2002 ANNUAL REPORT

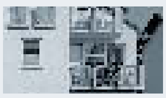
Deutsche Wohnen AG

Key figures		2002	2001	2000	1999
Key figures for the Group					
Sales	EUR m	128.39	124.44	131.29	150.10
– from real estate management	EUR m	122.26	119.11	125.52	132.44
Results from ordinary activities	EUR m	19.51	17.38	15.70	–13.51
Net income	EUR m	13.38	15.50	15.54	–10.40
EBIT	EUR m	48.92	48.69	47.98	33.65
EBITDA	EUR m	69.59	66.77	68.03	64.81
Result (DVFA/SG)	EUR m	10.73	15.15	15.09	–5.98
Cash flow (DVFA/SG)	EUR m	34.42	33.91	34.34	22.66
Fixed assets	EUR m	1,001.97	1,063.37	1,115.36	1,123.03
Current assets	EUR m	150.35	148.31	128.17	158.22
Equity	EUR m	449.44	476.06	500.56	521.50
Liabilities	EUR m	677.25	715.53	725.27	740.31
– of which: owed to banks	EUR m	545.36	564.77	575.50	583.21
Total assets	EUR m	1,152.36	1,211.93	1,244.24	1,282.70
Return on Equity		2.98 %	3.26 %	3.10 %	–1.99 %
Equity ratio		39.00 %	39.28 %	40.23 %	40.66 %
Equity/fixed assets ratio I		44.86 %	44.77 %	44.88 %	46.44 %
Equity/fixed assets ratio II		105.98 %	105.52 %	104.02 %	105.92 %
Liquidity ratio		150.53 %	151.73 %	132.41 %	130.17 %

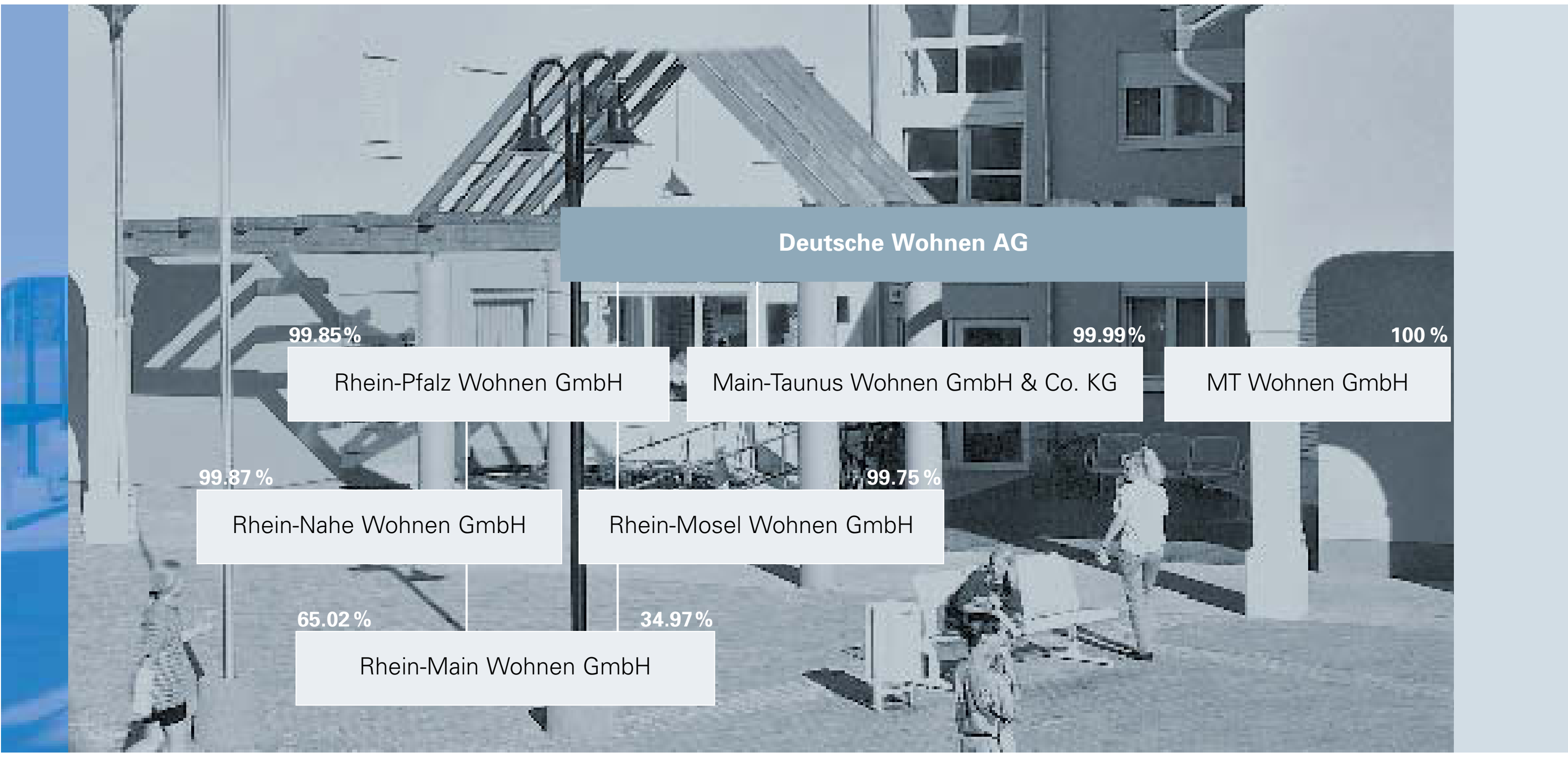
Group

KEY FIGURES

Key figures		2002	2001	2000	1999
Key figures for the company					
Equity	EUR m	386.95	411.51	459.45	507.88
Total assets	EUR m	646.18	671.06	718.72	767.01
Net income/loss for the year	EUR m	15.44	–7.94	–11.95	–23.87
Key figures per share					
Share price	EUR	144.00	148.00	140.50	152.00
Market capitalisation	EUR m	576	592	562	608
Free float		79%	70%	70%	70%
Result (DVFA/SG)	EUR	2.68	3.79	3.77	–1.50
P/E ratio		53.70	39.05	37.27	–101.33
Cash flow (DVFA/SG)	EUR	8.61	8.48	8.59	5.67
Price/cash flow ratio		16.73	17.45	16.36	26.81
Net asset value		**March 31, 2002**			
Net asset value per share	EUR	227.91			
Share price	EUR	148.00			
Dividend		**2002**	**2001**	**2000**	**1999**
Dividend per share	EUR	10.00	10.00	10.00	9.12
Dividend yield (at closing price for year)		**6.94%**	**6.76%**	**7.04%**	**6.33%**



Confidence grows from experience and the knowledge of what customers want from their homes. The brief history of housing, documented on the picture pages of this year's Annual Report, is not just a look at the past, but also reflects our commitment to actively shaping the future of housing. This is the objective which Deutsche Wohnen AG is working towards by means of innovative concepts and with the single-minded dedication of every single employee.



The Deutsche Wohnen Group consists of the individual company Deutsche Wohnen AG, which acts as management holding, as well as the two subgroups, Rhine-Main and Rhineland-Palatinate; alternatively, we can see the Deutsche Wohnen Group consisting of six Group companies operating in the areas of housing management and housing privatisation. Except for Main-Taunus Wohnen GmbH & Co. KG, all the Group companies originated from the housing companies belonging to the former Hoechst AG (Rhine-Main subgroup) and to the non profit-making housing company, the Rhein-Pfalz (Rhineland-Palatinate subgroup).

Dear Shareholders and Friends,

The year 2002 was the fourth full financial year for the Deutsche Wohnen Group and we are pleased to say that despite difficult market conditions, in operating terms this has been our most successful year so far.

In the area of housing privatisation, with 1,170 residential sales as well as a clear reduction in marketing and presale preparation costs, it was possible to increase annual income by approximately 53% to EUR 33.1 million. We attribute this increased number of buyers on the one hand to the fact that the home ownership subsidy was coming to an end – a move that was greeted with some fear – and the resulting endeavour on the part of many tenants to purchase their own homes, even as late as 2002. On the other hand, it was only possible to achieve this result thanks to the outstanding efforts of our sales employees.

Rental income throughout the Group fell due to the reduction in property available for rent associated with sales as well as with increased vacancy levels.

The Group result before tax and after non-scheduled depreciation, risk-provisioning measures and staff costs, amounts to EUR 19.4 million.

From tax of EUR 6.0 million, Group earnings for the year amount to EUR 13.4 million, or EUR 3.35 per share. On the basis of the cash flow generated from operating business, both the Management Board and the Supervisory Board deem it appropriate to propose a dividend of EUR 10.00, or 6.9% in relation to the 2002 year-end price, to the Annual General Meeting on June 26, 2003.

The dividend payment is once again tax-free for our shareholders.

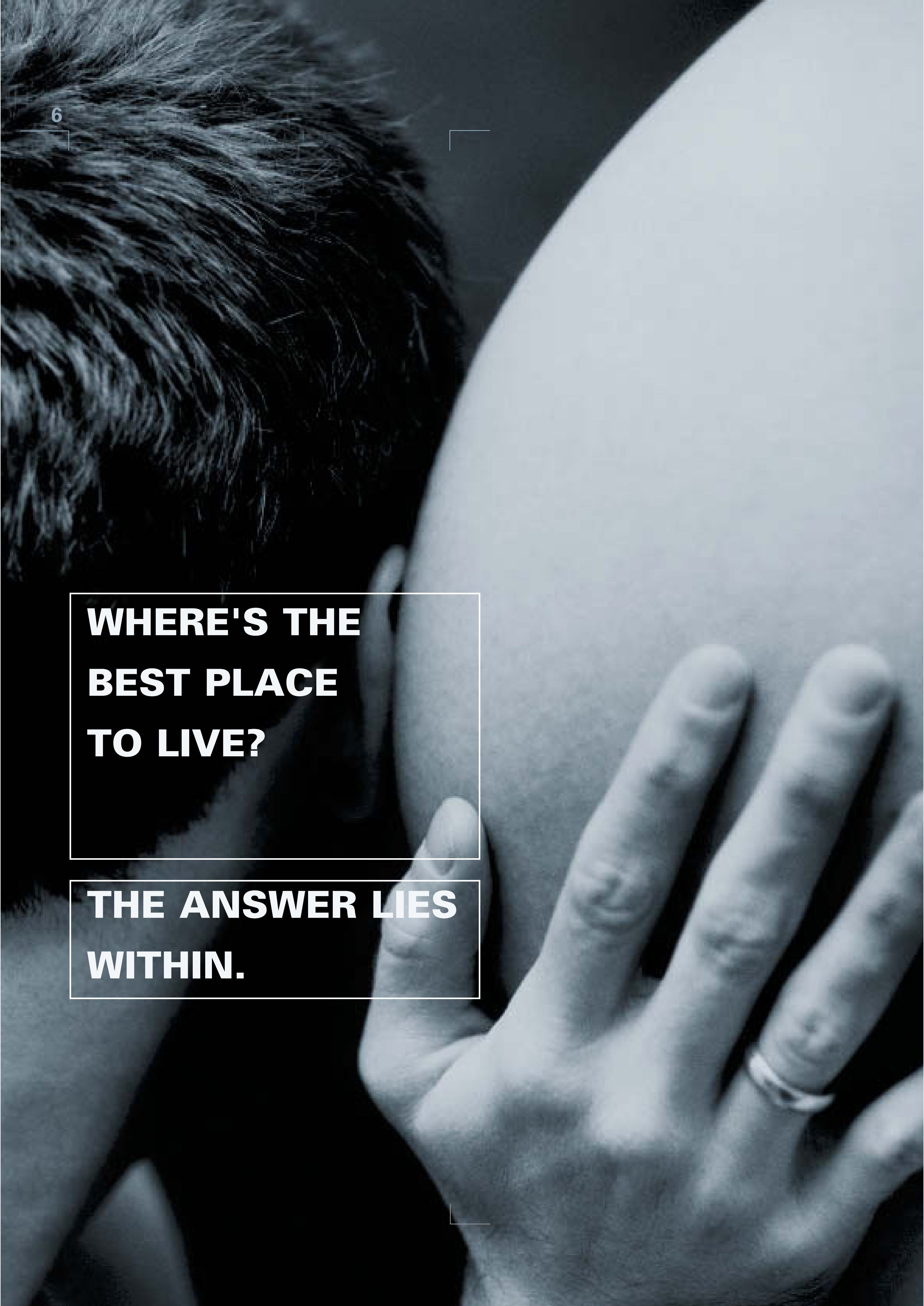
These extremely attractive dividend payouts as well as the stable price level of our shares have brought about a 13% rise in the number of shareholders since the beginning of 2000. The tangible surge of interest on the part of analysts, investment advisors and stockbrokers as well as the resulting demand on the part of investors for Deutsche Wohnen shares show that our shareholders have an attractive, solid security in their portfolios.

The Management Board is grateful to the shareholders who have maintained their confidence in us despite the prevailing general economic climate. Our employees deserve special recognition for their dedication and the success of their efforts.

Best wishes,

The Management Board

Michael A. Neubürger   Henning Sieh


WHERE'S THE BEST PLACE TO LIVE?
THE ANSWER LIES WITHIN.

Perhaps our first home environment is indeed the best. At any rate, it is inside our mother's womb that the growing baby finds everything that it needs: warmth, love, protection and nourishment. Even if no-one can remember this very first home, nevertheless it casts an indelible stamp on our associations in later life with the place we call home: safety, security, somewhere to feel at ease and to relax. These basic housing needs of human beings have set the agenda from the very outset for Deutsche Wohnen AG, because we develop, manage and market properties in which our tenants and home-owners can really feel at home.

CONCENTRATION ON CORE COMPETENCES IS TOP PRIORITY FOR DEUTSCHE WOHNEN AG

GROUP STRATEGY

I The Deutsche Wohnen Group operates solely in the areas of housing management and housing privatisation. This clear concentration of the core competences of the Group's operational subsidiaries forms the basis for long-term stable income of the entire Group.

I Throughout the Deutsche Wohnen Group, **cash flow** is made up of rental income, sales proceeds and income from real estate management activities, although to a lesser extent.

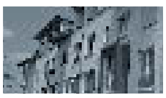
I Property sales are made by company employees and external service-providers. In 2002, successful real estate sales were evenly distributed between company and outside agency housing sales. In 2002, company sales saw a significant increase compared to previous years (2001: 37%), so that it was possible to make savings on the costs of sales (cf. key figures for housing privatisation on page 19).

