regulations and convey a view of the revenue, financial and asset position of the company which corresponds with the actual circumstances. The management report for the company and the Group is consistent with the consolidated financial statements, conveys overall an appropriate view of the position of the Group and presents the opportunities and risks related to its future development appropriately.

Eschborn / Frankfurt am Main, March 26, 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Völker
Auditor

Spall
Auditor

BALANCE SHEET OATH FOR CONSOLIDATED FINANCIAL STATEMENTS

We assure to the best of our knowledge that in accordance with the applicable financial accounting principles the consolidated financial statements convey a view of the revenue, financial and asset position of the Group, which corresponds with the actual circumstances, and in the management report the business performance including the financial result and the position of the Group is portrayed in a manner that the significant opportunities and risks of the Group's likely development are depicted.

Frankfurt am Main, March 25, 2008

Deutsche Wohnen AG

Michael Zahn Speaker of the Management Board	Helmut Ullrich Management Board

MANAGEMENT REPORT

Management Report of Deutsche Wohnen AG and the Deutsche Wohnen Group for the fiscal year from January 1 to December 31, 2007

I. BUSINESS AND GENERAL CONDITIONS

A MAIN FEATURES OF THE ORGANIZATIONAL AND LEGAL STRUCTURE

After the merger with the GEHAG Group, Deutsche Wohnen[1] is currently one of the largest listed property companies in Germany. The Group concentrates on the management and development of its own housing stock. The residential property management segment comprises all of the activities in relation to maintenance and modernization, the management of tenancy agreements and support for tenants. A further business segment is the fragmented sale of residential units to tenants and other owner-occupiers as well as block sales to institutional investors in order to optimize the housing stock.

Deutsche Wohnen AG operates within the Deutsche Wohnen Group as the financial and management holding company. Taking into account the GEHAG Group, the Deutsche Wohnen Group consists of in total more than 40 Group companies. The employees, who on the basis of new employment contracts have been employed directly by the parent company since February/March 2008, make up the staff divisions which report directly to the Management Board (Asset Management, Personnel, Legal, Finance/Controlling/Accounts, IT, Communication/Investor Relations, and Marketing).

1) ››Deutsche Wohnen‹‹ includes the Deutsche Wohnen Group

B SUPPLEMENTARY DISCLOSURES IN ACCORDANCE WITH §§ 289 PARAGRAPH 4, 315 PARAGRAPH 4 OF THE HGB (GERMAN COMMERCIAL CODE)

Subscribed capital and voting rights

The share capital of Deutsche Wohnen AG amounts to EUR 26,400,000 and is divided into 26,400,000 no-par value shares with a notional share of EUR 1 per share in the share capital. Around 97.4 per cent of the shares are bearer shares (25,720,921 shares), the remaining 2.6 per cent of the shares are registered shares (679,079 shares).

The same rights and obligations apply to all shares. Each share grants one vote at the Annual General Meeting and is the basis for the shareholder's share in the profit of the company. An exception to this are own shares which might be held by the company in the future and from which the company would not be entitled to any rights. The rights and obligations of the shareholders relate specifically to the regulations of the Aktiengesetz (German Stock Corporation Act), in particular to §§ 12, 53a ff., 118 ff. and 186 of the German Stock Corporation Act (AktG).

The Management Board of Deutsche Wohnen AG is not aware of any limitations which concern the voting rights or the transfer of shares.

Major interests

Oaktree Capital Group Holdings GP has an interest of 24.2 per cent in Deutsche Wohnen AG via OCM Luxembourg Real Estate Investments S.à.R.L. and OCM Luxembourg Opportunities Investments S.à.R.L. There are no further capital interests which exceed the 10 per cent threshold of voting rights.

Shares with privileges

There are no shares with privileges granting controlling powers.

Controlling rights of employees

If employees of Deutsche Wohnen AG should own shares of Deutsche Wohnen, they have no controlling rights over the Management Board.

Nomination and removal of members of the Management Board and changes to the articles of the company

Members of the Management Board are appointed and removed in accordance with § 84 and § 85 of the German Stock Corporation Act (AktG). The Supervisory Board appoints the Members of the Management Board for a maximum of five years. A reappointment or an extension of the tenure, on each occasion for a maximum of five years, is allowed. The articles of Deutsche Wohnen AG add in § 5 (2) that the Supervisory Board determines the number of members of the Management Board. It can appoint deputy members of the Management Board and also nominate a member of the Management Board as the Chairman of the Management Board or as the Speaker of the Management Board.

In accordance with § 119 paragraph 1 section 5 of the German Stock Corporation Act (AktG), the Annual General Meeting passes changes to the articles of the company. The Supervisory Board is authorized to make changes to the articles of the company which only concern the wording in accordance with § 11 (4) of the articles of the company. In accordance with § 11 (3) of the articles of the company, the resolutions of the Annual General Meeting are adopted with a simple majority of votes. and—if a capital majority is required—with a simple capital majority, unless otherwise required by law or the articles of the company. According to § 4 (4) of the articles of the company, a change to the articles of the company that provide for bearer shares to be immediately converted into registered shares or that permit this upon prior request by the shareholders in accordance with § 24 of the German Stock Corporation Act (AktG), requires a resolution of the Annual General Meeting to be adopted with a majority of 95 per cent of the share capital represented. The same applies for a change to § 4 (3). § 4 a (4) of the articles of the company determine that the Supervisory Board is authorized to re-formulate the wording of the articles of the company after implementing an increase in capital or after the authorization period has expired without an increase.

Share issue and repurchase

The Management Board was authorized by a resolution of the Annual General Meeting of June 21, 2007, to acquire own shares of the company corresponding to a total of up to 10 per cent of the share capital in the period leading up to December 20, 2008, in observance of the principle of equal treatment (§ 53 a of the Aktiengesetz [German Stock Corporation Act]). In the process, the shares acquired on the basis of this authorization together with other shares of the company, which the company already acquired or still owns, may at no time account for more than 10 per cent of the company's share capital. The authorization can be exercised wholly or in part, on one or several occasions. The acquisition can taken place in partial installments, spread over several acquisition periods, within the authorized period until the maximum acquisition volume is achieved.,. The acquisition can also be carried out by Group companies or by a third party on its or their behalf. The acquisition takes place via the stock exchange or by a public purchase offer made to all of the company's shareholders.

The Management Board was also authorized, with the consent of the Supervisory Board, to increase the share capital on one or several occasions in the period up to August 9, 2011 by up to a total of EUR 3,600,000 by issuing up to 3,600,000 new ordinary bearer shares against cash or non-cash contributions (so-called authorized capital; the original authorized capital amounted to EUR 10,000,000). Further provisions relate to § 4a of the articles of the company.

