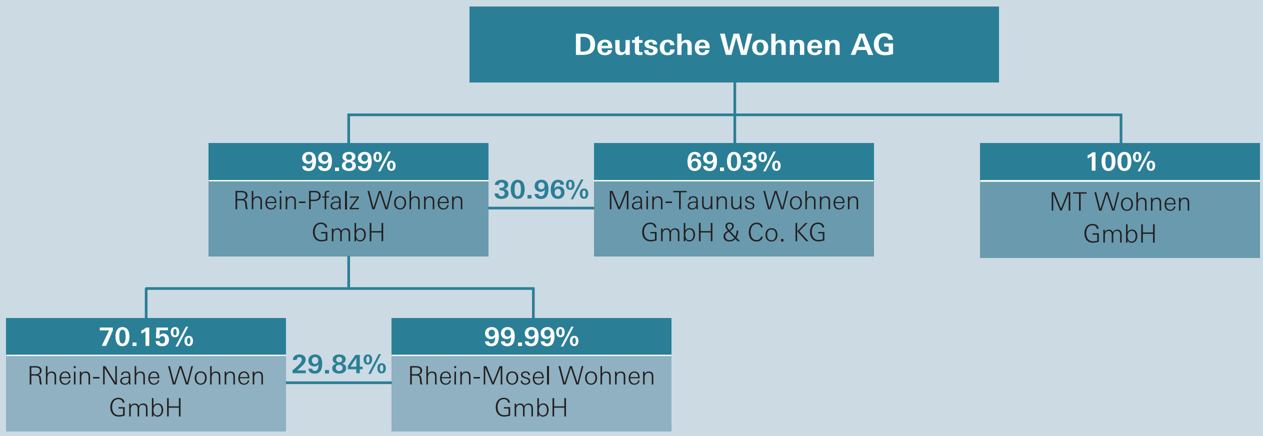
2004 Annual Report

Deutsche Wohnen AG

Group Structure



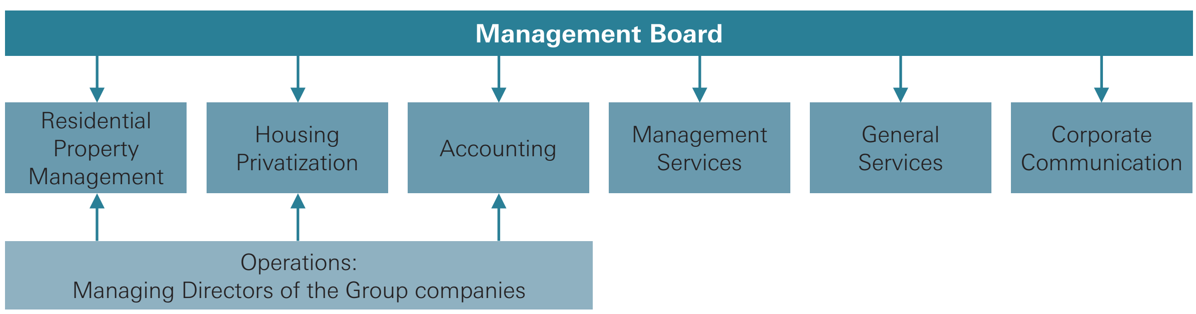
As of April 2005

Group Structure

The Deutsche Wohnen Group was formed in 1998/99 when the residential stocks of the former Hoechst AG and the Heimstätte Rheinland-Pfalz Group were acquired by DB Real Estate Management GmbH, a wholly owned subsidiary of Deutsche Bank AG. In H2/1999 four million no-par value registered shares of Deutsche Wohnen AG were sold to private and institutional customers of Deutsche Bank AG by way of a private placement by DB Real Estate Management GmbH. The initial public offering of Deutsche Wohnen shares took place in November 1999, with the shares being admitted to official trading on the Bourse de Luxembourg and OTC trading in Düsseldorf and Berlin/Bremen. Today our shares are also traded OTC on the Frankfurt am Main and Stuttgart stock exchanges, as well as in XETRA.