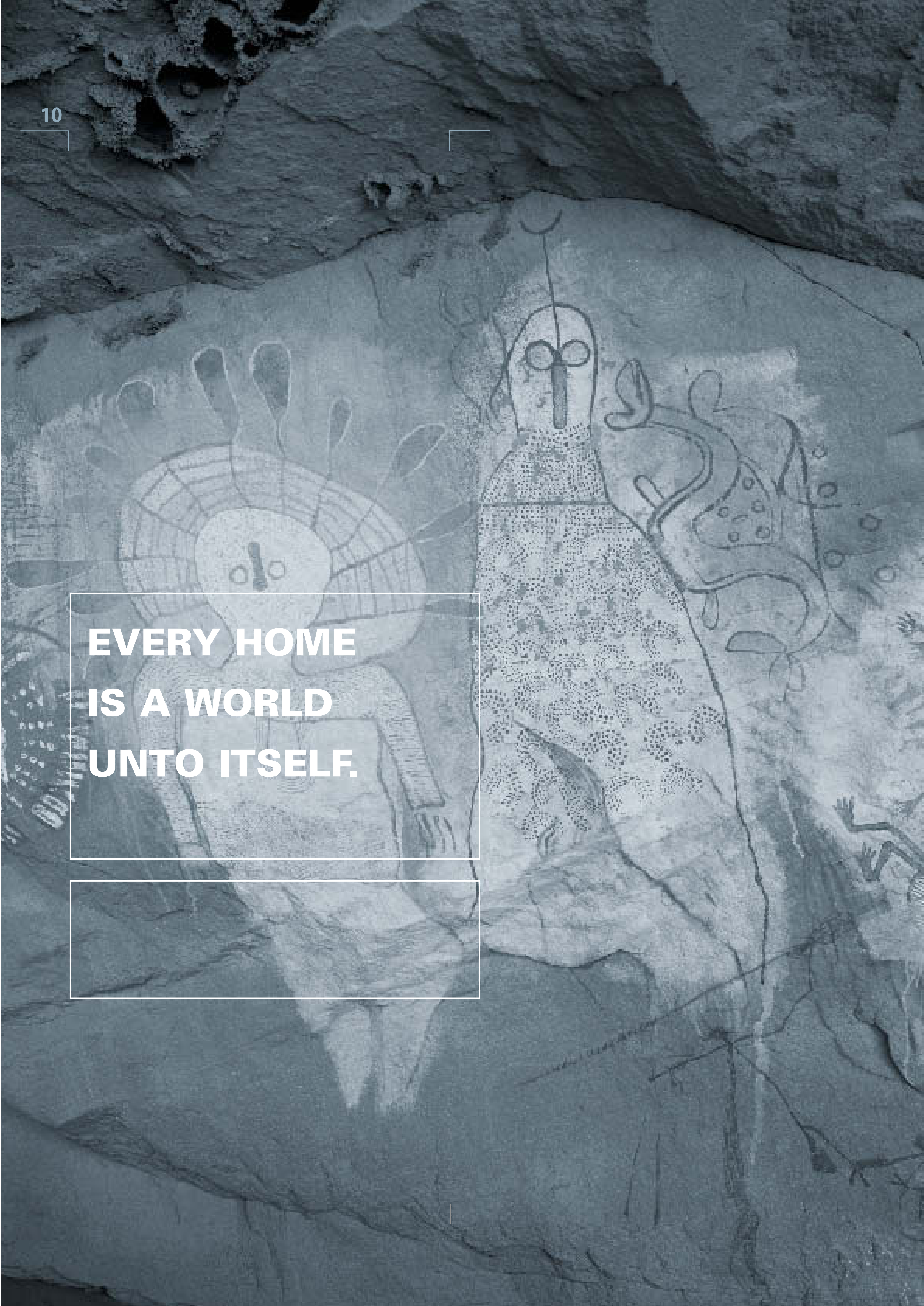
I A persistently stable cash flow from property sales is based predominantly on the existence of an enduringly attractive housing or sales portfolio. This precondition is taken into account in the context of real estate management by means of targeted maintenance and in the area of housing privatisation, likewise by means of targeted pre-sales preparatory measures. The privatisation strategy envisaged by the Management Board is aimed at the medium to longer term and in view of changing fiscal and legal framework conditions, also provides for the necessary room to manoeuvre with respect to sales management.

The result of this is the need for continuous **interfacing** between management and sales. Consequently, the Group's standardised portfolio management system provides key figures to Portfolio Management and Sales to help with the decision-making process and provide support in equal measure to both business areas.

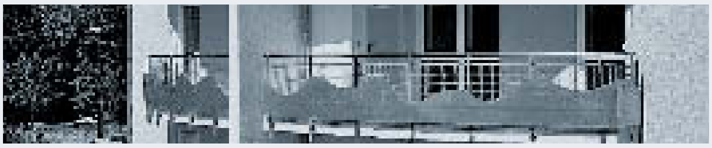
Rental cash flow has been negatively affected by loss of rentals. As a result of the vacancy level in the Group's housing portfolio having risen by approximately 2.8% to 5.5% since early 2000, controlling has made the loss of rent due to the vacancy level in the area of portfolio management its top priority.

The capital market has rewarded the clear corporate policy adopted by Deutsche Wohnen. In 2002, the level of recognition of the Group and Deutsche Wohnen shares rose appreciably. This is attributable to continued efforts in the area of **Investor Relations.** The most recent example of the huge level of interest shown in Deutsche Wohnen shares is their inclusion by stocktraders on their own initiative at the beginning of March 2003 in off-floor trading at Frankfurt am Main and Stuttgart stock exchanges as well as the share's inclusion in XETRA trading. The strategy of paying out the full amount of the Group's free cash flow to shareholders together with the fact that dividends are tax-free has contributed to a **stable share price.**





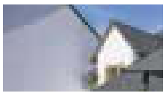
EVERY HOME IS A WORLD UNTO ITSELF.



Comfortable living as we know it today is a comparatively recent phenomenon. But ever since the Stone Age, it can be said that every home is a world unto itself. Even the earliest rock art was not only a type of window on the outside world, but also showed the desire to personalise one's living space. And even today, this still holds true. Not least for this reason Deutsche Wohnen AG has ensured that one of its main objectives is the flexible and individual design of living and working spaces. Because our homes are there for the people who live in them and not vice versa.

TENANT SATISFACTION CONTRIBUTES TO RENTAL INCOME SECURITY.

HOUSING MANAGEMENT



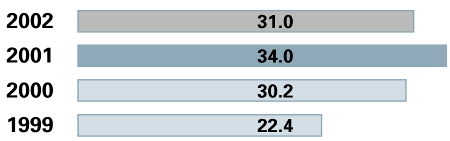
Gross profit in the area of real estate management is substantially influenced by the performance of the portfolio's rental income.

SEGMENT RESULT

Gross profit from real estate management in 2002 compared to 2001 fell from EUR 34.0 million to EUR 31.0 million by EUR 3.0 million, i.e. by 8.9%.

The fall in gross profit is due mainly to a reduction in rental income and a rise in maintenance costs.

Gross earnings from real estate management (EUR m)



Areas	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000	Dec. 31, 1999
Total floor area	1.578 million m²	1.662 million m²	1.725 million m²	1.770 million m²
Average size of dwelling	65 m²	65 m²	65 m²	65 m²
Commercial area	33,958 m²	32,417 m²	31,761 m²	26,864 m²
Undeveloped land	627,174 m²	645,095 m²	652,932 m²	657,072 m²

Property portfolio

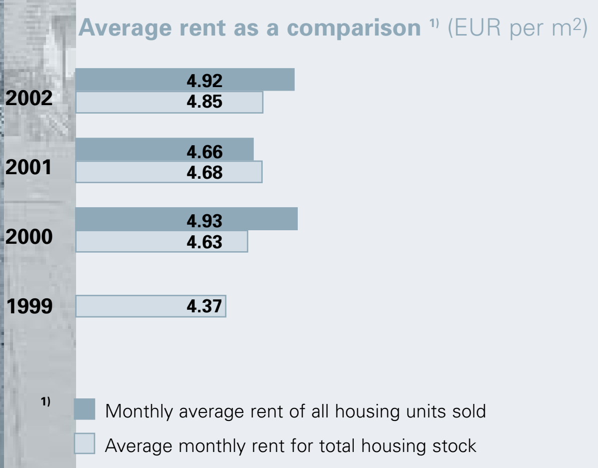
Total housing stock	29,439
	30,243
	30,309
	31,037
Of which: own housing	24,466
	25,668
	26,611
	27,251
Of which: housing managed by others	4,973
	4,575
	3,698
	3,786
Own commercial units	102
	101
	117
	104

Age structure of housing units

Pre 1950	9.5 %
	9.5 %
	9.4 %
	10.4 %
1951 – 1970	60.0 %
	61.3 %
	61.1 %
	61.6 %
1971 – 1990	25.0 %
	23.5 %
	24.4 %
	22.9 %
1991 – 2002	5.6 %
	5.6 %
	5.1 %
	5.2 %

Size structure of housing units

Up to 90 m²	6.3 %
	6.9 %
	6.8 %
	6.8 %
75 – 89 m²	15.3 %
	15.4 %
	16.2 %
	16.2 %
55 – 74 m²	46.9 %
	47.2 %
	45.9 %
	45.9 %
40 – 54 m²	27.2 %
	26.4 %
	26.6 %
	26.6 %
25– 39 m²	3.9 %
	3.7 %
	3.8 %
	3.8 %
Up to 24 m²	0.4 %
	0.4 %
	0.7 %
	0.3 %

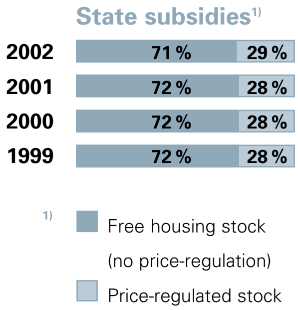


RENTAL INCOME

In the Group's profit and loss account, sales revenues from real estate management rose by EUR 3.2 million to EUR 122.3 million. Of this, EUR 94.8 million (approx. 78%) of income was attributable to target rentals, compared to the previous year (EUR 96.6 million) a drop of approx. 1.9% due to a reduction in the portfolio because of sales.

Conversely, as an average for the year and throughout the whole portfolio, **net rental income** increased from EUR 4.68 per m^2 on December 31, 2001, by EUR 0.17 per m^2 to EUR 4.85 per m^2 on the balance-sheet date 2002.

When calculating sales revenues from real estate management, other major factors to take into account are heating and service expenses, which cost the Group EUR 31.8 million (previous year: EUR 26.0 million). Alongside this figure, the **total rent allowances and other proceeds** accounted for EUR 1.7 million (2001: EUR 2.1 million).



Vacancy rate at year-end

2002	6.9 %
2001	6.0 %
2000	4.7 %
1999	4.4 %

Income from target rentals has been negatively impacted by **vacancy levels** in the real estate portfolio. On the balance-sheet date 2002, the vacancy level was 6.9%. However, although the annual and interim reports of Deutsche Wohnen have to date reported vacancy when it is more than 3 months, this vacancy level of 6.9% takes into account all property that is vacant from the very first day of vacancy. Approx. 71% and 4.9% of total vacancy was due to specific measures because of imminent maintenance or pre-sales preparation respectively and as such can be tolerated. The remaining percentage of vacancy (approx. 2%) was attributable to market-led vacancy mainly as a result of structural problems on the housing market in the Rhineland Palatinate. The higher vacancy level compared to 2001 resulted in an increase of approx. 10% to EUR 6.1 million of rental income loss due to vacancy (2001: EUR 5.5 million).

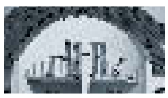
MAINTENANCE

In 2002, investments in **property maintenance** amounted to EUR 24.0 million; this increase in investment of EUR 2.7 million compared to the previous year (EUR 21.3 million) was in line with the business plan, and advance notification was given of this in the annual report for 2001. Depending on new information to come from the Group's portfolio management system, it is highly likely that maintenance in 2003 will reach the level of the financial year 2002.

In 2002, maintenance costs represented approx. 42% of total real estate management costs, EUR 31.8 million (approximately 56%) was attributable to service costs, for which the Group at the time of calculating communal running costs is for the time being ahead of itself.

Maintenance/modernisation (EUR per m²)

	Maintenance	Modernisation	Total
2002	14.51	0	14.51
2001	12.44	0.25	12.69
2000	17.60	5.56	23.16
1999	18.50	3.19	21.34

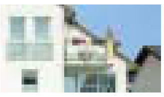


BUILDING A DREAM HOUSE IS CHILD'S PLAY

In childhood, dreams have no limits. This is how children learn about our world, step-by-step and through play. And the same can also be said about the place where we live. Whether it be a doll's house, a tree-house or a cardboard box – creating our very own four walls in our own way plays an important part in all our lives, even from a very early age.
Deutsche Wohnen AG ensures that these dreams can also come true in adulthood – by providing homes that offer people surroundings where they can feel well and truly are cared for. Or by means of our policies on housing privatisation, which have helped many tenants achieve their dreams of home ownership.

THE CASHFLOW FROM PROPERTY SALES WAS A MAJOR FACTOR IN THE SATISFACTORY OPERATING RESULT FOR 2002.

HOUSING PRIVATISATION



SALES RESULT

At EUR 33.1 million compared to the previous year (EUR 21.7 million), the gross result for housing privatisation in 2002 was up approximately 53%.

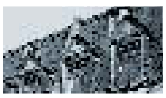
With 1,170 **sales of dwellings** reported in the consolidated financial statements compared to the previous year, this represented an increase of 228 dwellings. 98% of these sales were of property held as fixed assets, with only 22 dwellings sold from real estate held as current assets. In 2002, the average book profit per dwelling sold amounted to approxi. EUR 33,300 (2001: EUR 37,400). In the consolidated profit and loss account, income from sales of dwellings held as fixed assets (EUR 39.5 million) was once again posted under the entry “Other operating income”.

The 52% drop in pre-sales and marketing costs to approx. a total of EUR 6.6 million (previous year: EUR 13.7 million) was a major contributing factor towards the substantial rise in the gross sales result. The reason for this is the intensification of modernisation measures carried out on sales of property. This cost reduction was made possible by the investments in this area that had been anticipated in 2001 for the following year and which formed the basis for the successful sales achieved in 2002. With the **permanent goal of portfolio-enhancing privatisation,** in 2003 the sale of dwellings from the periphery of the portfolio will stand at the forefront of marketing activities.

With a tenant privatisation level of 43%, once again the company succeeded in achieving the highest level of sales to tenants throughout Germany.