The share capital is contingently increased by up to a further EUR 10,000,000.00 (in words: ten million Euros) with the issue of new no-par value bearer shares carrying dividend rights from the beginning of the fiscal year in which they were issued (contingent capital). The contingent capital increase serves to grant shares to creditors or holders of bonds with warrants or convertible bonds, or profit participation rights with conversion or subscription rights, which in accordance with the authorization of the General Meeting of August 10, 2006, will be issued by the company or by a company which is 100 per cent directly or indirectly affiliated to the company in the period up to August 9, 2011, provided that the issue is against cash. The contingent capital increase will only be carried out if rights related to the previously mentioned bonds with warrants or convertible bonds or profit participation rights are exercised or the conversion rights from such bonds subscriptions are met and if own shares are not used for this purpose.

C SIGNIFICANT CHANGES IN INVESTMENTS

The consolidated financial statements include Deutsche Wohnen AG and the subsidiaries under its control from the time of acquisition, i.e. from the time that the Group took over control. Inclusion in the consolidated financial statements ends as soon as the parent company no longer has control.

Through various associated individual transactions, Deutsche Wohnen acquired the majority of shares in the GEHAG Group from the previous shareholders in August 2007. The acquisition of the shares in the GEHAG Group by Deutsche Wohnen is based on contractual agreements which are dealt with in detail in the explanatory notes to the consolidated financial statement 2007.

D PROPERTY STOCK

With the GEHAG transaction, the property stock of Deutsche Wohnen in 2007 has clearly increased in comparison with the balance sheet date of 2006. The table below shows the important key figures for the property stock:

	12/31/2007	12/31/2006
Number of residential units	51,127	23,630
Number of residential units managed for third parties	11,779	3,834
Number of commercial units	522	113
Number of residential and nursing units for senior citizens	2026	0
Undeveloped space	613,045 m²	423,162 m²
Number of parking lots and garages	16,481	13,607

On December 31, 2007, Deutsche Wohnen owned 51,127 residential units. The so-called housing stock managed for third parties at the end of 2007 consisted of 11,779 residential units which were managed by employees of Deutsche Wohnen for other owners against the payment of a fee.

The Group's commercial units (small businesses and offices) are treated as housing so that the management of commercial units cannot be classified as a core business of Deutsche Wohnen.

With the acquisition of the GEHAG Group, the management of property for senior citizens has become a further activity of Deutsche Wohnen. The nursing homes business is run by KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH (in the following also referred to as "KATHERINENHOF") and includes the marketing and management of nursing and residential homes as well as services for the care of the senior citizens who live in the homes..

Undeveloped space refers primarily to so-called development property where the planning rights are yet to be obtained or which have planning potential.

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

As of December 31, 2007, the Deutsche Wohnen Group holds around 32 per cent of the shares in the closed-end property fund DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG (DB 14). DB 14 is a special purpose entity in terms of SIC 12.10 d.

Even though Deutsche Wohnen does not possess more than half of the voting rights, it does bear the substantial residual and ownership risks associated with this special purpose entity (SIC 12.10 d) on the basis of the contractual agreements concluded with DB 14. DB 14 was therefore included for the first time—as part of a full consolidation—in the consolidated financial statements from December 31, 2006. The around 2,600 residential properties of DB 14 are therefore included in Deutsche Wohnen's own housing stock in the above overview concerning the composition of the property stock. .

The audit procedure of the Deutsche Prüfstelle für Rechnungslegung e. V. (DPR, German Financial Reporting Enforcement Panel) in relation to the short fiscal year of July 1 to December 31, 2006, is closed. The DPR concludes that DB 14 should have already been included in the consolidated financial statements of the Deutsche Wohnen Group in previous years. The Management Board of Deutsche Wohnen AG agrees with this conclusion and has adjusted the consolidated financial statements for the year 2007 accordingly.

E STRATEGY

Deutsche Wohnen's company strategy is geared towards sustainably increasing the net asset value of the company. The uppermost goal in doing so is profitable internal and external growth.

The active asset and portfolio management, which is the focus of operational business activities, aims to increase the value of the property portfolio with higher added value per unit. The fragmented sale of residential units to tenants and other owner-occupiers and future block sales to institutional investors will also result in an optimum level of housing stock.

We see ourselves as managers of housing stocks in the upper price segment in selected sites in urban locations with above-average development potential. The starting point for our activities for the coming years is the current core markets of Berlin and Rhine-Main.

The increase in the company's value will be achieved by

- Focusing on residential property: we are concentrating on developing our own housing stocks and thus cover the whole value-adding chain .

- A clear product strategy: aiming at upper price segments. At the same time we are focusing on inner-city locations and associated stocks without price fixings.

- Regional portfolio strategy: in early 2008 our residential property portfolio is concentrating on the two core markets of Berlin and Rhine-Main. Portfolio acquisitions in other urban locations are targeted; the sale of our units which are not located in the core markets is planned.

- Realizing existing rental potential and lowering the vacancy rate: our rental increases are already notable today. Continuity in our daily rental business and focus on efficient maintenance and modernization will keep the flow of rent payments at a high level in the long term.

- Improve the cost structure to increase profitability: cost reductions in the area of personnel and administration will take place with the quick completion of the integration and restructuring process following the merger of Deutsche Wohnen and the GEHAG Group.

- Value-based dividend policy: we are planning a dividend policy which is based on the gross cash flow generated and the concept of continually increasing value.

F SEGMENTS

Residential property management

The primary business activity of Deutsche Wohnen is the management of residential property as part of an active stock management. In the residential property management segment, all of the activities are performed by regionally located offices. These activities include: modernization and maintenance, the management of tenancy agreements, support services for tenants, and the marketing of property.

The optimization of rental income and the resulting value enhancement of the portfolio are the constant guiding principles for all of the activities of management and employees. Rent adjustments which comply with tenancy law (adjusting the rent level to the rent index and allocating investment to modernization) and re-letting go hand in hand and are providing considerable rent increases in our housing stock. As of the balance sheet, the average net basic rent for the housing stock across the Group , has increased by 3.6 per cent to EUR 4.89 per m² when compared with December 31, 2006. In the portfolio of the Deutsche Wohnen (Rhine-Main area and Rhineland-Palatinate) before taking over the GEHAG Group, the growth rate is 2.9 per cent (an increase from EUR 4.91 per m² to EUR 5.05 per m²) and 4.4 per cent in the GEHAG portfolio (an increase from EUR 4.55 per m² to EUR 4.75 per m²).

In the period under review, total estimated rent income (net basic rent) and other income of EUR 144.6 million (comparison period July 1 to December 31, 2006: EUR 47.0 million) was achieved. The rental default due to vacancy amounted to EUR 12.4 million (comparison period July 1 to December 31, 2006: EUR 3.9 million). The actual rent income and other income amounted to EUR 132.2 million (comparison period July 1 to December 31, 2006: EUR 43.2 million).

Operating costs were allocated at EUR 48.6 million (comparison period July 1 to December 31, 2006: EUR 15.2 million).