Currently the Group is composed of five companies with 281 employees.
Deutsche Wohnen AG itself acts as a financial and management holding company.

Responsibilities



Key Figures

Key Figures – AG (in € m)	2004	2003	2002	2001	2000
Fixed assets	285.53	272.11	272.11	272.11	272.11
Current assets	294.08	345.65	374.07	398.96	446.61
Equity	320.58	359.68	386.95	411.51	459.45
Liabilities	258.31	257.55	257.69	258.07	257.82
– thereof to banks	257.40	257.40	257.40	257.40	257.40
Total assets	579.61	617.76	646.18	671.06	718.72
Net income/loss for the year	– 4.10	12.73	15.44	– 7.94	– 11.95
Net retained profits	35.00	35.00	40.00	40.00	40.00

Key Figures – Deutsche Wohnen Shares		Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
Share price	€	139.52	136.20	144.00	148.00	140.50
Market capitalization	€ m	558	545	576	592	562
Free float		84%	84%	79%	70%	70%
DVFA/SG earnings	€	2.94	2.02	2.68	3.79	3.77
DVFA/SG cash flow	€	7.70	7.26	8.61	8.48	8.59
Net Asset Value		**Dec. 31, 2004**	**Dec. 31, 2003**	**Dec. 31, 2002**	**Dec. 31, 2001**	**Dec. 31, 2000**
Fair value – group	€ m	1,226.41[1]				
Fair value per m²	€	855.78[1]				
Net asset value – group	€ m	787.51	919.98	911.63		
Net asset value per share	€	196.88	230.00	227.91		
Dividend		**Dec. 31, 2004**	**Dec. 31, 2003**	**Dec. 31, 2002**	**Dec. 31, 2001**	**Dec. 31, 2000**
Dividend per share	€	8.75[2]	8.75	10.00	10.00	10.00
Dividend yield[3]		6.27%	6.42%	6.94%	6.76%	7.04%

[1] Calculated in accordance with International Financial Reporting Standards (IFRS 40).
[2] Subject to approval of the 2005 Ordinary General Meeting.
[3] Based on the relevant closing price for the year.

Key Figures

Key Figures – Group		Jan. 1 to Dec. 31, 2004	Jan. 1 to Dec. 31, 2003	Jan. 1 to Dec. 31, 2002	Jan. 1 to Dec. 31, 2001	Jan. 1 to Dec. 31, 2000
Gross profit – Residential Property Management	€ m	31.90	30.33	31.00	34.00	30.20
Gross profit – Housing Privatization	€ m	31.26	32.46	33.10	21.70	20.40
Result from ordinary activities	€ m	21.25	19.94	19.51	17.38	15.70
Net income	€ m	13.08	10.67	13.38	15.50	15.54
DVFA/SG earnings	€ m	11.75	8.07	10.73	15.15	15.09
DVFA/SG cash flow	€ m	30.78	29.05	34.42	33.91	34.34
EBIT	€ m	47.15	47.71	48.26	48.01	47.36
EBITDA	€ m	64.91	65.98	68.93	66.09	67.42
Fixed assets	€ m	897.84	958.53	1,001.97	1,063.37	1,115.36
Current assets	€ m	146.18	150.86	150.35	148.31	128.17
Equity	€ m	405.77	427.97	449.44	476.06	500.56
Liabilities	€ m	609.40	650.78	677.25	715.53	725.27
– thereof to banks	€ m	498.58	527.55	545.36	564.77	575.50
Total assets		1,044.05	1,109.44	1,152.36	1,211.93	1,244.24
Return on equity		3.06%	2.49%	2.98%	3.26%	3.10%
Equity ratio		38.93%	38.58%	39.00%	39.28%	40.23%
Asset cover ratio I		45.19%	44.65%	44.86%	44.77%	44.88%
Asset cover ratio II		105.66%	106.11%	105.98%	105.52%	104.02%
Liquidity ratio		154.25%	159.68%	150.53%	151.73%	132.41%

- Based on the market value of our real estate and our market capitalization, we are the largest listed German residential property stock corporation.
- The focus of our real estate portfolio is on Germany's western and south-western regions, which feature above-average stability in real estate values.
- Our core competencies are portfolio management, residential property management and housing privatization.
- Our most important aim is the structural and financial optimization and expansion of our residential property portfolio.
- This enables us to maintain stable income and values and therefore create the conditions necessary for sustainably high dividends.