Average selling price (EUR per m²)

Sales to tenants, 2002	1,152
Total sales, 2002	1,066
Sales to tenants, 2001	1,155
Total sales, 2001	1,167
Sales to tenants, 2000	1,175
Total sales, 2000	1,200
Forecast for 1999	970

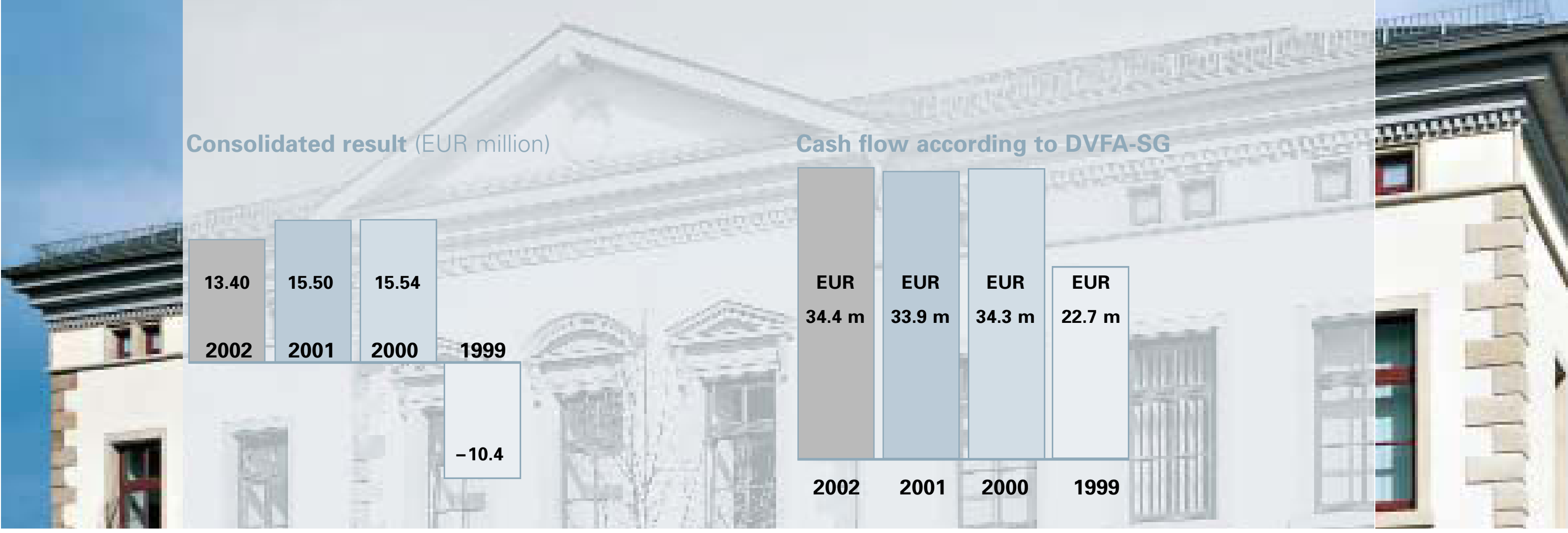


Key figures relating to sales results (EUR m)	2002	2001	2000	1999
Gross earnings from sale of developed land (fixed assets)	38.5	34.8	24.4	13.0
Gross yield from sale of developed land (current assets)	0.5	0.4	0.5	3.2
Gross yield from sale of undeveloped land (fixed and current assets)	0.7	0.2	0.3	6.3
Selling costs	–3.0	–4.2	–2.4	–0.9
Pre-sales costs	–3.6	–9.5	–2.5	–
Total gross earnings from sales	**33.1**	**21.7**	**20.4**	**21.6**

Number of housing sales	2002	2001	2000	1999
Number of housing sales with an effect on the balance sheet	1,170	942	700	309
Number of housing sales recorded	1,103	1,057	756	309

IN THE FINANCIAL YEAR 2002, THE DEUTSCHE WOHNEN GROUP GENERATED A PROFIT ON ORDINARY ACTIVITIES OF EUR 19.5 MILLION REPRESENTING AN IMPROVEMENT OF APPROXIMATELY 12% COMPARED TO THE PREVIOUS YEAR.

EARNINGS FOR THE YEAR

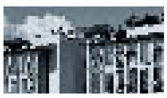


I The improvement in the operating result is due mainly to the successes achieved in housing privatisation.

I Exceptional depreciation, risk provisions due to imminent losses from a participating interest and income taxes, however, resulted in a consolidated **annual result** that is 14% lower with EUR 13.4 million compared to 2001 (EUR 15.5 million).

I The **consolidated cash flow** calculated in accordance with DVFA/SG principles rose from EUR 33.9 million by EUR 0.5 million to EUR 34.4 million, i.e. EUR 8.61 per share, due to the higher figure for depreciation.

I Exceptional depreciation amounted in total to EUR 4.4 million, of which approx. 71% was attributable to land with residential property. On consultation with an external expert in assessing the value of property for lending purposes, as well as holding talks with the auditor, exceptional depreciation amounting to a EUR 3.1 million was applied to a total of 114 dwelling units. The selection of those dwelling units subject to exceptional depreciation was carried out using the portfolio management system by analysing the book-values reported in both the trading balance and the consolidated balance sheet as well as individually reviewing the actual condition of all properties in both terms of quantity and quality. At this moment in time, no further need to carry out exceptional depreciation has been identified. Portfolio management will reinforce analysis of the real estate portfolio in the Rhineland-Palatinate in order to enable early identification of any real estate that may be a potential candidate for depreciation.



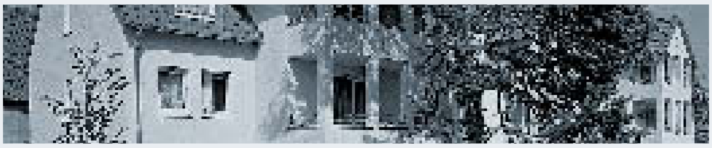
Rhein-Pfalz Wohnen GmbH is a shareholder in the "Wohnpark Am Großen Sand" Bauträgergesellschaft des bürgerlichen Rechts (registered office: Mainz), the object of this company being the project management and establishment of 402 freely-financed flats designated for sale on what was once a military base in Mainz-Gonsenheim. This participating interest has resulted in an imminent loss of EUR 1.8 million, which has been carried as a risk-reducing provision on the liabilities side and posted in the consolidated P&L account under "Other operating expenses".

In 2003, taxes on income and earnings amounted to EUR 6.0 million, which represented a tax bill EUR 4.2 million higher in the consolidated P&L account than the previous year (EUR 1.8 million). Of the entire tax bill, EUR 4.6 million (approx. 77%) was attributable to Rhein-Main Wohnen GmbH; due to changes in the statutory regulations governing trade tax on integrated subsidiaries, the company had to pay first-time trade tax in the sum of EUR 1.6 million; the corporation tax bill of EUR 3.1 million (2001: EUR 1.0 million) is mainly due to the higher level of fiscal sales revenue compared to previous years.

At the end of the reporting year and at **individual company level, Deutsche Wohnen AG** was able to report a surplus for the first time. The shares in profit held by Deutsche Wohnen AG in Main-Taunus Wohnen GmbH & Co. KG were included in the 2002 result for the first time, having already been fiscally accounted for in 2000 and 2001. This therefore signifies an addition of EUR 17.0 million to the result for 2002, resulting in a surplus for the year of EUR 15.4 million. This has had the positive effect of lowering the reduction in the capital reserve held by Deutsche Wohnen AG due to the distribution of profits by EUR 17.0 million. The amount withdrawn from the capital reserve therefore amounted to only EUR 25.3 million.

The resultant balance-sheet profit of EUR 40.0 million will therefore be distributed to shareholders – subject to the approval of the Annual General Meeting scheduled for June 26, 2003 – in full on June 27, 2003.

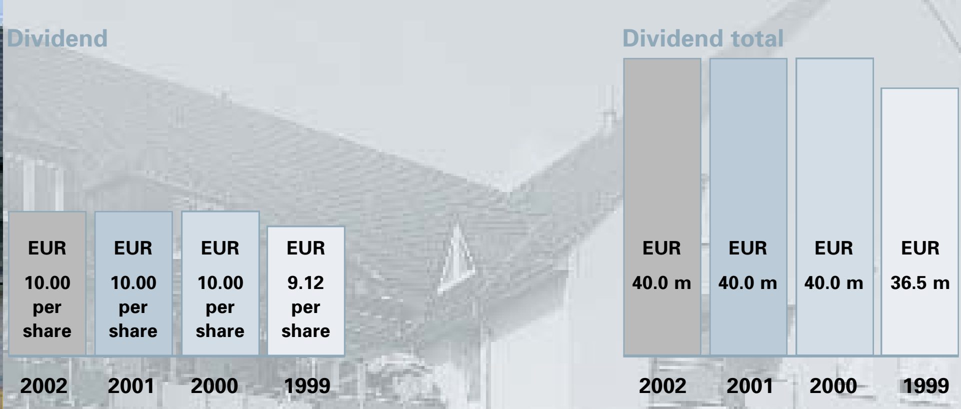
THANK GOODNESS WE HUMANS HAVE DEVELOPED A DIFFERENT WAY OF LIFE



In the animal kingdom, scent is enough to mark out territory even if this territory must now and then be defended against rivals using the crudest of means. Thankfully, we humans have developed a different way of living and spend much time and effort creating our own individual and stylish living space. Because after all, our home is an expression of our personality.
Deutsche Wohnen AG therefore does its utmost to ensure that the real estate we develop gives many people the opportunity to truly turn their houses into homes.

THE APPROPRIATION OF EARNINGS PROPOSED BY THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD TO THE ANNUAL GENERAL MEETING RECOMMENDS A DIVIDEND OF EUR 10.00 PER SHARE.

DIVIDEND

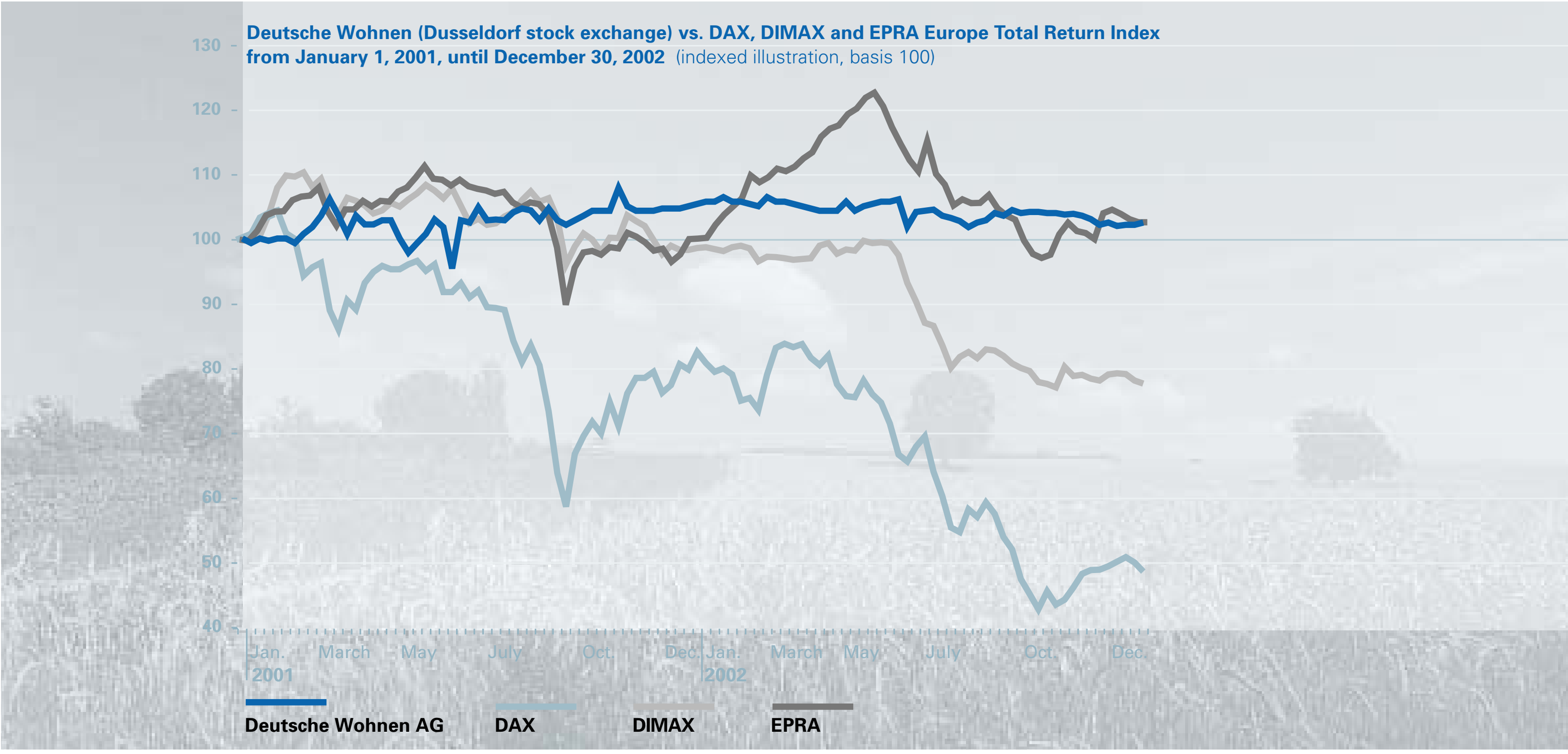


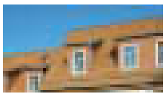
Compared to the 2002 year-end price of EUR 144.00, this gives our shareholders a dividend return of 6.94%.

The changes to the taxation framework have had a negative effect on the consolidated result and the consolidated cash flow for 2002. Given the present ongoing taxation discussions, it is not possible to estimate the future tax burden for the Group in full at the present time.

On the basis of the consolidated cash flow of EUR 34.4 million and taking into account the property sales no longer having an effect on the balance-sheet, the Group generated an amount of approx. EUR 37.7 million, i.e. 94% of the dividend pay-out in the sum of EUR 40 million. Moreover, taking as a basis capital gains and book-value disposals totalling EUR 81.6 million, then only 59% of the financial funds available on the balance-sheet date amounting to EUR 67.4 million were distributed to the shareholders. The Group therefore has at its disposal a sizeable amount of EUR 27.4 million as a **liquidity buffer.**

The **dividend payout** will once again be made from the fiscal deposit account held by Deutsche Wohnen AG and according to current legal provisions, is **tax-free** for German shareholders.