From January 1 to December 31, 2007, around 4,600 new tenancy agreements were concluded at Deutsche Wohnen and the GEHAG Group (entire 12-months-period). In Berlin the average re-letting rent was 17 per cent above the average net basic rent for our Berlin housing stock; in Rhine-Main/Rhineland Palatinate the figure exceeded 9 per cent, so that at EUR 5.54 per m² the average net basic rent across the Group was 13 per cent above the average net basic rent at EUR 4.89 per m².

The continual and purposeful maintenance activities and individual modernization measures are important for maintaining the quality of the portfolio and profit from re-letting. In 2007 maintenance fully recognized in the income statement was EUR 11.31 per m² or EUR 36.9 million respectively.

Beyond the maintenance of the stock, it is possible—in accordance with tenancy law—to transfer the costs from modernization activities for improving the quality of housing to the tenants with an annual allocation rate of 11 per cent. The modernization volume capitalized in 2007 was EUR 5.12 per m² or EUR 16.7 million.

Housing privatization

The housing privatization segment is another pillar of the Deutsche Wohnen Group's operational business, although it is of lesser priority than residential property management. On the one hand, privatization takes place via individual sales and, on the other hand, via block sales.

Due to the change in focus of the business policy, in future fewer residential units will be sold to private persons as part of a fragmented privatization than in previous years (ca. 500 residential units per year). Block sales primarily serve the purpose of portfolio adjustment.

From January 1 to December 31, 2007, a total of 883 residential units were sold in individual or block sales. The average selling price was EUR 1,105 per m².

Services

The services segment comprises the management of property for senior citizens and telecommunications services.

Management of property for senior citizens

With the acquisition of the GEHAG Group, the management of property for senior citizens has become a further activity of Deutsche Wohnen. The management of property for senior citizens is run by KATHARINENHOF and includes the marketing and management of nursing and residential homes for senior citizens (ca. 2,200 residential units for senior citizens and nursing and residential rooms) as well as services for the care of the senior citizens who live in the homes. The property managed in this segment is owned by the Deutsche Wohnen Group and is managed by the Katharinenhof Group.

The revenue from nursing and residential homes was EUR 16.1 million.

Telecommunications services

Telecommunications services have also become part of the product range of Deutsche Wohnen since the acquisition of GEHAG and are provided by AKF—Telekabel TV und Datennetze GmbH (AKF). Across Germany, AKF manages 75,600 cable triple-play connections and boasts of a state-of-the-art technical infrastructure.

The revenue from telecommunications services was EUR 3.0 million.

Differences related to forecasted sales and expenditure

Due to the acquisition of the GEHAG Group in 2007 and the resulting change in the business model, earlier forecasts for sales, expenditure and profit have been completely overhauled. Due to this, it does not make much sense to comment on the differences between the forecasted and actual values for 2007 in this management report.

G IMPORTANT LEGAL AND ECONOMIC FACTORS

Economic environment

The world's economy also experienced dynamic growth in 2007. However, the impact of the crisis in the US mortgage market grew during the course of the year. In most of the industrialized countries the upswing therefore lost momentum. In the newly industrializing countries, on the other hand, it continued almost unchecked.

The German economy again experienced strong growth in 2007. According to the preliminary calculations of the Statistisches Bundesamt (Federal Statistical Office of Germany-Destatis), the gross domestic product (GDP) adjusted for price changes was 2.5 per cent higher than in the previous year.

The economic output was produced by an average workforce for the year of some 39.7 million jobholders, i.e. 649,000 jobholders more (+ 1.7 per cent) than in the previous year. Employment thus reached its highest level since the reunification. According to provisional results of the workforce survey, the number of unemployed (international definition) fell by 641,000 (– 15.1 per cent) to 3.6 million persons.

On the output side of the gross domestic product (adjusted for price changes), all economic sectors contributed positively to the growth. In particular the manufacturing industry recorded a big plus, its gross added value increasing by 5.2 per cent. Economic output also rose notably in the areas of commerce, hotels and restaurants, transport (+2.3 per cent), finance, real estate, renting and providing of services (+ 3.1 per cent) as well as agriculture, forestry, and fishing (+ 2.7 per cent). The economic output of the building sector improved by 1.7 per cent. The upswing which started in 2006—the gross added value adjusted for price changes rose at that time by 5.4 per cent—has thereby clearly leveled out. The gross added value in public and private services increased by 0.6 per cent as compared with the previous year.

On the expenditure side of gross domestic product, the momentum for growth in 2007 came from both Germany and abroad. The uninterrupted foreign demand for German products and services led to an export growth of 8.3 per cent. The growth in imports at 5.7 percent clearly lagged behind the growth in exports. The resulting export surplus adjusted for prices (trade surplus) contributed to the growth in GDP by 1.4 percentage points. Domestic consumption provided one percentage point to the growth rate, which was primarily borne by gross fixed capital formation; it was (adjusted for price changes) 4.9 per cent higher than in 2006. Investment in machinery and equipment was again a driving force for growth. Companies invested 8.4 per cent more in machines, equipment and vehicles than in the previous year. Building investments rose only by 2.0 per cent as compared with the previous year. This growth is almost entirely attributable to investments in non-residential buildings, their increase by 4.3 per cent tying in well with the good results of 2006 (also + 4.3 per cent). Investment in housing construction adjusted for price changes rose by only 0.3 per cent and remained clearly below the growth rate of the previous year (+ 4.3 per cent).

German residential property market

The residential property market's particular economic importance in Germany is proven by the share of 47 per cent of residential buildings in the total gross stock of fixed assets. This is the equivalent of a total of EUR 5.1 trillion, which accounts for more than double of Germany's gross domestic product for one year. Private householders as owner-occupiers hold the largest share in these property assets at 40.3 per cent. In 2006, 23.3 per cent of residential units were attributable to commercial providers. Among the commercial providers, private companies make up the largest share with 44.6 per cent, followed by public housing companies with 25 per cent and co-operatives with 22.8 per cent. The remaining 7.6 per cent are attributed to other providers. Companies and public authorities are important providers of housing for institutional investors. They have comprehensive housing portfolios, which in recent years have been increasingly sold to internationally active investors. With a total of 39.7 housing units (as of 2006), the German housing market is the largest housing market in the European Union.

At a total of 43 per cent, the German home ownership rate is extremely low when compared at a European level. In France, for example, the rate is at ca. 57 per cent, in Norway and Spain even at 85 per cent. The reason for the low ownership rate is partly due to the fact that the decision to buy a property in Germany represents more of a "life time decision" than in other European countries. There the household is much more prone to buy or sell property. A much higher "ownership mobility"– among other things—is thus responsible for the higher ownership rate of our European neighbors. In Western Germany the ownership rate of 45 per cent is 10 percentage points higher than in Eastern Germany.

The development of the housing stock in Germany in recent decades has been characterized by falling completions. In Eastern Germany the number of completions has fallen continually since 1997, and this trend has also been observed in Western Germany since 2007. In 2004 and 2006 there was a rise again in the number of completions.

From January to December 2007 though only around 157,000 building permits for new housing were issued, a minus of 26.3 per cent in comparison with the period for the previous year. At around 35 per cent, the decline in single-family and duplex houses was particularly drastic. Even the decline in new apartments was considerable at around 12 per cent.