INTERVIEW WITH THE MANAGEMENT BOARD

Andreas Lehner Michael Neubürger

Mr. Lehner, Mr. Neubürger: Your consolidated earnings after taxes in 2004 are up by around 22% on the previous year. Are you satisfied with the Company's business performance in 2004 above and beyond this extremely positive income figure?

For the fifth year in a row, our key earnings figures have remained stable at a high level. That alone is proof of the success of our business model, which focuses on our core competencies of portfolio management, residential property management und housing privatization. This is our unique selling proposition as a German real estate stock corporation.

You're right that our consolidated earnings after taxes are extremely satisfactory. But what is truly noteworthy is our result from ordinary activities, which at just over €21 million reached its highest level since Deutsche Wohnen's IPO in 1999.

In H2/2004, we also acquired a relatively small residential property portfolio for the first time and therefore demonstrated that we are willing and able to continue to pursue our current business model. The total return on the investment after taxes in this portfolio of around 1,000 residential units alone was around 10% in the relevant period of 2004.

All in all, we are very satisfied with the past fiscal year.

REITs are currently a hot topic in capital market discussions. What is Deutsche Wohnen AG's position on this?

Please bear in mind that for many years now our shareholders have already enjoyed generous dividends, which are incidentally also tax-exempt. A key advantage of REITs is that they are treated for tax purposes in the same way as direct real estate investments or open-ended real estate funds, for example. REITs are equally transparent in tax terms; the dividends are taxed not at the level of the company, but instead at the level of the REIT shareholder. We will have to wait until the legislative process is finished before we can say which structure we would recommend to our shareholders for future tax optimization at Deutsche Wohnen AG or individual Group companies.

Coming back to the additions to the portfolio you mentioned – what is your acquisition strategy for 2004 and beyond? How will you finance additional acquisitions?

The purchase of around 1,000 apartments in Kassel and North Hesse was the symbolic start of our planned portfolio expansion, the scope of which will at least equal the number of units privatized annually. Such growth can have a positive effect on the future performance of our net asset value, and therefore also stabilize our share price.

We expect to add a similar number of units to our portfolio in 2005 as well: currently we are investigating several offers in detail. With an equity ratio of nearly 40%, we are in a position to finance these purchases from free cash flow and/or by raising debt. This would further improve our return on equity due to what is known as leverage.

Back to operational issues. Deutsche Wohnen's segment results matched last year's levels. How long can you keep this up if privatization of the portfolio continues?

The gross profit from both business areas, Residential Property Management and Housing Privatization, represents a contribution of over €30 million each to gross revenue. The consistently high gross profit generated in recent years, particularly by Residential Property Management, is especially satisfactory. It goes to show once more that the reduction in our portfolio due to privatization can be compensated with existing potential and sophisticated portfolio management. Our rental and privatization strategy aims to ensure that we will be able to maintain our business at this level.

Another point of particular note is the ongoing systematic reduction in administrative expenses which, coupled with human resources measures, will produce results in the coming years.

What are the criteria that you use to determine the privatization program and how does the owner-occupier allowance situation affect this?

Thanks to ongoing systematic market and demand analyses by Portfolio Management, we have a precise picture of the rental or privatization income each individual building is capable of generating for the Group today and in the future. We use these conclusions to decide whether to develop a building through specific maintenance and renovation measures or whether to rapidly integrate it into the privatization program. We generally invest in buildings that can be refinanced within ten years. This is the situation generally to be found in macro and micro locations of above-average quality in our portfolio in the form of as yet unutilized development potential in the buildings located there.