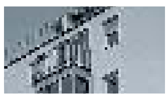


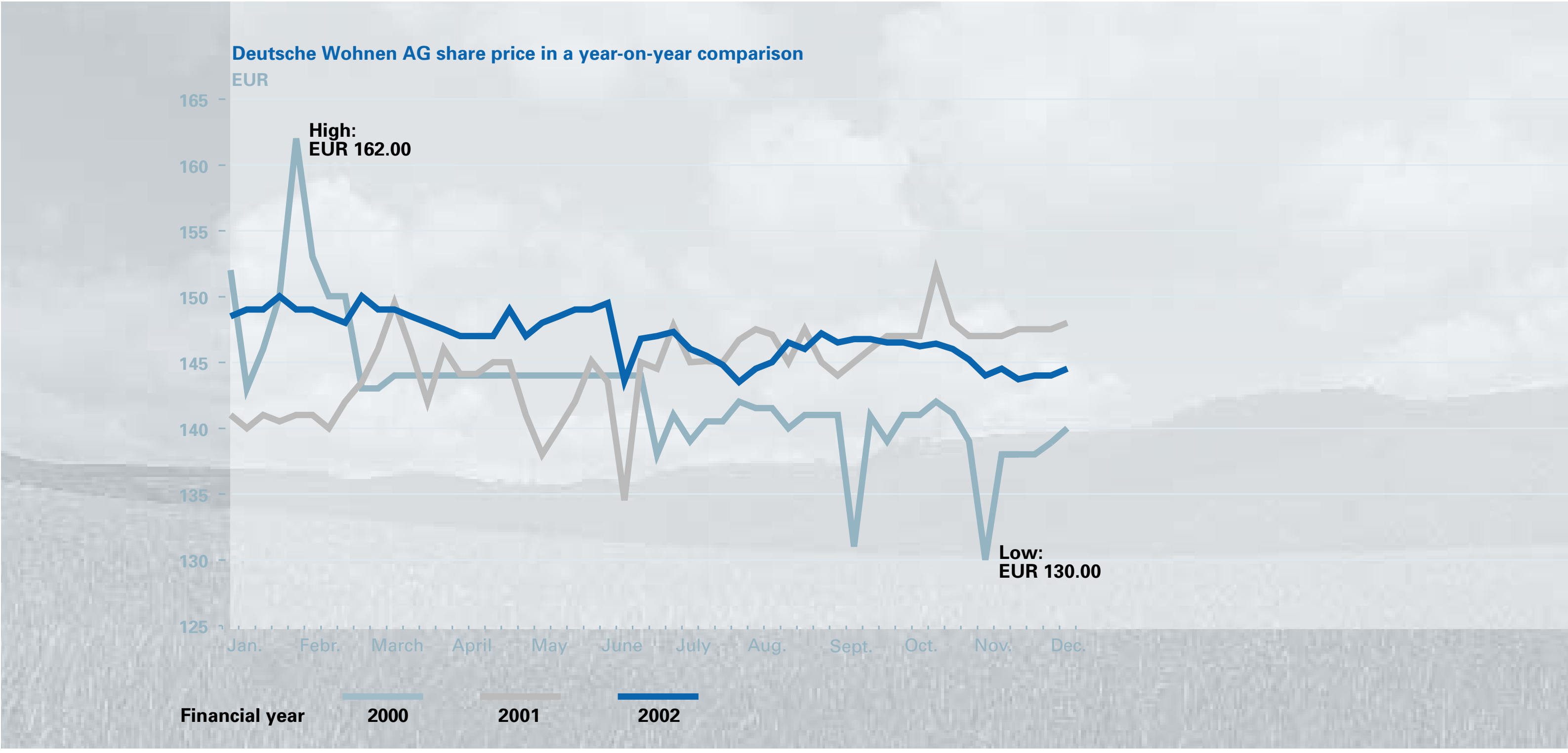


The year 2002 was characterised by all-round poor market conditions. The international share markets have for the third year in succession slowed down and nearly all major indices have suffered considerable losses. At the moment (status: April 2003) it must be assumed that quotations on the share markets are bottoming-out, although it is highly probable that the financial losses following on from sharp price drops, as well as the aggravated financing conditions and loss in confidence will continue to have a negative effect for some time to come.

SHARE PRICE DEVELOPMENT

Deutsche Wohnen AG shares have been able to completely buck the general negative trend on the stock market. Share volatility was significantly less both compared to the DAX as well as in comparison with the sectoral indices of EPRA and bankers Ellwanger & Geiger (DIMAX).





The exceptional **stability of the share price** is attributable to many factors.

The shareholders of Deutsche Wohnen AG are highly satisfied with their investment and are unlikely to consider selling their shares. With business performance in line with the business plan and the resulting ability to distribute attractive and furthermore, tax-free dividends, especially in times of restless capital markets – these are unassailable arguments for holding on to or topping up blocks of shares that are already held.

Investors, their advisors and other multipliers such as analysts and journalists, are showing increased interest in Deutsche Wohnen AG and are generating continued high **demand for the share.**

Deutsche Wohnen shares are therefore an attractive investment, in particular for the long-term investor providing **secure income** thanks to the solid intrinsic value of residential property and the greatest possible degree of **flexibility** via daily trading on the stockmarket.

SHAREHOLDER STRUCTURE

Approx. 3,100 private shareholders hold shares in Deutsche Wohnen AG, holding approx. 50% of the registered 4 million shares in circulation. Three of approx. 30 institutional shareholders have a holding of more than 200,000 shares, i.e. 5% of all shares. This gives rise to a free float of 79%.

INVESTOR RELATIONS

The value-oriented corporate policy of Deutsche Wohnen AG provides for committed and continued Investor Relations activities as a major element of strategy. Interested investors, shareholders and multipliers are given the relevant information on the company and its shares speedily and comprehensively.

In 2002, the Management Board once again stepped up activities in the area of Investor Relations. Numerous talks with investors, journalists and analysts have led to a further enhancement of the profile of Deutsche Wohnen AG, which in turn has meant that demand for Deutsche Wohnen shares has outstripped available stockmarket liquidity to an even greater extent than in previous financial years.

Derivation of Net Asset Value (amounts in EUR)	March 31, 2002 EUR	March 31, 2002 EUR
Assets		
Real estate	1,493,800,000.00	
Other fixed assets	26,253,928.81	
Current assets (excluding land and buildings)	41,929,902.21	
Receivables and other securities	27,991,954.28	
Liquid funds	77,690,441.69	
Prepaid expenses and accrued income	320,509.69	
		1,667,986,736.68
Liabilities		
Minority interests	455,418.30	
Provisions without maintenance	16,449,992.97	
Liabilities	710,990,674.08	
Accruals and deferrals	4,952,783.66	
		732,848,869.01
Cash value of overhead costs		23,507,621.17
Net Asset Value as at March 31, 2002		**911,630,246.50**
Number of shares	4,000,000	
Net Asset Value per share		**227.91**
Stockmarket price on the cut-off date (March 31, 2002)		148.00
Mark-down on the Net Asset Value		35 %

Sales of shares on the Dusseldorf and Berlin stockmarkets rose appreciably in the second half of 2002.

Deutsche Wohnen AG published its **Net Asset Value** for the first time in its 2002 half-yearly report. In addition to regularly reporting the DVFA/SG key figures, as well as publishing interim reports and key figure reviews in both German and English, the first ever publication of an English-language version of the full annual report for 2002 served the purposes of maximum transparency and focussing on customer needs. The **"www.deutsche-wohnen.de"** website enables visitors to download up-to-date information on the Group and its shares, as well as all financial reports published in the past. Deutsche Wohnen AG is also a member of the European Public Real Estate Association (EPRA).

In October 2002, the second Annual Conference of the **initiative for the real estate share** – founded in 2001 – was taking place. Thanks to their dedicated efforts, the Management Board and Investor Relations of Deutsche Wohnen AG were once again able to contribute significantly to the success of the event, where the auditorium – including Dr. Rolf E. Breuer (President of the Association of German Banks) and several Board members of non-German real-estate companies – listened to prominent speakers. Dr. Breuer described the real estate share as being, especially in difficult stockmarket times, an investment with potential.

NET ASSET VALUE

For the first time, Deutsche Wohnen AG calculated the company's Net Asset Value on the cut-off date of March 31, 2002, thereby giving due consideration to the capital market's expectation of a transparent representation of the company's intrinsic value.

The basis for calculating the Net Asset Value was the valuation of the entire real estate portfolio of Deutsche Wohnen AG by GEWOS, Institut für Stadt-, Regional- und Wohnforschung GmbH, Hamburg.

The Net Asset Value of Deutsche Wohnen AG calculated as at March 31, 2002, amounts to EUR 911.6 million, i.e. EUR 227.91 per share.

The Net Asset Value was also calculated on March 31, 2003, non-concurrently with the financial year (publication expected in early August 2003 in the half-yearly report 2003).

THE RECOMMENDATIONS AND SUGGESTIONS OF THE GERMAN CORPORATE GOVERNANCE CODE ARE A CONSTANT POINT OF FOCUS FOR THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD.

CORPORATE GOVERNANCE

I The Management Board and the Supervisory Board of Deutsche Wohnen AG published the following declaration of conformity in December 2002 pursuant to Article 161 of the Stock Corporation Act [Aktiengesetz] on the company's website at www.deutsche-wohnen.de:

"Deutsche Wohnen AG has complied with the recommendations of the Government Commission's German Corporate Governance Code with the following exceptions:

Deutsche Wohnen AG is a specialist housing management company that is linked with DB Real Estate Management GmbH by means of a control contract. This special situation gives rise to the following deviations from the Code:

For the members of the Management Board and the Supervisory Board, a Directors & Officers group insurance policy has been taken out for Deutsche Bank AG. The deductible for this insurance is low because it applies worldwide and outside Germany, a higher deductible is not usual (Code, Clause 3.8).

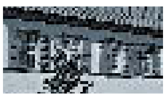
The Management Board consists of two people, each member with a clearly defined area of responsibility. We are of the opinion that according to the circumstances of our company, the appointment of a Chairman would not increase the efficiency of the Management Board (Code, Clause 4.2.1, Sentence 1).

The formation of a Supervisory Board Committee to handle, in particular, issues of accounting and auditing, has been dispensed with. We deem it appropriate that all six Supervisory Board members handle these issues (Code, Clause 5.3.2).

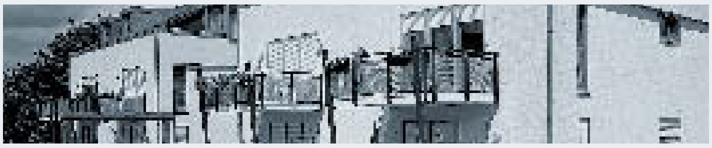
The consolidated financial statements are drawn up in accordance with the principles of HGB (German Commercial Code). It is intended that the consolidated financial statements will be drawn up according to the IAS (International Accounting Standard) at the latest for the financial year 2005 (Code, Clause 7.1.1, Sentence 3).

In future, for the first time the consolidated financial statements will also be published together with the Annual Report in the May of the following year. However, the company will continue to publish in the February of the following year the key figures for the Group (Code, Clause 7.1.2, Sentence 2)."

The Management Board and the Supervisory Board shall dedicate time and effort to the topic of Corporate Governance and closely observe changes to the legal framework conditions. In this context, the Chairman of the Supervisory Board, Mr. Helmut Ullrich, is a member of the Corporate Governance Initiative of the German Real Estate Industry.



THE FUTURE UNFOLDS WITH EVERY NEW DAY.



Working in the real estate sector requires long-term thinking. Only in this way can we achieve high quality and stable performance in the interests of our tenants and investors. For this reason, we continually work to further expand our considerable expertise in all areas of the real estate sector, so that we can prepare ourselves today for tomorrow's challenges.
Deutsche Wohnen AG therefore tackles those real estate issues that are in a constant state of flux. Because to us, developing the place we call home is shaping the future.

Annual Financial Statements

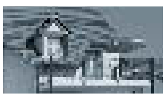
Assets

	EUR	Dec. 31, 2001 EUR
A Fixed assets		
Fixed assets		
Shares in affiliated companies	272,105,866.64	272,105,596.64
	272,105,866.64	272,105,596.64
B Current assets		
Receivables and other assets		
1. Amounts owed by affiliated companies	373,983,530.81	398,776,267.94
2. Other assets	88,102.96	180,678.51
	374,071,633.77	398,956,946.45
Total assets	**646,177,500.41**	**671,062,813.09**

BALANCE SHEET
AS AT DECEMBER 31, 2002

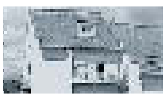
Liabilities

		EUR	Dec. 31, 2001 EUR
A	**Equity**		
I.	Subscribed capital	10,225,837.62	10,225,837.62
II.	Capital reserve	335,954,172.17	361,288,158.03
III.	Revenue reserves		
	statutory reserve	771,895.48	0.00
IV.	Retained earnings	40,000,000.00	40,000,000.00
		386,951,905.27	411,513,995.65
B	**Provisions**		
	Other provisions	1,534,941.17	1,478,947.17
		1,534,941.17	1,478,947.17
C	**Liabilities**		
1.	Amounts owed to banks	257,404,439.57	257,404,439.57
2.	Trade accounts payable	5,975.90	24,445.07
3.	Amounts owed to affiliated companies	114,412.27	575,841.50
4.	Other liabilities	165,826.23	65,144.13
		257,690,653.97	258,069,870.27
Total liabilities		**646,177,500.41**	**671,062,813.09**



Income statement for the period January 1 to December 31, 2002

		2001
	EUR	EUR
1. Other operating income	52,225.64	84,701.70
2. Staff costs	63,736.66	0.00
a) Wages and salaries EUR 55,505.43 (2001: EUR 0.00)		
b) Social security contributions and pension and benefit costs EUR 8,231.23 (2001: EUR 0.00)		
– of which for pensions EUR 0,00 (2001: EUR 0.00)		
3. Other operating expenses	2,494,202.10	2,494,534.09
4. Income from participating interests	17,038,867.48	484,697.99
– of which from affiliated companies EUR 17,038,867.48 (2001: EUR 484,697.99)		
– of which from profit and loss transfer agreement EUR 63,071.65 (2001: EUR 484,697.99)		
5. Other interest and similar income	14,136,299.64	7,565,543.60
– of which from affiliated companies EUR 14,134,208.24 (2001: EUR 6,926,109.76)		
6. Interest and similar expenses	13,231,544.38	13,575,593.11
– of which to affiliated companies EUR 0.75 (2001: EUR 1,514.76)		
7. Income from ordinary activities = net income (2001: net loss)	**15,437,909.62**	**–7,935,183.91**
8. Withdrawals from the capital reserve	25,333,985.86	47,935,183.91
9. Transfers to the statutory reserve	771,895.48	0.00
10. Retained earnings	**40,000,000.00**	**40,000,000.00**



I. General

The present financial statements have been prepared according to the provisions of the German Commercial Code (HGB) and German Stock Corporation Act (AktG). The income statement has been drawn up following the expenditure-type presentation format.