A determining factor for the need and therefore the demand for housing is the number of households. This in turn is influenced significantly by demographic developments and changes in the way the population lives. For the time being, the general trend towards smaller households is currently sparing the demand in the housing market from the direct impact of the declining population. In parallel with the size of the population, the age structure of the population in Germany is also going to change considerably. The share of older people will increase due to higher life expectancy and the lower birth rate.

II. DISCLOSURES CONCERNING NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Merger of Deutsche Wohnen AG with the GEHAG Group

Deutsche Wohnen AG agreed on July 2, 2007, with OCM Luxembourg Real Estate Investments S.à.R.L. and OCM Luxembourg Opportunities Investments S.à.R.L. in a notarial contract the merger of the Deutsche Wohnen Group with the GEHAG Group, Berlin. Both of the named selling parties are administered by Oaktree Capital Management LLC, Los Angeles, USA.

The legally-effective execution of the transaction took place on August 9, 2007.

In the course of the merger, the Deutsche Wohnen Group indirectly acquired just under 85 per cent of GEHAG GmbH. The acquisition of a further 15 per cent from HSH Real Estate AG took place on December 7, 2007, so that Deutsche Wohnen now owns 99,99 per cent of the GEHAG Group. The Land Berlin has an interest of 0.0004 per cent in GEHAG GmbH.

The GEHAG Group owns around 27,000 residential units located in Berlin and Brandenburg. Through the merger with the GEHAG Group, Deutsche Wohnen AG expanded its residential property portfolio from around 23,600 to ca. 51,000 residential units. 20 nursing homes and homes for senior citizens and the independent telecommunications services business also belong to the GEHAG Group.

Limited comparability of financial key figures and results for 2007

The net assets, financial position and results of operations of Deutsche Wohnen AG and the Deutsche Wohnen Group have changed considerably as a result of the acquisition and merger with the GEHAG Group. Only limited comparison of the financial key figures and results for 2007 can be made with those of previous years.

The transaction was legally completed on August 9, 2007. The consolidated financial statements of the newly formed Deutsche Wohnen Group therefore only consider the financial figures of the GEHAG Group over five months.

Additionally, the 12-month period of 2006 comprised two short fiscal years, from January 1 to June 30, 2006, and from July 1 to December 31, 2006. In the report on net assets, financial position and results of operations of the Deutsche Wohnen Group, the financial key figures and results for 2007 are therefore compared with those of the second short fiscal year 2006 (July 1 to December 31, 2006). As the comparison period is only six months, only a very limited comparison of the figures for the fiscal year 2007 is possible.

A. Net asset position of Deutsche Wohnen AG (management holding)

Deutsche Wohnen AG essentially has the function of being the financial and management holding company.

In the total fixed assets of Deutsche Wohnen AG of EUR 286.3 million, shares in affiliated companies are recognized as of the balance sheet date for 2007 under the item "Financial assets" at the same amount (December 31, 2006: EUR 286.3 million).

Total current assets were EUR 460.5 million (December 31, 2006: EUR 180.0 million) and consisted for the most part of receivables from affiliated companies; these comprise mainly loans receivable from subsidiaries within the Deutsche Wohnen Group totaling EUR 458.6 million (December 31, 2006: EUR 177.5 million).

The balance sheet total was EUR 746.8 million (December 31, 2006: EUR 466.3 million)

B. Financial position of Deutsche Wohnen AG (management holding)

The registered share capital is, after an increase in real capital (use of the authorized capital declared by the Annual General meeting of 2006), now EUR 26.4 million (December 31, 2006: EUR 20 million).

The provisions include—amongst other things—the variable remuneration for the members of the Management Board totaling EUR 0.2 million (December 31, 2006: EUR 1.04 million) and a provision for anticipated losses totaling EUR 1.0 million (December 31, 2006: EUR 0,0 million).

As of December 31, 2007, the total liabilities of Deutsche Wohnen AG were EUR 368.3 million (December 31, 2006: EUR 255.9 million). 64 per cent of those liabilities are long-term liabilities of more than 5 years, 31 per cent are medium-term (one to five years) and 5 per cent are short-term liabilities (shorter than one year). The debt-to-equity ratio of Deutsche Wohnen AG as of the balance sheet date (ratio of borrowed capital to the balance sheet total) is 50 per cent (December 31, 2007: 55 per cent).

C. Results of operations of Deutsche Wohnen AG (management holding)

Notes concerning selected key figures in the income statement of Deutsche Wohnen AG:

Other operating income contains mainly income from the intercompany sale of financial assets totaling EUR 19.2 million.

Employee expenses include severance payments totaling EUR 2.8 million made to Management Board members who have left the company.

Other operating expenses include consulting and audit costs totaling EUR 2.3 million (July 1 to December 31, 2006: EUR 0.3 million) and costs for staging the Annual General Meeting totaling EUR 0.1 million (July 1 to December 31, 2006: EUR 0.1 million). They also include expenses for the preparation of annual and interim financial reports totaling EUR 0.8 million (July 1 to December 31, 2006: EUR 0.1 million).

The result from normal business operations for the fiscal year 2007 was EUR 0.4 million (July 1 to December 31, 2006: EUR –8.9 million).

The proposal of the Management Board concerning the appropriation of the net retained profits for 2007 does not envisage a dividend payment to the shareholders but rather a retention, so that unlike in previous fiscal years, there is no withdrawal from capital reserves.

The net retained profit thus amounted to EUR 0.4 million (December 31, 2006: EUR 17.6 million).

D. Net asset position of the Group

The assets side of the consolidated balance sheet contains primarily investment property (EUR 3,271.2 million, i.e. 93 per cent of the total assets of EUR 3,520.4 million). The investment property includes all of the property held as long-term investments, with the exception of those that are used for owner-occupancy within the Deutsche Wohnen Group. With a consolidated carrying amount of EUR 3,271.2 million, they have increased notably when compared with December 31, 2006 (EUR 1,341.6 million), due to the portfolio increase related to the acquisition of the GEHAG Group.

The reporting of investment property in the balance sheet changed over from the cost method to the fair value method as of December 31, 2007. The change to the fair value method took place retrospectively. You can find comprehensive information concerning this matter in the explanatory notes to the consolidated financial statement 2007.

The fair value of the investment property was determined on the basis of a reassessment of the property portfolio of the newly formed Deutsche Wohnen Group. The values as of June 30, 2007, were checked and verified with regards to the consolidated carrying amount as of December 31, 2007.

In addition to the investment property, deferred tax assets (EUR 86.6 million compared with EUR 38.6 million as of December 31, 2006) and interest rate swaps (EUR 32.2 million compared with EUR 0.0 million as of December 31, 2006) have also increased considerably due to the acquisition and financing of the GEHAG Group.