The core of our privatization programs is formed by buildings whose upside rent potential has been exhausted. Our experience shows that the privatization prices remain at a high level at these locations and sites for several years. This is particularly true for our target group of owner-occupiers, who are not tenants. Their price expectations are generally oriented toward new builds and are therefore significantly higher than a purchase/rental price equivalent.

We believe that the owner-occupier allowance will be abolished completely, at least in the medium term; the financial pressure on the federal budget is likely to preclude any other solution.

However, abolition of the owner-occupier allowance will not materially impact, let alone endanger, our operations. This discussion has been underway for many years now, and has practically put a complete halt on demand in this area. We already have incentive systems that address the abolition of the owner-occupier allowance, so we are prepared.

Encouragingly, the Group's tax liability has declined for the first time in two years. What was the reason for this, and what are you doing to better control the Group's tax burden?

The reduction in our corporation tax and trade tax expense was due in large part to the reversal of a provision for taxes that was originally set up in view of possible disadvantages resulting from section 8a of the KStG (Corporation Tax Act), which was amended in late 2003.

Tax relief for the Group will also be provided by the merger of two Group companies, Rhein-Nahe Wohnen GmbH and Rhein-Main Wohnen GmbH, in early 2005. In early 2004 the effects of this solution were calculated and initially rejected. However, based on the revised privatization program for the coming years, evidence has been provided of the advantages of this intragroup transaction. The real estate transfer tax expense in 2005 will be offset by the improved utilization in the coming years of tax loss carryforwards within the Group. This ushers in a reversal in the trend of the past three years with regard to the income tax burden.

A popular topic of discussion currently is the validity of calculated market values. At Deutsche Wohnen, too, the current measurements deviate from the values reported in 2003. What are the reasons for this?
Thanks to our Company's updated portfolio management systems, we are now in a position to calculate monthly market values for our portfolio practically at the touch of a button. The international real estate consulting firm DTZ Property Advisors has evaluated the system developed by innosys in use at our Company. In addition, the carrying amounts according to International Financial Reporting Standards were verified on a test basis by Deloitte as part of the initial preparation of the annual financial statements. We are extremely confident that the carrying amounts reported for our portfolio are accurate.

All in all, we must distinguish between our core portfolio of around 1,400 buildings with over 21,000 residential units reported on the balance sheet and around 50 designated development properties with an area of approximately 500 thousand m^2. Conservative estimates indicate that the market value of our development properties amounts to about €30 million, which we will realize successively in the next three to five years. The explicit recognition of these properties as a separate item in addition to the market value of the core portfolio was also a reason for the reduction in the portfolio value to around €1,226 million since the last valuation in 2003.

Moreover, we measured that part of our portfolio that has been allocated to our privatization program not at the sales price, but at the lower calculated rent prices, in accordance with International Financial Reporting Standards. This change in our measurement procedures also led to somewhat lower fair values.

Regarding share price performance: your share price was quite volatile in 2004 and it has risen very sharply in early 2005. Do you see additional upside potential in the near term?

We believe there are two reasons for the increase in our share price in 2005. For one, we stepped up our communication with the capital markets. Investor and public relations measures are the direct responsibility of Deutsche Wohnen.

Toward the end of the year, a certain amount of REIT fever was an additional factor, and this led to a sharp increase in demand for shares in other listed real estate companies as well. In other words, demand for our shares rose dramatically partly as a result of the REITs issue. International institutional investors are worthy of particular mention in this regard – from a macroeconomic point of view as well, they rate the German market more positively than German investors do themselves. Apart from this, though, a key factor determining the attractiveness of our shares remains that they offer shareholders particularly attractive dividends. The annual cash return in the form of high dividend payments is an almost unbeatable argument in favor of an investment from the capital market's perspective.

With a net asset value per share of €196.88 per share, the discount on the net asset value of around 29% based on the closing price for 2004 had declined to around 19% as the result of the share price increase as of the end of March 2005. This is another reason we do not believe that our upside potential has been exhausted under the right market and company conditions. Compare the discount just mentioned with the real estate stocks in the "European Top 30", for example: in this case, our shares overall even rate a premium on our net asset value.