II. Accounting and valuation methods

General

Balances with banks which are affiliated companies are reported in the item amounts owed by affiliated companies, and liabilities to banks which are affiliated companies are reported in the item amounts owed to affiliated companies.

Fixed assets

Financial assets are valued at acquisition cost. Depreciation was not required during the financial year. The analysis of share ownership pursuant to Section 285 No. 11 HGB is attached to the Notes as Annex A.

Current assets

Receivables and other assets are reported at nominal value or at cost of acquisition.

Other provisions and liabilities

Sufficient provisions have been allocated in order to cover all discernible risks. Liabilities are reported at the amounts repayable.

III. Notes on the balance sheet

Fixed assets

The fixed assets, consisting solely of shares in affiliated companies, are as follows.

Receivables and other assets

Amounts owed by affiliated companies essentially include short-term loans amounting to EUR 349,092,857.31 (2001: EUR 391,728,857.31). In addition, claims to a profit distribution or transfer of profits (EUR 17,038,867.48) are reported in this item.

The amounts owed by affiliated companies also include current balances at Deutsche Bank AG, Frankfurt/Main, totalling EUR 519,531.16 (2001: EUR 6,415,468.97).

Equity

The registered share capital is EUR 10,225,837.62 (2001: EUR 10,225,837.62). It is divided into 4 million no-par value shares. The major portion was in free float at the year-end.

An amount of EUR 771,895.48 was transferred to the statutory reserve out of net income.

In response to the Management Board's proposal for appropriation of the retained earnings for financial year 2002, the Supervisory Board was asked to approve the withdrawal of EUR 25,333,985.86 from the capital reserve (2001: EUR 47,935,183.91). The withdrawal from the capital reserve results in retained earnings for Deutsche Wohnen AG of EUR 40 million (2001: EUR 40 million), which is scheduled for distribution. The retained earnings from the previous year was distributed in full during financial year 2002.

Fixed asset movement schedule

	Acquisition and manufacturing costs			Depreciation	Book value	
in EUR	Brought forward Jan. 1, 2002	Additions	As at Dec. 31, 2002	As at Dec. 31, 2002	Dec. 31, 2002	Dec. 31, 2001
I. Financial assets						
Shares in affiliated companies	272,105,866.64	0.00	272,105,866.64	0.00	272,105,866.64	272,105,866.64
Total fixed assets	**272,105,866.64**	**0.00**	**272,105,866.64**	**0.00**	**272,105,866.64**	**272,105,866.64**

It was notified that the following listed shareholders hold a stake of more than five per cent in Deutsche Wohnen AG.

Shareholder	Reported as at	Share of participating interest/ voting rights in %	Share of voting rights in registered share capital in EUR
Ärzteversorgung Niedersachsen Einrichtung der Ärztekammer Niedersachsen Körperschaft des öffentlichen Rechts, Hannover	April 5, 2002	5.36	548,105
Ärzteversorgung Westfalen-Lippe Einrichtung der Ärztekammer Westfalen-Lippe Körperschaft des öffentlichen Rechts, Münster	April 4, 2002	9.00	920,325
Deutscher Herold Lebensversicherung AG, Bonn	April 8, 2002	6.70	685,131

Other provisions

Essentially the provisions include the costs of auditing and publishing the annual financial statements for 2002, preparing and auditing the consolidated financial statements for 2002, preparing the annual report for 2002, and setting aside a provision for a payment to DB Real Estate Management GmbH (formerly Deutsche Grundbesitz Management GmbH) dependent on the dividend, pursuant to Section 5 (2) of the Control Agreement dated May 7, 1999.

Liabilities

Movement in liabilities	Total	of which with a remaining term of		
in EUR		under 1 year	1–5 years	over 5 years
Amounts owed to banks	257,404,439.57	6,615,771.84	0.00	250,788,667.73
(2001)	(257,404,439.57)	(6,615,771.84)	(0.00)	(250,788,667.73)
Trade accounts receivable	5,975.90	5,975.90	0.00	0.00
(2001)	(24,445.07)	(24,445.07)	(0.00)	(0.00)
Amounts owed to affiliated companies	114,412.27	114,412.27	0.00	0.00
(2001)	(575,841.50)	(575,841.50)	(0.00)	(0.00)
Other liabilities	165,826.23	165,826.23	0.00	0.00
(2001)	(65,144.13)	(65,144.13)	(0.00)	(0.00)
Total:	**257,690,653.97**	**6,901,986.24**	**0.00**	**250,788,667.73**
Total (2001):	(258,069,870.27)	(7,281,202.54)	(0.00)	(250,788,667.73)

No collateral was furnished for the above liabilities.

Amounts owed to banks

An amount of EUR 257,404,439.57 (2001: EUR 257,404,439.57) includes registered bonds totalling EUR 199,659,479.61 with a term until May 6, 2014, and a redeemable loan of EUR 51,129,188.12 with a term until June 30, 2026, of Landesbank Hessen-Thüringen Girozentrale, Frankfurt/Main and Erfurt. In addition, the item includes interest payable of EUR 6,615,771.84 on the above loans.

Amounts owed to affiliated companies

In addition to payment commitments for VAT commitments under a fiscal grouping amounting to EUR 94,902.72 in respect of MT Wohnen GmbH and Rhein-Pfalz Wohnen GmbH, staff costs passed on are reported in respect of Rhein-Pfalz Wohnen GmbH amounting to EUR 12,046.73.

Other liabilities

The other liabilities contain liabilities for value-added tax for the 2002 assessment period amounting to EUR 165,826.23 (2001: EUR 65,144.13) in respect of the Wiesbaden tax office.

IV. Notes on the income statement

Other operating expenses

Other operating expenses, which amounted to EUR 2,494,202.10 (2001: EUR 2,494,534.09), essentially comprise expenditure arising from agency contracts with DB Real Estate Management GmbH for carrying out the accounting activities and investor relations as well as a consideration dependent on the distribution of dividends pursuant to Section 5 (2) of the Control Agreement dated May 7, 1999.

V. Other information

The company has employed one member of staff since financial year 2002.

It commissioned DB Real Estate Management GmbH to carry out business acquisition. Its subsidiary Rhein-Pfalz Wohnen GmbH was contracted to carry out payroll accounting.

Remuneration for the members of the Supervisory Board during the financial year amounted to EUR 24,940.00.

Supervisory Board

a) Membership of other legally formed supervisory boards

b) Membership of comparable German and foreign executive bodies of business enterprises

Helmut Ullrich
– Chairman – (since January 1, 2002)
Managing Director of DB Real Estate Management GmbH, Eschborn

a) Deutsche EuroShop AG, Eschborn (until June 30, 2002)
– Chairman –

DRIHO Beteiligungs AG, Eschborn

RIKO Beteiligungs AG, Eschborn (until May 31, 2002)
– Chairman –

DEUTSCHBAU Immobilien-Dienstleistungen GmbH, Düsseldorf

b) Wohnungsbaugesellschaft JADE GmbH, Wilhelmshaven

Viktoria Quartier Entwicklungsgesellschaft mbH & Co. KG, Berlin

BANA Immobilien GmbH, Eschborn (until April 30, 2002)

MT Wohnen GmbH, Frankfurt am Main
– Chairman –

Main-Taunus Wohnen GmbH & Co. KG, Eschborn
– Chairman –

Rhein-Main Wohnen GmbH, Frankfurt am Main
– Chairman –

Rhein-Pfalz Wohnen GmbH, Mainz
– Chairman –

Rhein-Nahe Wohnen GmbH, Mainz
– Chairman –

Rhein-Mosel Wohnen GmbH, Mainz
– Chairman –

DEUTSCHBAU-Holding GmbH, Düsseldorf

DEUTSCHBAU Wohnungsgesellschaft mbH, Berlin

Dr. Michael Gellen
(since January 1, 2002)
Managing Director of Real Estate Management GmbH, Eschborn

a) DRIHO Beteiligungs AG, Eschborn
– Chairman –

DEUTSCHBAU Immobilien-Dienstleistungen GmbH, Düsseldorf

DB Real Estate Spezial Invest GmbH, Eschborn
– Chairman –

Deutsche EuroShop AG, Eschborn (since April 30, 2002)

b) DEUTSCHBAU Wohnungsgesellschaft mbH, Berlin

DEUTSCHBAU-Holding GmbH, Düsseldorf

Deutsche Bank Realty Advisors Inc., New York, USA

Deutsche Bank Fondimmobiliari SGR S.p.A., Milan, Italy

Wohnungsbaugesellschaft JADE mbH, Wilhelmshaven

Harry Gutte
Managing Director of DB Real Estate Management GmbH, Eschborn

a) DRIHO Beteiligungs AG, Eschborn

b) GTG Gesellschaft für technisches Gebäudemanagement mbH, Frankfurt am Main

ARBI Beteiligungsgesellschaft mbH, Eschborn
– Chairman –

BANA Immobilien GmbH, Eschborn (until April 30, 2002)

Main-Taunus Wohnen GmbH & Co. KG, Eschborn

MT Wohnen GmbH, Frankfurt am Main

Rhein-Main Wohnen GmbH, Frankfurt am Main

Rhein-Pfalz Wohnen GmbH, Mainz

Rhein-Nahe Wohnen GmbH, Mainz

Rhein-Mosel Wohnen GmbH, Mainz

Bürozentrum Frankfurter Allee (Lichtenberg) Anders & Co. KG, Berlin

Matthias Hünlein
Managing Director of DB Real Estate Management GmbH, Eschborn

a) Deutsche Commercial Property AG, Eschborn
– Chairman –

b) Rhein-Pfalz Wohnen GmbH, Mainz

MT Wohnen GmbH, Frankfurt am Main

ARBI Beteiligungsgesellschaft mbH, Eschborn

Rhein-Main Wohnen GmbH, Frankfurt am Main

Rhein-Mosel Wohnen GmbH, Mainz

Rhein-Nahe Wohnen GmbH, Mainz

Main-Taunus Wohnen GmbH & Co. KG, Eschborn

Wohnungsbaugesellschaft JADE mbH, Wilhelmshaven

Deutsche Commercial Property Anlagegesellschaft mbH & Co. KG, Eschborn

Hans-Werner Jacob
Member of the management of Deutsche Bank AG, Munich branch

a) Leoni AG, Nürnberg

GKM AG, Kelheim-Kapfelberg

b) Völkl GmbH & Co. KG, Straubing

Dr. rer. pol. Andreas Kretschmer
Managing Director of Ärzteversorgung Westfalen-Lippe Einrichtung der Ärztekammer Westfalen-Lippe
– Körperschaft des öffentlichen Rechts –

a) BIOCEUTICALS Arzneimittel AG, Bad Vilbel

DEUTSCHBAU Immobilien-Dienstleistungen GmbH, Düsseldorf

Oppenheim Immobilien-Kapitalanlagegesellschaft mbH, Wiesbaden

b) Deutsche Apotheker- und Ärztebank eG, Düsseldorf

Bayerische Hypo- und Vereinsbank AG, München

AP-Anlage & Privatbank AG, Bäch/Schweiz

TRITON, St. Helier/Jersey

Management Board

a) Membership of other legally formed supervisory boards

b) b) Membership of comparable German and foreign executive bodies of business enterprises

Michael A. Neubürger

Henning Sieh

b) DEUTSCHBAU Wohnungsbaugesellschaft mbH, Berlin

Entwicklungsgesellschaft Rhein-Pfalz GmbH & Co. KG, Mainz

Consolidated financial statements

The company holds the majority shareholding in Rhein-Pfalz Wohnen GmbH, Main-Taunus Wohnen GmbH & Co. KG and MT Wohnen GmbH. It is therefore the parent company of the Group and has prepared a set of consolidated financial statements which are deposited with the Commercial Register of the Frankfurt/Main district court (Reg. No. HRB 42388).

At the General Meeting held on May 7, 1999, the company concluded a control agreement with DB Real Estate Management GmbH. Based on the said contract, the annual financial statements of Deutsche Wohnen AG are to be included in the consolidated financial statements of Deutsche Bank AG, Frankfurt/Main. The consolidated financial statements of Deutsche Bank AG have been deposited with the Commercial Register of the Frankfurt/Main district court under number HRB 30000.

The Management Board and Supervisory Board of Deutsche Wohnen AG have stated that the company will in principle comply with the recommendations of the Government Commission German Corporate Governance Code. The declaration made under Section 161 of the German Stock Corporation Act was made available to the general public on the company's website (www.deutsche-wohnen.de) on December 13, 2002.

Eschborn, February 21, 2003

Deutsche Wohnen AG

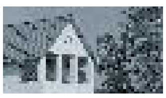
Michael A. Neubürger
Management
Board member

Henning Sieh
Management
Board member

Share ownership
as at December 31, 2002, pursuant to Section 285 No. 11 German Commercial Code (HGB)

	Share in capital in %		Equity	Annual
	total	indirect	EUR thousands	EUR thousands
1. Main-Taunus Wohnen GmbH & Co. KG, Eschborn	99.90	–	19,284	14,938
2. MT Wohnen GmbH, Frankfurt am Main	100.00	–	26	0 *
3. Rhein-Pfalz Wohnen GmbH, Mainz	99.85	–	15,067	–7,164
4. „Wohnpark Am Großen Sand" Bauträgergesellschaft des öffentlichen Rechts (GbR), Mainz	50.00	50.00	–2,494	–641 ***
5. Entwicklungsgesellschaft Rhein-Pfalz GmbH, Mainz	34.00	34.00	25	0 ***
6. Entwicklungsgesellschaft Rhein-Pfalz GmbH & Co. KG, Mainz	34.00	34.00	456	–44 ***
7. Rhein-Mosel Wohnen GmbH, Mainz **	99.75	99.75	62,723	2,840
8. Rhein-Nahe Wohnen GmbH, Mainz **	99.87	99.87	79,090	3,563
9. Rhein-Main Wohnen GmbH, Frankfurt am Main **	99.99	99.99	128,415	23,207

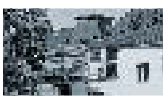
* Profit and loss transfer agreement with Deutsche Wohnen AG
** Major corporation in which more than 5% of the voting rights are held
*** Result and equity as at December 31, 2001