E. Financial position of the Group

1. Equity of the Group

With the issue of 6,400,000 shares as part of the GEHAG transaction (share components for OCM Luxembourg Real Estate Investments S.à.R.L. and OCM Luxembourg Opportunities Investments S.à.R.L.) the registered share capital is EUR 26.4 million (previous year EUR 20 million). The share capital of Deutsche Wohnen AG is divided into 26,400,000 no-par value shares with a notional share of EUR 1 per share in the share capital.

As of the balance sheet date for 2007, the capital reserves were EUR 349.5 million (December 31, 2006: EUR 170.8 million). The increase is attributable to the extra amount related to the 6,400,000 shares issued in the fiscal year in connection with the GEHAG transaction (EUR 177.6 million) and the equity component of the issued convertible bonds (EUR 1.1 million).

The cumulative consolidated profit includes the retained earnings of Deutsche Wohnen and the cumulative earnings carried forward.

The legal reserve remains unchanged at EUR 1.0 million as compared with the figure for December 31, 2006.

Furthermore, the valuation differences between the HGB (German Commercial Code) and IFRS accounting standards (EUR 28.9 million), the effect of the change in the measurement of investment property in the balance sheet from the cost method to the fair value method (EUR 350.5 million) and the DB 14 correction (EUR 8.8 million) are reported.

The income and expenses, which are recognized directly in equity, consider the share of the actuarial profits and losses from the pension obligations, less the deferred taxes allocated to them (EUR 2.1 million; previous year EUR 0.2 million).

The Group's total equity was EUR 936.1 million (December 31, 2006: EUR 736.4 million).

2. Financial liabilities

The noncurrent financial liabilities of the Deutsche Wohnen Group were EUR 2,034.1 million as of December 31, 2007; they have increased notably compared with December 31, 2006 (EUR 562.2 million) as a result of the acquisition of the GEHAG Group and the associated taking over of the noncurrent financial liabilities of the GEHAG Group.

The GEHAG acquisition included convertible bonds with a nominal value of EUR 25.0 million as part of the purchase price component. The convertible bonds were issued as part of the GEHAG acquisition on July 31, 2007. They can be converted into ordinary shares of the company at any time between the day of issue and the date of repayment. At the time of issue, the convertible bonds were convertible at a conversion price of EUR 45 per share.

Convertible Bonds

	in EUR thousands
Nominal value of convertible bonds	25,000
Equity component	– 1,102
	23,898
Debt component as of the day of issue	23,898
Deferred interest	441
Debt component as of December 31, 2007	24,339

The current financial liabilities of the Deutsche Wohnen Group have also increased considerably due to the acquisition of the GEHAG Group and other acquisitions (EUR 145.5 million as of December 31, 2007, compared with EUR 11.5 million as of December 31, 2006).

The remaining terms are as follows:

	Total	Term to 1 year	Term over 1 to 5 year	Term over 5 year
	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
Noncurrent and current liabilities as of December 31, 2007	2,179,555	145,468	255,917	1,778,170
Noncurrent and current liabilities as of December 31, 2006	573,690	11,504	128,766	433,420

F. Results of operations of the Group

Major items of the income statement:

	01/01/ – 12/31/2007	07/01/ – 12/31/2006 (adjusted)
Revenue	204.4	62.1
Of which revenue from residential property management	180.8	58.3
Estimated rent income (net rent excluding heating)	144.6	47.0
Earnings from housing privatization	5.3	8.1
Maintenance expenses	– 32.2	– 9.6
Earnings from operating costs (allocation costs)	17.6	5.0
Employee expenses	– 31.7	– 8.4
Depreciation. amortization and impairment losses	– 1.7	– 0.2
Other operating expenses	– 27.3	– 11.8
Operational earnings	48.2	23.2
Earnings from the first consolidation of the GEHAG Group	64.1	0.0
Adjustment of the market values of investment property	30.9	12.9
Financial earnings	– 75.8	– 15.6
Earnings before taxes	65.7	20.3
Income tax	– 36.0	– 9.4
Consolidated profit after tax	29.8	10.9

The comparison period for 2006 is only a period of six months (short fiscal year from July 1 to December 31, 2006).

At this point we would like to again mention that the results of operations reported in this combined management report consider the GEHAG Group only for five months (August to December 2007).

In addition to the revenue from residential property management, revenue from nursing and residential homes (EUR 16.1 million), telecommunications services (EUR 3.0 million) and housing management activities (EUR 3.1 million; comparison period July 1 to December 31, 2006: EUR 1.0 million) is being obtained.

The estimated rent income mentioned in the table turned into actual rent income of EUR 132.2 million (comparison period July 1 to December 31, 2006: EUR 43.2 million); the result is lower than the estimate due to the rental default in relation to the vacancy rate (EUR -12.8 million; comparison period July 1 to December 31 2006: EUR -3.9 million),.

Estimated and actual rent income have increased considerably due to the growth in the portfolio (GEHAG acquisition). This has a sustainable positive impact on the results of operations of the Group.

The reduced number of privatized housing units (see also "Housing privatization") is expressed in the clearly lower earnings from housing privatization as compared with the comparison period and previous years.

The items maintenance expenses (EUR -32.2 million compared with EUR -9.6 million in the short fiscal year from July 1 to December 31, 2006), employee expenses (EUR -31.7 million compared with EUR -8.4 million in the short fiscal year of July 1 to December 31, 2006) and other operating expenses (EUR -27.3 million compared with EUR -11.8 million in the short fiscal year of July 1 to December 31, 2006) have also increased considerably due to the merger of Deutsche Wohnen with the GEHAG Group.

The notable reduction in depreciation, amortization and impairment losses is a result of the change in reporting; fair values are not depreciated, in accordance with IFRS. The remaining depreciation, amortization and impairment losses refer primarily to office and business equipment.

Change to fair value method for investment property

Deutsche Wohnen changed the valuation of its investment property over from the cost method to the fair value method as of December 31, 2007. The change to the fair value method took place retrospectively (IAS 8.19, 23). Deutsche Wohnen's previous consolidated financial statements were for a short fiscal year from July 1 to December 31, 2006. The retrospective adjustment took place as of July 1, 2006.

Based on Deutsche Wohnen's historical starting figures and compared with the historical financial information published for the period of July 1 to December 31, 2006, the valuation adjustment resulted in an increase in investment property, an increase in deferred tax assets and liabilities and a derecognition of noncurrent deferred income.

The deferred income for the interest rate advantage from subsidized loans was derecognized as both the restrictions from the renting of the property concerned and the interest rate advantage from the subsidized loans were already considered in the fair value assessment of the property.

The income statement also includes a reduction in the profit from privatization (profits from the sale of residential units), an increase in the cost of purchased services, a reduction in other operating income as a result of the derecognition of noncurrent deferred income, and an adjustment of the fair value of property in the consolidated income statements for the short fiscal year of July 1 to December 31, 2006.

The balance sheet changes also result in a change to deferred taxes in the consolidated income statements. The maintenance portion of service charges, which was previously reported as an asset, was recognized as an expense as part of the change over to the fair value method.