On another topic completely, the Deutsche Wohnen Group consists of two sub-groups. Are you working on unifying the Group and what is the status of this project?

The two Deutsche Wohnen sub-groups were formed in 1998/99 when the residential stocks of the former Hoechst AG and Heimstätte Rheinland-Pfalz were acquired. The integration you mentioned, which is overdue, will be completed by the end of 2005. The Company already has a single management. The most important aspects are the harmonization we have performed of management structures, business processes, and the tools and processes employed in accounting, financial control, portfolio management, and the operating units – Residential Property Management and Housing Privatization. One measure we undertook was outsourcing our facilities engineering operations to a specialist company – this unit conducted large-scale renovation measures in the Residential Property Management and Housing Privatization business areas. We stipulate the service program and the target costs. This has enabled us to further concentrate on our core competencies.

The last key building block in this process is the introduction of a uniform remuneration system that creates significantly more room for performance-based salary components. We expect a great deal from the measures implemented in recent months and those planned for this year, particularly with regard to employee motivation and cost-cutting synergy effects.

Mr. Lehner, Mr. Neubürger, we wish you success in the further implementation of your corporate strategy. Thank you for the interview.

PROSPERITY

Group Strategy

The Group strategy includes all measures aimed at structurally and financially optimizing and expanding our residential property portfolio and strengthening our portfolio management, residential property management and housing privatization operations.

| The Group's strategy can be summarized as follows:

- Focus on our own residential stock
- Concentration on portfolio management, residential property management and housing privatization
- Increasing our enterprise value by optimizing, streamlining and expanding our residential property portfolio
- Consistent distribution of free cash flows within a balanced financing structure

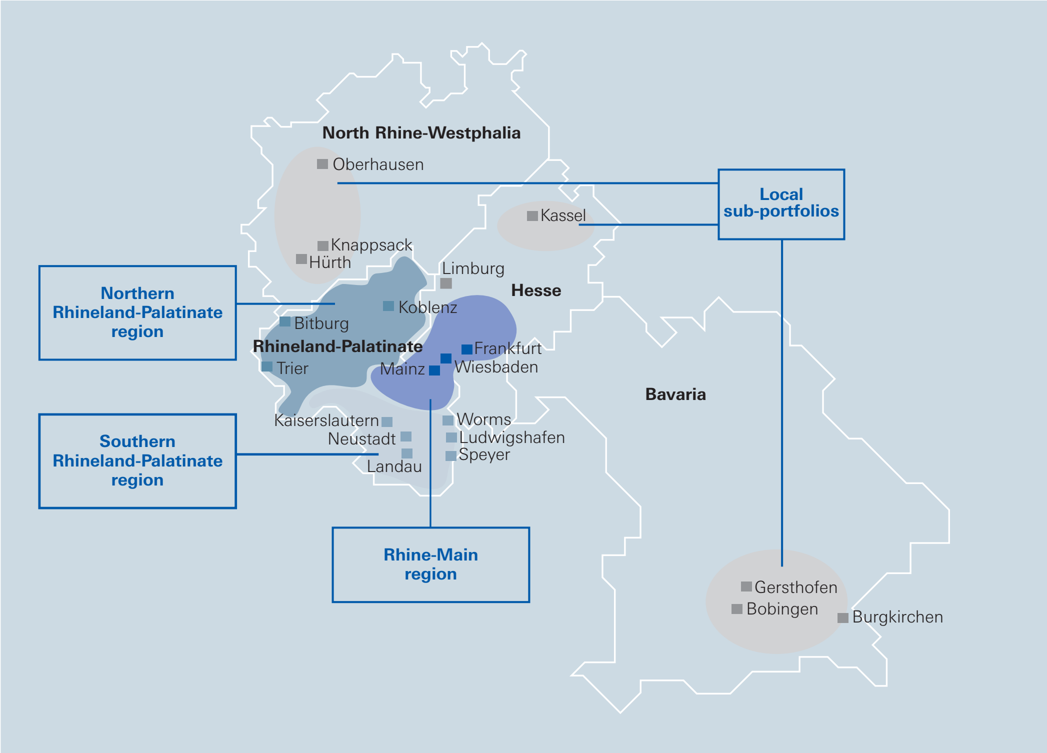
| **Focus.** Deutsche Wohnen focuses on the residential real estate market and more specifically on the portfolios in which it holds financial interests or plays a management role. This focus is Deutsche Wohnen AG's unique selling proposition and ensures that it is well-equipped to face further developments on the international capital markets.