Consolidated Financial Statements

Assets

	Dec. 31, 2002 EUR	Dec. 31, 2002 EUR	Dec. 31, 2001 EUR
A Fixed assets			
I. Intangible fixed assets			
Franchises, trademarks, patents, licences and similar rights		48,501.73	85,360.84
II. Tangible fixed assets			
1. Land, leasehold rights with residential buildings	923,652,405.46		978,958,328.72
2. Land and leasehold rights with business and other premises	22,687,798.12		24,399,345.61
3. Land and leasehold rights without buildings	27,994,686.98		30,734,622.33
4. Land with inheritable building rights of others	501,199.57		549,391.39
5. Buildings on land owned by others	672,664.45		742,784.06
6. Other equipment, fixtures and fittings	295,850.86		487,646.92
7. Assets in the course of construction	0.00		1,421,818.32
8. Pre-construction costs	459,249.30		236,365.13
		976,263,854.74	
III. Financial assets			
1. Participating interests	4,254,251.03		4,254,223.35
2. Other loans	21,405,223.55		21,502,969.04
		25,659,474.58	
		1,001,971,831.05	1,063,372,855.71
B Current assets			
I. Land and other stocks intended for sale			
1. Land without buildings	3,464,357.80		3,505,405.79
2. Land and leasehold rights with unfinished buildings	0.00		2,101,657.28
3. Land and leasehold rights with finished buildings	7,670,402.51		10,115,083.53
4. Work in progress	30,583,748.44		33,701,764.02
		41,718,508.75	
II. Receivables and other assets			
1. Amounts due from rental	2,153,080.89		1,719,429.55
2. Amounts due from sale of land	20,954,866.17		14,254,044.50
3. Amounts due from management activities	1,647,293.58		1,240,766.56
4. Other trade accounts receivable	50,282.20		73,771.73
5. Amounts owed by affiliated companies	0.00		84,940.80
6. Other assets	14,505,142.61		16,166,083.35
		39,310,665.45	
III. Securities			
Own shares			
		9,856.56	9,821.92
IV. Cash at bank and in hand			
Cash balance and balances with banks		69,312,933.63	65,334,815.20
		150,351,964.39	148,307,584.23
C Prepaid expenses and deferred charges			
1. Discount	16,042.30		228,745.89
2. Other prepaid expenses and deferred charges	21,993.29		20,962.32
		38,035.59	249,708.21
Total assets		**1,152,361,831.03**	**1,211,930,148.15**



CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2002

Liabilities

	Dec. 31, 2002 EUR	Dec. 31, 2002 EUR	Dec. 31, 2001 EUR
A Equity			
I. Subscribed capital		10,225,837.62	10,225,837.62
II. Capital reserve		335,954,172.17	361,288,158.03
III. Revenue reserves			
1. Statutory reserve	771,895.48		0.00
2. Reserve for own shares	9,856.56		9,821.92
		781,752.04	
IV. Consolidated retained earnings		101,985,925.83	104,086,817.76
V. Shares of other partners		492,437.24	446,802.24
		449,440,124.90	476,057,437.57
B Provisions			
1. Provisions for pensions and similar obligations	3,868,245.45		3,389,596.19
2. Provisions for taxes	5,016,081.68		450,260.00
3. Provisions for building maintenance	1,003,709.44		1,136,684.53
4. Other provisions	15,778,001.81		12,717,550.82
		25,666,038.38	17,694,091.54
C Liabilities			
1. Amounts owed to banks	545,361,883.74		564,767,093.48
2. Amounts owed to other lenders	71,672,424.70		85,566,188.61
3. Payments received on account	36,562,226.83		40,233,502.34
4. Amounts owed from rental	10,506,614.92		9,882,144.21
5. Trade accounts payable	1,055,436.32		1,216,682.20
6. Amounts owed to affiliated companies	29,369.60		464,603.20
7. Other liabilities	12,066,457.03		13,396,898.20
		677,254,413.14	715,527,112.24
D Prepaid income		1,254.61	2,651.506.80
Total liabilities		**1,152,361,831.03**	**1,211,930,148.15**

Consolidated income statement for the period January 1 to December 31, 2002

	Jan. 1 – Dec. 31, 2002 EUR	Jan. 1 – Dec. 31, 2002 EUR	2001 EUR
1. Sales			
a) from property management	122,264,022.02		119,109,719.21
b) from sale of land	3,786,329.04		3,301,960.39
c) from management activities	1,856,317.58		1,438,219.10
d) from other goods and services	479,988.05		589,391.90
		128,386,656.69	124,439,290.60
2. Decrease (2001: increase) of land for sale with finished and unfinished buildings and work in progresss		– 6,603,327.90	2,310,900.07
3. Company produced additions to assets		100,345.00	197,872.40
4. Other operating income		43,505,743.72	38,833,798.39
5. Costs of external services			
a) Costs of property management	56,617,168.36		56,941,403.40
b) Costs of sale of land	116,697.81		208,135.52
c) Costs of other goods and services	8,853.24		80,110.66
		56,742,719.41	57,229,649.58
6. Staff costs			
a) Wages and salaries	12,980,332.63		12,020,225.56
b) Social security, pension and benefits costs	4,064,634.15		3,453,127.94
		17,044,966.78	15,473,353.50
7. Depreciation of intangible fixed assets and tangible fixed assets		20,672,707.10	18,078,778.72
8. Other operating expenses		22,716,905.47	27,040,744.57
9. Income from participating interests		50,000.00	50,009.49
10. Income from other loans and securities		658,367.63	680,551.16
11. Other interest and similar income		1,884,300.26	1,897,475.74
12. Depreciation on financial assets		1,836.83	658.37
13. Interest and similar expenses		31,291,764.06	33,210,836.14
14. Income from ordinary activities		19,511,185.75	17,375,876.97
15. Taxes on income		6,010,122.53	1,800,567.57
16. Other taxes		118,460.52	80,322.98
17. Net income for the year		13,382,602.70	15,494,986.42
18. Profit carried forward		64,086,817.76	40,736,597.76
19. Withdrawals from capital reserve		25,333,985.86	47,935,183.91
20. Transfers to revenue reserves			
a) Transfer to statutory reserve		771,895.48	0.00
b) Transfer to reserve for own shares		34.64	0.00
21. Net income due to other partners		45,550.37	79,950.33
22. Consolidated retained earnings		**101,985,925.83**	**104,086,817.76**

I. General information

The consolidated financial statements and Group management report for the financial year 2002 have been prepared in accordance with the provisions of Sections 290 ff. HGB (German Commercial Code).

The consolidated balance sheet and income statement are broken down according to the forms used for the classification of the annual financial statements of housing companies. The particular features of the Group's business activities have been taken into account in the classifications and terms used in the financial statements.

To provide greater clarity and transparency, the legally required remarks on items in the consolidated balance sheet and income statement and remarks that can optionally be included in the consolidated balance sheet or income statement or in the notes to the financial statements are all included in the notes to the consolidated financial statements.

II. Scope of consolidation

On the basis of full consolidation, the consolidated financial statements include the following:

Subsidiaries

	Share capital/capital in EUR	Percentage of share capital/capital in %
a) Directly affiliated		
Main-Taunus Wohnen GmbH & Co. KG, Eschborn	4,346,100.00	99.99
MT Wohnen GmbH, Frankfurt am Main	25,600.00	100.00
Rhein-Pfalz Wohnen GmbH, Mainz	9,714,750.00	99.85
b) b) Indirectly affiliated		
Rhein-Main Wohnen GmbH, Frankfurt am Main	5,166,150.00	99.99
Rhein-Mosel Wohnen GmbH, Mainz	10,026,648.54	99.75
Rhein-Nahe Wohnen GmbH, Mainz	9,203,350.00	99.87

III. Associated companies

Company Indirectly affiliated

	Share capital/capital/ fixed capital in EUR	Percentage of share capital/capital/ fixed capital in %
Entwicklungsgesellschaft Rhein-Pfalz GmbH & Co. KG, Mainz	500,000.00	34.0
Entwicklungsgesellschaft Rhein-Pfalz Verwaltungs-GmbH, Mainz	25,000.00	34.0
Arbeitsgemeinschaft Wohnpark Am Großen Sand, Bauträgergesellschaft des bürgerlichen Rechts, Mainz	0.00	50.0
DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Eschborn	58,000,000.00	6.9

The participating interests pursuant to Section 311 (2) HGB are of subordinate importance to the Group; therefore the provisions relating to valuations and statements as an associated company were not applied.

IV. Principles of consolidation and date of financial statements

Capital consolidation took place according to the book value method (Section 301 (1) sentence 2 No. 1 HGB).

The closing date for first-time consolidation was December 31, 1998.

The first-time consolidation on December 31, 1998, resulted in a balancing item on the assets side of EUR 472,568,015.48. Undisclosed reserves amounting to EUR 472,564,848.00 were reported in the item land and leasehold rights with residential buildings. Goodwill of EUR 3,167.48 arising from the consolidation of MT Wohnen GmbH was reported; this was fully written down in 1999.

When determining the shares of other partners during first-time consolidation there were balancing items on the assets side amounting to EUR 392,908.05 relating to indirect shares of other partners; undisclosed reserves in land and leasehold rights with residential buildings were disclosed at the same amount.

Loans, work in progress, receivables, payments on account and liabilities between the companies included in the consolidated financial statements were omitted. Income and expenses as well as the intermediate results of transactions between consolidated companies were eliminated.

The financial statements of the consolidated companies were prepared on December 31, 2002, the closing date for the consolidated financial statements.

V. Accounting and valuation methods

The assets and liabilities of the consolidated companies included in the consolidated financial statements are reported according to standard methods of accounting and valuation.

In principle, the accounting and valuation methods have remained unchanged from the previous year. In view of the new ruling by the Federal Fiscal Court, the amount of EUR 4.9 million was capitalised during financial year 2002 as subsequent manufacturing costs for residential buildings that are held as fixed assets, because the investments resulted in an enhancement of their value.

The intangible fixed assets and tangible fixed assets were reported at acquisition or manufacturing cost less scheduled and unscheduled depreciation.

The consolidated acquisition costs of land and leasehold rights with residential buildings also include the undisclosed reserves reported as part of first-time consolidation. The depreciation of residential buildings was performed on the basis of a depreciation period in principle of 50 years, starting on the date of first-time consolidation. Where the actual residual service life of buildings on January 1, 1999, was less than 50 years, scheduled depreciation was applied over the correspondingly shorter period.

Extraordinary depreciation amounting to EUR 4,364,583.78 was applied; this figure relates to land with residential buildings and land without residential buildings.

In principle, financial assets are reported at acquisition cost. Low-interest or non-interest-attracting loans reported in other loans have been discounted to the present value in cases where refinancing did not take place at equal rates.

Current assets are valued at acquisition or manufacturing cost or at the lower attributable value. Anticipated exploitation risks in the case of developed or undeveloped land are taken into account through value adjustments.

The discounts posted under prepaid expenses and deferred charges have been written off over the fixed-interest period.

Provisions take account of individually identified, uncertain liabilities and the risks valued in at a flat rate according to appropriate valuation principles.

The provisions for pensions have been valued following actuarial principles, taking as basis an assumed interest rate of 6.0% and the standard tables from 1998 of Prof. Dr. Heubeck.

Some employees are offered supplementary benefits under the rules for civil servants; this is dealt with through a supplementary pension fund for public sector employees. In line with common accounting practice, this commitment regarding membership of the supplementary pension fund is not included on the balance sheet.

Liabilities are entered at their repayment amounts.

VI. Notes on the consolidated financial statements

1. Consolidated balance sheet

The development and classification of fixed assets is shown in the fixed asset movement schedule in Annex A.

Essentially the figure of EUR 30,056,939.84, shown under work in progress, comprises operating and heating costs that have not yet been invoiced.

The composition of receivables and other assets, the maturities and any attribution to other balance sheet headings result from Annex B.

Own shares reported in the consolidated financial statements relate to a business share of nominally EUR 9,821.92 held by Rhein-Nahe Wohnen GmbH in the share capital of Rhein-Pfalz Wohnen GmbH and to an own share of nominally EUR 255.65 acquired during the financial year by Rhein-Mosel Wohnen GmbH, where the acquisition cost of this share was EUR 34.64.

Amounts owed by affiliated companies totalling EUR 60,094,830.85 are included in the cash at banks.

The registered share capital of Deutsche Wohnen AG amounting to EUR 10,225,837.62 (2001: EUR 10,225,837.62) is shown on the balance sheet. It is divided into 4 million no-par value shares. The chief portion of the shares was in free float at the year-end.

The Group profits brought forward from the previous year amounted to EUR 64,086,817.76.

The movement in equity is shown in Annex C.

Other provisions relate mainly to outstanding invoices for maintenance and sales services (EUR 3,222,016.74), maintenance not carried out during the year which is to be brought up to date during the first three months of the following financial year (EUR 2,410,000.00), staff expenses (EUR 2,251,159.85), a deposit commitment for Bauträgergesellschaft Wohnpark Am Großen Sand (EUR 1,750,000.00) and unappropriated income arising from the completion of the former rural development project (Landsiedlung) (EUR 979,458.71).

The maturities and shared attribution of liabilities to other items are shown in Annex D.

Liabilities from rental include rent deposits furnished by tenants in the amount of EUR 9,556,150.47 (2001: EUR 8,988,058.41). These are secured by bank guarantee.

Other liabilities include liabilities from taxes amounting to EUR 230,829.89 (2001: EUR 117,331.57) and liabilities in the context of social security amounting to EUR 88,960.27 (2001: EUR 78,885.19).

Rhein-Pfalz Wohnen GmbH has been confirmed as a renovation and development sponsor (Sections 158, 167 of the Federal Planning Code [Baugesetzbuch]). The tasks allotted by the local authorities are being carried out by Rhein-Pfalz Wohnen GmbH as their trustee. The renovation and development measures as well as land division arrangements and development measures carried out by December 31, 2002, with the inclusion of trust assets and liabilities, comprise revenue and expenditure still to be settled of EUR 101,396,640.11 each (2001: EUR 90,160,067.60). The tasks of Rhein-Pfalz Wohnen GmbH as the trustee are being transferred to the developer Rhein-Pfalz GmbH & Co. KG on the basis of the agency agreement concluded. In addition, the Group manages the accounts of owners' associations amounting to EUR 4,152 thousand in a fiduciary capacity.

In connection with the divestment of residential property into a closed property fund during 1999, a Group company accepted guarantee obligations arising from a rental guarantee of around EUR 10 million annually until the year 2019. Furthermore, the obligation to carry out regular maintenance until the year 2019 against a fixed annual charge has been taken on in respect of the fund for the divested property comprising 2,652 residential and commercial units. The Group company has also guaranteed the fund interest rate and repayment terms for the loan commitments assigned with the residential assets (position on divestment: EUR 184.4 million) until the year 2019; the Group company is therefore bearing the risk of changes to the interest rates. In addition, the Group company is under obligation in respect of the limited partners of the fund management company to acquire the shares of the limited partners from the year 2005 until the year 2019 at a contractually fixed, annually increasing purchase price. The Group company is a personally liable shareholder of DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Eschborn.