Earnings from the acquisition of the GEHAG Group

The acquisition of the GEHAG Group led to a negative consolidation balance when the purchase price was calculated, which was correspondingly recognized in the income statement. This is attributable—among other things—to the development of the share price between the time of the signing of the purchase contracts and the actual effective date of the transfer. The share price fell between July 2, 2007, and August 9, 2007, from approximately EUR 39 per share to approximately EUR 29 per share. With 26.4 million shares in circulation, this is equivalent to a reduction in the purchase price of GEHAG of approximately EUR 64 million.

Additional taxation due to EK02

In accordance with the Annual Tax Law 2008, the previous regulation concerning the treatment of EK02 stocks is being abolished and instead a for us compulsory, flat-rate payment is being introduced. In accordance with this, the closing balance of EK02 as of December 31, 2006, is taxed flat-rate at 3 per cent, regardless of the usage. Remaining stock is not applicable and triggers no further increases in corporation tax. The resultant tax amount is to be paid either within a period of 10 years from 2008 to 2017 in ten equal annual installments or at present value in a one-off amount. The whole EK02 stock of the Deutsche Wohnen Group amounts to EUR 3.2 billion. The consolidated profit after tax was charged EUR 30 million. The share of the GEHAG Group (approximately EUR 44.7 million) has already been recorded as part of the purchase price allocation.

III. SUBSEQUENT EVENTS

The Management Board of Deutsche Wohnen AG decided on February 11, 2008 to restructure Deutsche Wohnen. Office closures and staff cuts will result from this. Of the currently about 490 jobs, approximately 140 jobs are to be cut and total annual staff savings of EUR 10 million to be achieved by the year 2009.

The achieving of the potential cost savings can have a very positive impact on Deutsche Wohnen's results of operations (see also the forecast report).

The DPR has informed us of an incorrect statement concerning the time of the consolidation of DB 14. Please refer to above remarks (see section "Property stock").

There are no further notable situations that have arisen after December 31, 2007.

IV. RISK REPORT/MANAGEMENT CONTROL

Undertaking entrepreneurial activities also means taking risks; the success of the Deutsche Wohnen Group depends on that these risks are recognized early and dealt with professionally. Only those who recognize significant risks early and counter them systematically are able to benefit from any opportunities in an entrepreneurial and responsible manner.

In the Deutsche Wohnen Group, a central risk management system has been implemented which ensures the identification, measurement, control, and monitoring of all of the significant risks affecting the Group. The main components of this system are the advanced reporting structure of relevant operational and financial key figures concerning the areas of risk identified by the company and the strong interdependence of the management team brought about by a system of intensive communication. In this way it is ensured that the decision-makers are at all times aware of all of the relevant developments in the company and suitable measures can be taken early to counteract any potential developments which could constitute a threat to the company's continued existence. The early recognition of risk serves as an integral component to this effect. In the estimation of the Management Board, there are no risks which could constitute a threat to the company's continued existence.

Risk information provided by the risk management is prepared depending on the issue and the need for the latest information on a monthly, quarterly and annual basis. A fixed circle of recipients within the Deutsche

Wohnen Group and the Supervisory Board receive reports relating to various issues. Once a year, the internal risk management manual is updated.

Strategic risks

In principle, risks relating to the realignment of the business model in the course of the re-forming of Deutsche Wohnen Group may arise.

Generally, strategic risks could result due to co-operations and further mergers, the non-recognition of market developments or trends, non-acceptance of the strategy in the capital market, or damage to the image/reputation. In order to counter these strategic risks, all internal and external analyses which are to be considered in particular cases are commissioned in good time by the Management Board. The Management Board is aware—in this context—that strategic, external growth is not to be pursued at all costs.

Political and legal risks and risks under company law

In order to prevent possible non-compliance with the law, it is very important to ensure adequate monitoring and the implementation of changes concerning regulations, laws and court decisions. In the same line, contracts should be designed adequately, contract adjustments implemented quickly and old contracts monitored, in order to prevent risks such as additional costs, possible legal proceedings or damage to the image. To this effect, the company has created a separate department ("Corporate Law") which is to monitor these risks.

Adequate monitoring of claims and insurances is important for the company in order to prevent over- or under-coverage in the insurance policy, since possible shortcomings in the prevention or avoidance of these risks could result in a worsening of the company's results of operations. The company has to see to it that such risks are monitored professionally by engaging an insurance broker.

Building stop orders and—if applicable—a lack of building permits could have also a negative effect, as these can result in unforeseen costs and a delay in construction. Contamination removal and the implementation of legal regulations can lead to an increase in costs. However, the company considers the probability of occurrence of these risk events as low.

Risks of non-compliance with Corporate Governance

A long, drawn-out integration process between the Deutsche Wohnen Group and the GEHAG Group and unclear organizational and process structures, including general conditions (tasks, responsibilities, competencies, interfaces), could lead to tasks being performed inefficiently. This could have a negative impact on the business of Deutsche Wohnen. The company is therefore organizing the integration process and is implementing it via 23 projects, each of which is led by a manager and is controlled and monitored by an external consultant.

The possible exceeding or falling below the planned budget established in the business plan could also result in notably higher expenditure or lower revenue. The company has established an efficient controlling system to monitor and counter these risks at an early stage. A further risk could result from fraudulent employee behavior, such as breach of trust or corruption, which, however, the company considers a low risk.

IT risks

In 2008 a new standard IT system (SAP) is being implemented in the Deutsche Wohnen Group. The transition from the two previous, different IT systems of Deutsche Wohnen and the GEHAG Group could cause temporary disruption to business. The benefits of the SAP migration include more efficient process and reporting structures, which enable a faster flow of information and data.

Risks related to personnel management

Inadequate personnel planning or an inadequate recruitment policy could result in overcapacity and thus an increase in employee expenses or undercapacity. It could also happen that the original knowledge and skills of Deutsche Wohnen's personnel no longer meets the current requirements for the field of activity. A management shortage could result in inefficiencies and mistakes. This risk is assessed as low and the company counters it with training programs and by quickly re-filling key positions. In so doing, it tries to minimize or avoid any negative impact on Deutsche Wohnen related to personnel planning risks, personnel development and quantification.

Market risks

Changes in the economic situation could result in stagnation or in a fall in market rent and therefore have a negative impact on the business of Deutsche Wohnen. A fall in the disposable net income of households for rent could also contribute considerably to such a situation (e.g. due to payroll deductions, tax increases, or increases in incidental costs). The company attaches a lower probability to such a risk occurring.

Furthermore, changes in the capital market could result in risks where in adverse cases the valuation of the company in the capital market would not permit adequate equity supply. This risk is closely linked with risks which relate to changes in interest rates.

Increased competition in renting property could result in a stagnation or a fall in market rent rates or an increase in the vacancy rate. As the relationship between supply and demand is moving strongly in favor of the demand side, and is therefore resulting in competition for every tenant, this can result in a fall in rent rates or in the taking of other incentive measures (e.g. rent-free months, certain tenant-induced renovations, vouchers granted when moving in) in the future. The residential property management and housing privatization divisions continued in 2007 to jointly focus on successfully balancing the vacancy rate with the level of rent.

Property risks

The formation of clusters in the structure of the stocks could invoke various risks. These include, for example, increased maintenance and renovation costs and difficulties in renting the property. Property risks also include possible maintenance omissions, structural damage, fire protection or wear. A change in the general environment (infrastructure, population) could occur both in the long-term (e.g. maintenance) and in the short-term (e.g. changes in flight paths, expanded timetables). If these risks should occur, this could have a negative impact on the Deutsche Wohnen Group's results of operations. The portfolios and their development are constantly monitored and optimized and any looming negative developments are countered by an "Asset Management" department established at holding level.

Financial risks

With a multitude of investments and a complex investment structure, increased transparency and increased control is necessary to prevent a negative impact on the company's business. There is also increased dependence on the regulatory framework in terms of commercial and tax law. Inadequate planning and control and shortcomings in the controlling of investment earnings could result in a shortfall in earnings.

A fundamental change in tax regulations could result in financial risks. Continuous tax advice from external tax consultants regularly supports Deutsche Wohnen's management and at the same time keeps it up-to-date with regards to current changes, so that—if necessary—measures can be taken by the management in good time. The risk resulting from increases in the level of the market interest rate is largely eliminated in the Deutsche Wohnen Group due to a major share of long-term and forward loans having interest rates which are agreed long-term.

Financial risks are also prevented by the use of derivatives in the form of interest rate swaps, with fixed interest rate payments being exchanged for variable interest rate payments and thus being hedged against changes in market values. Further information on this can be found in the explanatory notes to the consolidated financial statement.

Deutsche Wohnen sees its financial risks also in a delay in the cash flow from revenue and loans and unforeseen expenses, which could result in liquidity squeezes. Fluctuations in the valuation of property (IAS 40) and derivatives could also result in annual corrections to the income statement.

A further risk is represented by the increase of bad debts, which could increase profit and liquidity risks.

Investment risks

The selection and planning of major maintenance activities can result in a wrong allocation of investment funds. It is also possible that additionally acquired units do not meet profit expectations. This could have a negative impact on the business of the Group. Incomplete disclosures in due diligence reports and evaluations, non-transparent sourcing decisions and non-observance of sourcing regulations (e.g. the utilization of public subsidies could result in having to make a repayment) can involve risks.

Further risk factors which are directly related to the company's investments are the exceeding of planned costs, not meeting deadlines and not meeting the standards for fixtures and fittings. This could cause additional costs for the company. Also late starts, loss of rent (possibly reduced rent) or inadequate following up of defects can result in increased expenditure. The company will assemble a team of internal and external specialists in order to counter these risks when making investments.

Management control

The Management Board of Deutsche Wohnen controls all of the areas of the business using strategic and operational specifications and various financial parameters.

EBIT, earnings before interest and taxes, is a suitable parameter for measuring the earning power of the company divisions.

The EBIT is also the basis for calculating the EBITDA, i.e. the profit adjusted before interest, taxes, depreciation, and amortization.

The total revenue which is fundamental for calculating both the EBIT and the EBITDA comprises revenue from residential property management, revenue from nursing and residential homes, telecommunications services, management activities, profit from sales, capitalized internal services, and other operating income.

A further parameter used by Deutsche Wohnen is funds from operations (FFO). This is a parameter which is measured for a company's results of operations. The FFO is calculated based on the EBITDA and also takes into account the financial earnings and the company's taxes. All of the non-sustainable effects from business (e.g. block sales, one-off tax expenses or other special effects) are not considered in the FFO calculation.

V. FORECAST REPORT

Outlook for the overall economy and the housing market

Growth, which has lasted almost three years, will continue this year in Germany, although it may possibly be slowed by the impact of the worldwide property and financial crisis.

In spite of the property crisis in the USA in the summer of 2007 and the resulting adjustment and liquidity crisis in the international financial markets and the in part considerable losses of the banks, Germany has proven itself to be comparatively robust as a financial centre. Apart from some exceptions, the banks have sufficient reserves in order to be able to properly counter the notable changes in market conditions. There are no indications as yet of a serious, sustained credit crunch for German companies as a result of the turbulent financial market, according to the information taken from the Annual Economic Report 2008.

According to the Annual Economic Report 2008, the gross domestic product (GDP) is to rise in 2008 by 1.5 per cent compared with 2007 The Annual Economic Report 2008 also foresees a reduction of 0.8 per cent in the unemployment rate as compared with the previous year (from 9.0 to 8.2 per cent). Prices are to increase on average by 2.3 per cent for the year. Private household consumption is to grow (by 3.1 per cent as compared with the previous year) due to rising income.

Viewed primarily in the long-term, i.e. in the coming decades, a fall in the population is expected in Germany, and the age structure will also change as the share of the elderly population rises continuously. Regional differences are to be expected in this regards. By 2050, according to the information of DB Research, the number of inhabitants in Germany is to fall by around 10 per cent. In contrast, the share of senior citizens is to rise considerably (by around 170 per cent). The number of children and young people will be around one third less then than today.

However, the number of households in Germany will not fall at the same rate as the population. The decline in the number of people living in a household will support the demand for housing, which in the long-term will also fall, but not as strongly as the population rate. There will also be regional differences in relation to the development of the number of households; according to DB Research, the number of households in the former East Germany will fall more quickly than in the rest of Germany.

The change in the statutory pension scheme, which will be accompanied by a general fall in pension benefits, could also have a positive impact on the demand for housing,. Property can serve here as a financial safeguard and a comparatively stable investment.

Risks to future development

Deutsche Wohnen is exposed to risks due to the merger with the GEHAG Group. Unforeseen difficulties or the absence of synergy effects from the merger with the GEHAG Group could have a negative impact. Deutsche Wohnen could also be prevented from making certain management decisions concerning the GEHAG Group.

Deutsche Wohnen is exposed to potential financial risks due to the GEHAG Group`s interests in funds management companies.

With the acquisition of the GEHAG Group, the Deutsche Wohnen Group has also acquired its interests in funds management companies. The fund management business was run by companies of the GEHAG Group until 2005. These fund investments are subject to potential financial risks, in particular to liability risks related to the individual funds. In 2005, the "closed-end property fund" business was primarily transferred to a Group that is not affiliated to Deutsche Wohnen.. In the course of this transfer, the Group issued a declaration of release in favor of the GEHAG Group. Deutsche Wohnen is also exposed to financial risks as a defendant in law cases related to prospectus liability. The probability for this risk event to occur is considered very low.

There is a further risk relating to the business of property for senior citizens. Deutsche Wohnen could be exposed to heavier regulatory constraints due to legal reforms. Also the inability to implement necessary fee increases in the nursing business can have a negative impact on the development of revenue and profit in this business.