In addition to this, there are contingencies arising from guarantees of EUR 35,800.00 (2001: EUR 35,800.00) in accordance with Sections 765 ff. BGB (German Civil Code) and from the furnishing of collateral for others' liabilities of EUR 180,720,496.95 (2001: EUR 183,332,797.20) from land charges for divested property which has not been transferred in the land register.

Other financial commitments of EUR 2,647,618.24 result from buildings leases (2001: EUR 2,693,209.53). In addition, there are financial commitments of EUR 3,829,196.74 resulting from the long-term rental of business premises.

2. Consolidated income statement

Other operating income largely comprises income from asset disposal amounting to EUR 39,541,886.73 (2001: EUR 35,022,443.63) and income from writing back provisions amounting to EUR 2,008,684.81 (2001: EUR 1,763,991.28).

Staff costs include expenditure on pensions in the amount of EUR 1,542,602.48 (2001: EUR 1,249,345.34).

Other operating expenses contain the costs of administration of EUR 9,520,230.65, sales commission and the costs for property sales of EUR 6,560,986.02 as well as depreciation and discounts on accounts receivable amounting to EUR 1,616,902.36.

Amounts of EUR 1,515,999.58 (2001: EUR 1,022,778.84) for other interest and similar income and EUR 976.99 (2001: EUR 1,514.52) for interest and similar expenses relate to affiliated companies.

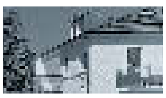
VII. Funds statement		
in EUR thousands	2002	2001
1. Result for the period	13,383	15,495
2. Depreciation of fixed assets	20,673	18,079
3. Increase/decrease (–) in medium and long-term provisions	367	331
4. Cash earnings according to DFVA/SG	34,423	33,905
5. Profits from disposal of fixed assets	–39,125	–35,023
6. Increase (–)/decrease of stocks, trade accounts payable and other assets not classified as investment or financing activities	3,707	–2,586
7. Increase (–)/decrease of trade accounts receivable and other liabilities not classified as investment or financing activities	–19	10,582
8. Cash flow from current business activities	–1,014	6,878
9. Receipts from disposal of tangible fixed assets	81,611	83,670
10. Payments for investment in tangible fixed assets	–7,516	–4,640
11. Payments for investment in intangible fixed assets	–6	–74
12. Receipts from disposal of financial assets	141	237
13. Payments for investment in financial assets	–43	–203
14. Cash flow from investment activities	74,187	78,990
15. Payments to company owners (dividends)	–40,000	–40,000
16. Receipts from taking up finance loans	4,354	13,961
17. Payments for repayment of finance loans	–27,211	–38,683
18. Cash flow from financing activities	–62,857	–64,722
19. Cash changes in the financial resources	10.314	21,146
20. Financial resources at the start of the period	57,047	35,901
21. Financial resources at the end of the period	**67,361**	**57,047**

The financial resources comprise liquid funds less current liabilities.

To determine the cash inflows from the sale of dwellings held as fixed assets, the change in the corresponding amounts owed from sales of land is taken into account within the cash flow from investment activities.

With a slight rise in cash earnings, the inflow of funds from current business activities has decreased by EUR 7,892 thousand compared with last year. A material reason for this in addition to the reduced inflow of funds from property management due to falling rental income and increased maintenance expenditure was above all the cash rise in staff costs and tangible assets.

As in the previous year, the funds statement during 2002 has again been dominated by the receipts from the sale of housing stock. An extensive portion of the inflow of funds was used to repay or redeem building loans. The remaining inflow of cash increased the financial resources on the closing date.



VIII. Segment reporting for the Group

in EUR thousands	2002	2001
Gross earnings from		
– Property management	31,007	34,039
– Sale of land and buildings held as fixed and current assets	33,087	21,717
– Services and other operating income	6,400	6,045
	70,494	61,611
Staff costs	– 17,045	– 15,473
Other operating expenses	– 14,006	– 13,037
Operating result	39,443	33,291
Interest income and income from participating interests	2,593	2,628
Interest expense for acquisition of participating interests and corporate finance	– 16,140	– 16,917
Extraordinary depreciation and risk provisions	– 6,503	– 1,706
Result before taxes on income	19,393	17,296
Taxes on income	– 6,010	– 1,801
Group result for the year	**13,383**	**15,495**

Segment reporting takes into account the sector-specific features of the Group and as such deviates in part from the recommendations of the German Accounting Standards Committee (DRS 3).

The EUR 3,032 thousand decrease in gross earnings from property management results on the one hand from the EUR 2,671 thousand reduction in rental income from the previous year (target rental less reductions in proceeds). In the case of the expenditure relating to property management, maintenance expenditure has essentially increased by EUR 2,721 thousand, whilst the interest expense attributed to this sector has decreased by EUR 1,759 thousand.

Gross earnings from the sale of land and buildings have risen by EUR 11,370 thousand to EUR 33,087 thousand compared with the previous year. This change essentially results from a EUR 3,364 thousand increase in the book profit to EUR 38,468 thousand and a reduction of the selling and pre-sales costs by EUR 7,134 thousand to EUR 6,561 thousand.

Gross earnings from services and other operating income result partly from the management activities of EUR 1,856 thousand (2001: EUR 1,438 thousand), which largely took the form of property administration. In addition, income from writing back provisions totalled EUR 2,009 thousand (2001: EUR 1,623 thousand), income from other goods and services totalled EUR 480 thousand (2001: EUR 589 thousand) and company produced additions to assets totalled EUR 100 thousand (2001: EUR 198 thousand).

The EUR 6,152 thousand increase in the Group operating result of the previous year to EUR 39,443 thousand is more than offset by extraordinary depreciation of the fixed assets of EUR 4,365 thousand (2001: EUR 1,706 thousand), risk provisions for deposit obligations of EUR 1,750 thousand and taxes that have risen by EUR 4,209 thousand, so that the Group annual result has fallen by EUR 2,112 thousand to EUR 13,383 thousand.

IX. Other information

1. The business activities of Deutsche Wohnen AG and its subsidiaries chiefly cover the Rhine-Main region and the territory of the Rhineland-Palatinate.

2. The Management Board and Supervisory Board of Deutsche Wohnen AG have stated that the company will in principle comply with the recommendations of the Government Commission German Corporate Governance Code. The declaration made under Section 161 of the German Stock Corporation Act was made available to the general public on the company's website (www.deutsche-wohnen.de) on December 13, 2002.

3. The remuneration paid to the Supervisory Board during financial year 2002 amounted to EUR 24,940.00.

4. The average number of employees throughout the year was

292	permanent staff and
20	trainees.

Eschborn, February 21, 2003

Deutsche Wohnen AG

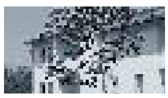
Michael A. Neubürger Member of Management Board	Henning Sieh Member of Management Board

Fixed asset movement schedule

	Acquisition or manufacturing cost		
	Jan. 1, 2002 EUR	Additions during year EUR	Disposals during year EUR
I. Intangible fixed assets			
1. Franchises, trademarks, patents, licences and similar rights	503,769.93	6,372.85	1,168.12
II. Tangible fixed assets			
1. Land, leasehold rights with residential buildings	1,028,807,193.08	6,926,975.23	48,308,725.53
2. Land and leasehold rights with business and other premises	31,264,461.43	173,031.47	1,774,686.20
3. Land and leasehold rights without buildings	32,098,261.56	835.25	1,463,186.82
4. Land and inheritable building rights of others	549,391.39	0.00	0.00
5. Buildings on land owned by others	971,143.53	0.00	0.00
6. Other equipment, fixtures and fittings	974,079.95	168,198.00	58,745.83
7. Assets in the course of construction	1,421,818.32	19,432.53	0.02
8. Pre-construction costs	273,039.59	227,884.17	0.00
	1,096,359,388.85	7,516,356.65	51,605,344.40
III. Financial assets			
1. Participating interests	4,254,223.35	27.68	0.00
2. Other loans	21,505,589.75	45,026.42	140,935.08
	25,759,813.10	45,054.10	140,935.08
	1,122,622,971.88	**7,567,783.60**	**51,747,447.60**

* Reclassification from current assets

Book transfers during year EUR	Cumulative depreciation Dec. 31, 2002 EUR	Book value Dec. 31, 2002 EUR	Book value Dec. 31, 2001 EUR	Depreciation for year EUR
0.00	460,472.93	48,501.73	85,360.84	43,231.96
2,452,922.86	66,225,960.18	923,652,405.46	978,958,328.72	18,449,079.79
48,191.82	7,023,200.40	22,687,798.12	24,399,345.61	431,974.52
0.00	2,641,223.01	27,994,686.98	30,734,622.33	1,277,583.78
–48,191.82	0.00	501,199.57	549,391.39	0.00
0.00	298,479.08	672,664.45	742,784.06	70,119.61
0.00	787,681.26	295,850.86	487,646.92	395,717.44
–1,441,250.83	0.00	0.00	1,421,818.32	0.00
0.00	41,674.46	459,249.30	236,365.13	5,000.00
1,011,672.03	77,018,218.39	976,263,854.74	1,037,530,302.48	20,629,475.14
0.00	0.00	4,254,251.03	4,254,223.35	0.00
0.00	4,457.54	21,405,223.55	21,502,969.04	1,836.83
0.00	4,457.54	25,659,474.58	25,757,192.39	1,836.83
1,011,672.03 *	**77,483,148.86**	**1,001,971,831.05**	**1.063.372.855.71**	**20,674,543.93**



ANNEX B TO THE NOTES

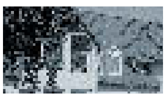
Receivables and other assets

Figures for previous year are shown in brackets	Balance sheet figure EUR	of which: with a term of over 1 year EUR	of which: from companies in which the company has a participating interest EUR
1. Amounts due from rental	2,153,080.89 *(1,719,429.55)*	10,120.77 *(12,769.35)*	0.00 *(0.00)*
2. Amounts due from sale of land	20,954,866.17 *(14,254,044.50)*	3,992,246.71 *(4,324,188.87)*	0.00 *(0.00)*
3. Amounts due from management activities	1,647,293.58 *(84,940.80)*	1,028,813.63 *(0.00)*	1,028,813.63 *(0.00)*
4. Amounts owed by affiliated companies	0.00 *(84,940.80)*	0.00 *(0.00)*	0.00 *(0.00)*
5. Other trade accounts receivable	50,282.20 *(73,771.73)*	0.00 *(0.00)*	0.00 *(0.00)*
6. Other assets	14,505,142.61 *(16,166,083.35)*	0.00 *(0.00)*	0.00 *(0.00)*
	39,310,665.45	**5,031,181.11**	**1,028,813.63**
	(33,539,036.49)	*(4,898,661.55)*	*(561,703.33)*

ANNEX C TO THE NOTES

Movement in equity

	As at Jan. 1, 2002 EUR	Distributions EUR	Change through net result EUR
I. Subscribed capital	10,225,837.62	0.00	0.00
II. Capital reserve	361,288,158.03	0.00	0.00
III. Revenue reserves			
1. Statutory reserve	0.00	0.00	0.00
2. Reserve for own shares	9,821.92	0.00	0.00
IV. Consolidated retained earnings	104,086,817.76	40,000,000.00	13,337,052.33
V. Shares of other partners	446,802.24	0.00	45,550.37
	476,057,437.57	**40,000,000.00**	**13,382,602.70**



Movement in liabilities

Figures for previous year are shown in brackets	Balance sheet figure EUR	of which with a term of up to one year EUR	one to five years EUR	over five years EUR	of which for companies in which the company has a participating interest EUR
1. Amounts owed to banks	545,361,883.74 [1)] *(564,767,093.48)*	20,931,659.57 *(30,414,327.66)*	43,031,566.03 *(43,438,182.58)*	481,398,658.14 *(490,914,583.24)*	0.00 *(0.00)*
2. Amounts owed to other lenders	71,672,424.70 [2)] *(85,566,188.61)*	3,443,144.16 *(3,602,788.00)*	15,102,151.99 *(14,221,867.35)*	53,127,128.55 *(67,741,533.26)*	0.00 *(0.00)*
3. Payments received on account	36,562,226.83 *(40,233,502.34)*	36,136,254.77 *(39,779,326.09)*	184,864.76 *(192,534.14)*	241,107.30 *(261,642.11)*	0.00 *(0.00)*
4. Amounts owed from rental	10,506,614.92 *(9,882,144.21)*	948,865.10 *(893,849.75)*	9,557,749.82 *(8,988,294.46)*	0.00 *(0.00)*	0.00 *(0.00)*
5. Trade accounts payable	1,055,436.32 *(1,216,682.20)*	908,671.17 *(1,074,582.60)*	146,765.15 *(142,099.60)*	0.00 *(0.00)*	0.00 *(0.00)*
6. Amounts owed to affiliated companies	29,369.60 *(464,603.20)*	29,369.60 *(464,603.20)*	0.00 *(0.00)*	0.00 *(0.00)*	0.00 *(0.00)*
7. Other liabilities	12,066,457.03 [3)] *(13,396,898.20)*	7,058,506,92 *(8,595,198,72)*	219,139.70 *(219,139.70)*	4,788,810.41 *(4,582,559.78)*	4,788,810.41 *(4,582,559.78)*
	677,254,413.14	**69,456,471.29**	**68,242,237.45**	**539,555,704.40**	**4,788,810.41**
	(715,527,112.24)	*(84,824,676.02)*	*(67,202,117.83)*	*(563,500,318.39)*	*(4,582,559.78)*

1) of which: EUR 252,954,214.39 (2001: EUR 261,364,276.09) secured by mortgage
2) of which: EUR 71,521,374.50 (2001: EUR 85,442,126.57) secured by mortgage
3) of which tax: EUR 230,829.89 (2001: EUR 117,331.57) and of which social security: EUR 88,960.27 (2001: EUR 78,885.19)

Change through capital adjustment to the euro EUR	Withdrawals EUR	Transfers EUR	As at Dec. 31, 2002 EUR
0.00	0.00	0.00	10,225,837.62
0.00	25,333,985.86	0.00	335,954,172.17
0.00	0.00	771,895.48	771,895.48
0.00	0.00	34.64	9,856.56
0.00	0.00	24,562,055.74	101,985,925.83
84.63	0.00	0.00	492,437.24
84.63	**25,333,985.86**	**25,333,985.86**	**449,440,124.90**

Management report of the company and Group for financial year 2002

I. The general economic situation

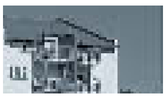
With GDP rising on average only by 0.2% in real terms, the hoped-for economic upswing in Germany for 2002 did not take place. The moderate business recovery during the first three quarters of 2002 came to a temporary halt during the final quarter. Continuing uncertainty among consumers following the introduction of euro notes and coins, the threat of conflict with Iraq and worsening prospects in the USA have resulted in investors and consumers adopting a wait-and-see approach. Given the only slight increase in GDP, capacity utilisation throughout the economy has fallen. The moderate business trend led to a rise in unemployment of approx. 209,000 by the end of 2002 to reach an average of 4.23 million, which is equivalent to 9.8% (2001: 9.4%).

Rents on the German housing market have risen nationally by 1.3% over the past year, whilst at 1.3%, the rise in incidental housing costs has slowed (2001: +1.6%; 2000: +2.0%). In prosperous conurbations the increasing scarcity of available housing on the market has affected rentals as a result of the diminishing rate of construction: the number of completed dwellings in Germany during 2002 fell by approx. 12% from 326,000 to 288,000, whilst there was an approx. 16% drop in the number of planning applications being passed (2002: 216,000; 2001: 257,000).

II. General information

As of December 31, 2002, the following companies were part of the Deutsche Wohnen Group:

- Deutsche Wohnen AG, Eschborn,
- Main-Taunus Wohnen GmbH & Co. KG, Eschborn,
- MT Wohnen GmbH, Frankfurt am Main,
- Rhein-Main Wohnen GmbH, Frankfurt am Main,
- Rhein-Mosel Wohnen GmbH, Mainz,
- Rhein-Nahe Wohnen GmbH, Mainz,
- Rhein-Pfalz Wohnen GmbH, Mainz.



In 1999, Deutsche Wohnen AG concluded a Control Agreement with DB Real Estate Management GmbH (formerly Deutsche Grundbesitz Management GmbH), Eschborn. DB Real Estate Management GmbH is a wholly-owned subsidiary of Deutsche Bank AG, and Deutsche Wohnen AG is included in its consolidated financial statements.

The operating subsidiaries of the Deutsche Wohnen Group were exclusively active in the management and privatisation of the managed property portfolio. This portfolio comprised the following on December 31, 2002:

Total property stock:	29,439 units
of which: own dwellings	24,466 units
of which: dwellings managed by third parties	4,973 units
Total commercial units:	142 units
of which: own commercial units	102 units
of which: commercial units managed by third parties	40 units
Total floor (dwelling) area:	1.58 million m^2
Average size of dwelling:	65 m^2
Commercial floor area:	33,958 m^2
Undeveloped area:	627,174 m^2

III. Housing management

The rate of vacancies among the company's own housing stock was 5.49% on December 31, 2002 (vacancies of over three months), and has increased by 0.68 percentage points compared with December 31, 2001. About 79% of these vacancies (4.34% of the total housing stock) arose due to company strategy and were vacant because of maintenance, preparation of the units for sale and decisions by Portfolio Management to modernise, rent out or sell.

The average monthly net rental income rose approx. 4% from EUR 4.68 per m^2 in 2001 to EUR 4.85 per m^2 during financial year 2002. Investment in maintenance rose to EUR 14.51 per m^2 (approx. 14% more than the previous year). The portfolio management system across the Group provides Management with various parameters as support in reaching decisions on which properties should be renovated.

The Management Board has increased its activities in support of tenants.

A series of tenant meetings and the establishment of tenants' offices demonstrate the company's interest in its tenants and awareness of their needs. Further measures in this area are to follow.

IV. Privatisation of housing

Privatisation of housing involved 1,170 sales of dwellings reported in the consolidated financial statements; this was an increase of approx. 24% on the previous year's result of 942 sales disclosed on the balance sheet. The average sales price per m^2 based on approx. 83,000 m^2 selling area was EUR 1,056 per m^2 (2001: EUR 1.167 per m^2). Of the housing sales, 1,148 or approx. 98% featured property held as fixed assets. As in previous years, great value was placed on the fact that the housing portfolio should remain homogeneous, despite the sales. This significant strategic target was met by privatising buildings of all ages and in all regions. During privatisation approx. 43% of the dwellings were acquired by tenants and approx. 57% by investors.

V. Results

The property management result for financial year 2002 decreased by EUR 3.0 million, or 9.1%, from EUR 34.0 million in 2001 to EUR 31.0 million. Major reasons for this are the greater loss of rental income from EUR 5.5 million to EUR 6.1 million due to vacancies resulting from the approx. 10% increase in the vacancy rate and approx. 13% rise in maintenance expenditure from EUR 21.3 million to EUR 24.0 million.

The 10.4% (EUR 3.6 million) increase in the book profits from the sale of dwelling units held as fixed assets contributed significantly to the approx. 51% increase in the sales result (2002: EUR 33.1 million; 2001: 21.7 million). Further reasons for the obvious rise in the sales result are the EUR 5.9 million drop in pre-sales costs, of which approx. 83% (approx. EUR 4.9 million) is due to capitalisation following a judgment by the Federal Fiscal Court published in 2002 (judgment dated September 12, 2001, IX R 39/97), and the EUR 1.2 million drop in selling costs which is due in particular to growth in the Group's own sales.

At Group level, there was net income of EUR 13.4 million (earnings per share: EUR 3.35) which represented a EUR 2.1 million, or 13.5%, decrease in the result compared with the previous year (EUR 15.5 million). Sales rose by approx. EUR 4 million and other operating income by EUR 4.7 million. However, these were more than offset by the increased staff costs (+EUR 1.6 million), depreciation (+EUR 2.7 million) and taxes on income (+EUR 4.2 million). This meant that compared with the previous year, the clear EUR 2.1 million rise in results from ordinary activities to EUR 19.5 million did not impact on the consolidated result for the year. Approx. 22% or EUR 4.6 million of the total depreciation amounting to EUR 20.7 million (2001: EUR 18.1 million) comprised unscheduled depreciation and write-offs of project costs. The consolidated retained earnings for 2002 amounted to EUR 102.0 million (2001: EUR 104.1 million).

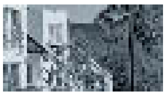
With a balance sheet total of EUR 1,152.4 million, fixed assets amounted to EUR 1,002 million (87%, approx. 97% of which constituted tangible fixed assets) and current assets of EUR 150.4 million (13%), with prepaid expenses and deferred charges amounting to approx. EUR 38,000.00, as at December 31, 2002. Group equity amounted to EUR 449.4 million.

Deutsche Wohnen AG recorded net income for the year of EUR 15.4 million at year-end 2002. Other operating expenses of EUR 2.5 million, including agency fees for investor relations and financial accounting, far exceeded the operating income of EUR 0.05 million. The 2000 and 2001 results of Main-Taunus Wohnen GmbH & Co. KG amounting to EUR 17.0 million were included for the first time. The dividend from Deutsche Wohnen AG comes from the capital reserve of the company, so that compared with the previous year the company's equity is reduced by the approx. EUR 25.3 million withdrawal from the capital reserve, generating a net income for the year of EUR 40 million with income from ordinary activities of EUR 15.4 million.

VI. Financial structure

With total equity of EUR 449.4 million, borrowings totalling EUR 677.3 million and a Group balance sheet total of EUR 1,152.4 million, the debt/equity ratio in the Group was approx. 59%. The equity ratio was 39.0% and percentage return on equity was 3.0%.

The sustained reduction in capital costs is the prime aim of the measures undertaken by Group Treasury. Treasury guarantees liquidity for the subsidiaries at all times and monitors the Group's interest rate risk.



VII. Staff / social activities

On December 31, 2002, the subsidiaries employed 301 (2001: 279) permanent staff and 21 (2001: 19) trainees; Deutsche Wohnen AG has one employee. New jobs were created in 2002, particularly in the areas of portfolio management and sales. Training and further development of staff, particularly in the core skills specific to the property business, occupies a central position in the Management's staffing policy.

VIII. Risk management system

The Group's internal risk management system consists of financial controlling, an early warning system and an internal monitoring system. Financial controlling with its liquidity, asset and results planning is geared to the assumptions within the business plan as well as current circumstances. The early warning system includes regular comparisons of targets and actual data and continuously monitors developments in the tax and legal situation and any changes in the residential property market. The internal monitoring system carries out organisational safety measures and internal audits. A regular reporting system between Asset Management and Investment Management, Management Board and Supervisory Board provides a guarantee of the internal capacity to react as well as flexibility and transparency for the shareholders and the capital market.

IX. Outlook for 2003

A forecast for the German economy currently involves considerable uncertainty, particularly in view of the geopolitical situation in the Middle East. The global economic environment for the German economy should gradually improve in the course of 2003, although the level of GDP in real terms will probably only rise 0.5% compared with 2002.

The deterioration in the general economic situation may result in increasing numbers of tenants no longer being capable of meeting their rental obligations. The Group is therefore exposed to the risk of an increasing level of defaults.

The development of housing privatisation for German housing companies will depend to a significant extent on possible changes in taxation. At present, it still cannot be foreseen when and how any changes in taxation will affect the earnings situation of Deutsche Wohnen AG, and it is impossible to state with certainty that future changes in taxation, including the abolition of the home-owner's allowance, will not have a negative effect on sales revenue, particularly in the context of the privatisation of housing.

In view of the short-term (economic climate) and medium-term (governmental framework conditions) factors, the long-term development plan of the Group is to be reviewed. The Management Board aims to achieve a positive result in 2003 equal to the figure achieved this year if possible.

We have audited the annual financial statements, including the accounting of Deutsche Wohnen AG and the consolidated financial statements prepared by it and its management report for the company and the Group for the financial year from January 1 to December 31, 2002. The preparation of these documents according to German commercial law is the responsibility of the Management Board of the company. Our task is to express an opinion, based on our audit, on the annual financial statements, including the accounting and the consolidated financial statements prepared by the company and its management report for the company and Group.

We conducted our audit of the financial statements of the company and the Group in compliance with Section 317 HGB in compliance with the German principles of proper auditing stipulated by the German Institute of Accountants (IDW). These principles require that we plan and perform the audit to obtain reasonable assurance about whether inaccuracies and infringements are identified that materially affect the true and fair view of the assets, liabilities, financial position and profit or loss presented by the financial statements prepared in accordance with proper accounting principles and the management report of the company and the Group. Audit planning takes account of knowledge of the business activities and the economic and legal environment of the company and the Group, as well as the anticipated margin of error. The audit involves examining, largely on the basis of random checks, the effectiveness of the internal control system and evidence supporting the amounts and disclosures in the accounts, the annual financial statements and the management report of the company and the Group. The audit also includes assessing the accounting policies used and the material estimates made by the legal representatives, as well as evaluating the overall presentation of the financial statements and the management report of the company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections.

In our opinion, the annual financial statements and consolidated financial statements give, in accordance with proper accounting principles, a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the Group. Overall, the joint management report reflects the position of the company and the Group and presents the risks associated with future development accurately.

Frankfurt am Main, February 21, 2003

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Dr. Lemnitzer)	(Janus)
Auditor	Auditor

Publication or forwarding of the annual and/or consolidated financial statements and/or the company and Group management report in any form deviating from the audited version (including translations into other languages) will require our fresh opinion beforehand where our auditors' report is cited or reference is made to our audit; we refer particularly to Section 328 HGB.

Dear Shareholders,

During the financial year 2002, the Supervisory Board attended four Management Board meetings to learn how the business activities of the Deutsche Wohnen Group were progressing. Together with the Management Board, the strategy adopted for real estate management and privatisation of the real estate portfolio was carefully analysed. During the course of the year, the efficiency of risk and portfolio management structures and the accounting and controlling workflow were enhanced.

The requirements of the German Corporate Governance Code have been primarily reflected in the adoption and publication of the declaration of conformity pursuant to Article 161 of the Stock Corporation Act (Aktiengesetz) and the amending of the rules of procedure by the Management Board and the Supervisory Board in December 2002. Amendments to the Code and other legal framework conditions are being constantly monitored by the Supervisory Board.

Resolutions were passed with respect to all the other activities and measures submitted to the Supervisory Board for the purposes of review and approval pursuant to the provisions stipulated by law and in the articles of association.

The annual financial statements, the consolidated financial statements and the Group management report submitted by the Management Board for the financial year 2002 were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and given an unconditional Auditors' Report. The Auditors' Report was handed over to the Supervisory Board, which concurs with the decision reached by the Auditor and which has no objections to raise after having carried out its own auditing measures.

At the meeting of March 14, 2003, the Supervisory Board approved the annual accounts drawn up by the Management Board, the accounts therefore being confirmed. Furthermore, the Supervisory Board audited and approved the consolidated financial statements. The meeting of the Supervisory Board was attended by the Auditor, who gave a report on the main findings of the audit carried out. The Supervisory Board approved the Management Board's proposal for appropriation of the profits. The Management Board and the Supervisory Board shall submit the proposal for appropriation of the profits to the Annual General Meeting on June 26, 2003.

The Supervisory Board should like to express its gratitude to the Management Board and all employees in recognition of their time and effort during the financial year 2002.

Eschborn, March 14, 2003

For the Supervisory Board

Helmut Ullrich
– Chairman –

Management Board

(status: May 2003)

Michael A. Neubürger
Bad Homburg v. d. Höhe

Henning Sieh
Frankfurt am Main

Supervisory Board

(status: May 2003)

Helmut Ullrich
Chairman
Königstein
Managing Director
DB Real Estate Management GmbH

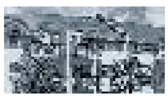
Dr. Michael Gellen
Deputy Chairman
Cologne
Managing Director
DB Real Estate Management GmbH

Harry Gutte
Frechen
Managing Director
DB Real Estate Management GmbH

Matthias Hünlein
Oberursel
Managing Director
DB Real Estate Management GmbH

Hans-Werner Jacob
Vaterstetten
Deutsche Bank AG
Sales Manager, Germany

Dr. Andreas Kretschmer
Düsseldorf
Manager of the Ärzteversorgung Westfalen-Lippe
Einrichtung der Ärztekammer Westfalen-Lippe
Körperschaft des öffentlichen Rechts



Key dates

June 26, 2003
Annual General Meeting

June 27, 2003
Dividend payment

August 11, 2003
Interim report as at June 30, 2003

November 10, 2003
Interim report as at September 30, 2003

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The shares of Deutsche Wohnen AG are officially listed on the securities market in Luxembourg and are traded off-floor on the stock markets at Frankfurt am Main, Dusseldorf, Stuttgart and Berlin.

WKN: 628 330
ISIN: DE 0006283302

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Life never stands still. And so our expectations of where we live change whenever we enter a new stage of life. A first home should be practical and as low-cost as possible because in most cases, young singles spend hardly any time at all at home. For families, the home becomes more important, and so preferably, it should have enough room for the whole family and a place that each family member can call his or her own. With increasing age, everything in our homes must be easily accessible. It is no wonder, then, that Deutsche Wohnen AG has homes for every stage of life, which is why we have been the lifelong partner of choice for many people.

LIFE CHANGES AND SO DO OUR HOUSING REQUIREMENTS.

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