In the telecommunications services business, the Deutsche Wohnen Group faces competition with higher market shares and greater financial resources, which could have a negative impact on the business. A change in the technical standard for connecting broadcasting signals in a fiber optic network as well as the establishing of further transmission technologies could also cut earnings in the telecommunications services business.

The limited partners of DB 14 have the possibility to sell back their fund shares to Rhein-Pfalz Wohnen GmbH until 2019. In this context it cannot be fully foreseen how the volume of sell back transactions will develop from 2008 onward. However, the relative illiquidity of the shares in closed-end property funds, on the one hand, and possible changes to tax regulations, on the other hand, suggest that the sell back ratio will continue to rise in 2008 and in future years.

Opportunities for future development

Deutsche Wohnen has totally re-positioned itself with the acquisition of the GEHAG Group. In so doing, the Deutsche Wohnen Group has sustainably expanded its position in the German housing market as the second largest listed property company in Germany. With this merger, Deutsche Wohnen has created a consolidation platform with sufficient critical mass to exploit considerable synergies and thus manifest strategic potential for growth. The current housing stocks are located in two of the strongest growth markets in Germany; this creates the pre-condition for future growth in earnings In future, Deutsche Wohnen will provide a partnership-oriented platform for potential sellers of residential property portfolios of large public and private owners.

Deutsche Wohnen can continue to grow in 2008 and beyond through portfolio and company take-overs. Portfolio expansions can have a positive impact on the Group's net asset value.

Development of the non-current assets position

The Management Board sees the opportunity for further expanding the existing housing stock with portfolio and company acquisitions in the following years. In this case the carrying amount of the investment property would rise.

Development of the financial position

The Group's debt-to-equity ratio, measured by the loan-to-value ratio (market value of the investment property in relation to the long-term financial liabilities), was around 67.4 per cent (previous year: 42.8 per cent) as of December 31, 2007

Deutsche Wohnen possesses liquid funds as well as freely disposable borrowing limits totaling around EUR 212 million (unused borrowing limits) in order to service its payment obligations. The planning for the next two years includes payments for restructuring measures as well as additionally incoming payments from the adjustment of the property portfolio. The liquidity from the planned sale of property which will be available to us is to be used primarily to finance the restructuring, repay financial liabilities and invest in the property stock in order to generate future rental growth.

Development of the results of operations

It is well known that an unsatisfactory cost structure has a significant impact on the results of Deutsche Wohnen. To be precise, these relates to our personnel and general administration costs, which are clearly too high compared with the industry.

New structures, processes and a standard computer platform are to be implemented quickly and essentially completed still in 2008. In the next twelve months we will create the conditions for sustainable growth. We will orient our housing stock towards the growth areas and provide the company with a competitive cost structure. Emphasis will be placed on high quality in the core processes and we will increasingly outsource standard tasks. After this transformation process has been completed, we will see a highly efficient company with highly attractive portfolio prospects and we will have the means to increase our portfolio selectively.

The planned reduction in the vacancy rate (December 31, 2007: 6.4 per cent; target by the end of 2009: around 4.3 to 4.5 per cent), sustainable contributions to profit from sales activities (around 500 housing units sold per year), a constant maintenance level (EUR 10-¬11 per m² and per year) as well as a fall in personnel and administration expenditure due to restructuring (savings of ca. EUR 13 million per year from 2010 at the latest) will have a positive effect on the Group's results of operations in the next two fiscal years.

With these results we should again have the trust of our shareholders and thus be able to create a solid base for further external growth.

VI. EMPLOYEES

The management holding company Deutsche Wohnen AG itself had no employees in the fiscal year 2007 apart from the Management Board.

At the end of 2007, 514 full-time employees are employed in the Group"s core business, i.e. housing (December 31, 2006: 271 employees).

As of December 31, 2007, further 883 employees are to be attributed to the management of property for senior citizens and telecommunications services.

The performance-related salary components of the Management Board and executives are calculated—among other things—on the basis of parameters related to the performance achieved. These incentives represented a significant motivational factor and are to be further incorporated in the current development of a standard Group-wide salary system.

Details concerning the remuneration of the Management Board are determined in the Management Board contracts.

Helmut Ullrich's Management Board contract included a so-called "change of control" clause until January 9, 2008, which became invalid with the new version of Helmut Ullrich's Management Board contract, which took effect on January 10, 2008.

The remuneration of the Supervisory Board, which only has a fixed component, is determined by a resolution of the Annual General Meeting.

Frankfurt am Main, March 25, 2008

Michael Zahn Speaker of the Management Board	Helmut Ullrich Management Board

FORWARD-LOOKING STATEMENTS

» DISCLAIMER

This report contains forward-looking statements. Forward-looking statements are statements which do not describe facts of the past; they also include statements about assumptions, expectations, intentions and opinions of Deutsche Wohnen. Statements in this report which express assumptions, expectations, intentions or opinions are forward-looking statements.

Numerous known and unknown risks, uncertainties and other factors can contribute towards the actual results, the net asset position or the development of the company differing considerably from the forward-looking statements which are expressed or implied. The company therefore accepts no responsibility for the assumptions upon which forward-looking statements are based being correct or for the occurrence of the predicted developments.

The forward-looking statements made in this report are also based on information, estimates and forecasts which are available to the management of Deutsche Wohnen at this time. Deutsche Wohnen accepts no obligation to revise forward-looking statements in view of new information or future events after the time of this report.

Risk factors which can have an impact on the future development and tenability of forward-looking statements are presented in detail in our securities prospectus of November 12, 2007, in the section "Risk factors". This document is available on our internet site under www.deutsche-wohnen.com.

» MANAGEMENT BOARD

(as of April 2008)

Michael Zahn
» Speaker of the Management Board
Berlin

Helmut Ullrich
» Member of the Management Board
Königstein

» SUPERVISORY BOARD

(as of April 2008)

Hermann T. Dambach
» Chairman
Bad Homburg

Dr. Andreas Kretschmer
» Deputy chairman
Düsseldorf

Jens Bernhardt
Königstein

Matthias Hünlein
Oberursel

Dr. Florian Stetter
Erding

Uwe E. Flach
Frankfurt am Main

»REGISTERED OFFICE

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» FINANCIAL CALENDAR

April 29, 2008	Publication of Annual Report 2007
May 28/29, 2008	Kempen & Co: Conference in Amsterdam
May 29, 2008	Publication of Interim Report as of March 31, 2008
June 17, 2008	Ordinary Annual General Meeting 2008 in Frankfurt am Main
August 29, 2008	Publication of Semi-Annual Report 2008
September 10/11, 2008	UBS Conference in New York
September 23/25, 2008	UniCredit Conference in Munich
September 26, 2008	Investor Day in Berlin
October 20/21, 2008	8th „Real Estate Share Initiative" Conference in Frankfurt am Main
November 12/13, 2008	WestLB Conference in Frankfurt am Main
November 27, 2008	Publication of Interim Report as of September 30, 2008 (Analyst and Investor Conference in Frankfurt am Main)

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