Concentration. The Company's concentration on portfolio management, residential property management and housing privatization supports its market focus. Additional activities in related business segments, such as new construction or project development, are avoided. All employees, business processes, tools and processes are focused on a single goal.

Growth in enterprise value. Deutsche Wohnen's goal is to increase the value of the Company. The risk- and demand-adjusted development of the Company's own portfolio and the privatization of apartments through their sale to tenants, other owner-occupiers and small, regionally operating investors results in the realization of hidden reserves and in distributable cash flows.

Consistent dividends. Our market is the capital market. Around 4,200 shareholders trust us with their money, which is why we feel obligated to produce an above-average return on these investments while maintaining a balanced financing structure.

STABILITY



THE RESIDENTIAL PORTFOLIO

The Deutsche Wohnen Group's residential property portfolio currently comprises three core and various peripheral regions (see map above).

To address the continually increasing requirement for transparency in external reporting, we have provided a regional breakdown of the most important property management figures and information on the regional distribution (see page 21).

	Southern Rhineland-Palatinate	Northern Rhineland-Palatinate	Rhine-Main	Local Sub-Portfolios	Group
Deutsche Wohnen residential stock					
Number of residential units (units)	6,181	4,669	9,803	2,126	22,779
Residential space (m²)	372,806	295,158	653,713	131,143	1,452,820
Rental income					
Avg. estimated rent (€ per m²)	4.19	4.55	5.65	4.13	4.95*
Vacancy rate					
Vacancies due to renovation (%)	0.10	0.15	0.38	0.19	0.24
Vacancies due to development (%)	1.77	0.82	0.15	0.71	0.82
Vacancies due to leasing (%)	3.91	2.17	2.26	10.49	2.68
Vacancies due to sale (%)	4.46	3.22	2.68	12.70	3.61
Overall vacancy rate (%)	**10.24**	**6.36**	**5.47**	**24.09**	**7.34***
Turnover					
Number of residential units	746	545	972	252	2,515
Turnover (%)	11.81	11.40	9.55	11.60	10.63*
Maintenance					
Maintenance, total (€ m)	4.6	4.3	9.3	0.9	19.1
Maintenance per m² (€)	12.14	14.35	12.93	6.74	12.92*
Building age					
< 1950 (%)	5.79	5.68	13.85	25.21	8.83
1951–1970 (%)	51.95	60.08	59.72	69.52	57.79
1971–1990 (%)	38.12	30.78	20.21	4.66	27.21
> 1991 (%)	4.14	3.47	6.22	0.61	6.18
Unit sizes					
< 25 m²	0.78	0.02	0.21	0.14	0.38
25–39 m²	5.47	1.14	4.01	5.74	3.73
40–54 m²	33.53	33.05	21.15	31.14	27.34
55–74 m²	42.92	45.06	49.79	49.39	47.31
75–89 m²	14.32	16.90	16.53	7.95	15.65
> 90 m²	2.99	3.83	8.31	5.64	5.59
Proportion of publicly subsidized housing (%)	**40.98**	**35.32**	**21.05**	**–**	**29.15**
Number of sales reported on the balance sheet in 2004 (residential units)	**383**	**142**	**711**	**102**	**1,338**

*Excluding North Hesse portfolio.

OPENNESS

RESIDENTIAL PROPERTY MANAGEMENT

The responsibilities of Residential Property Management employees include all activities associated with renovation and maintenance, lease management, and tenant services.

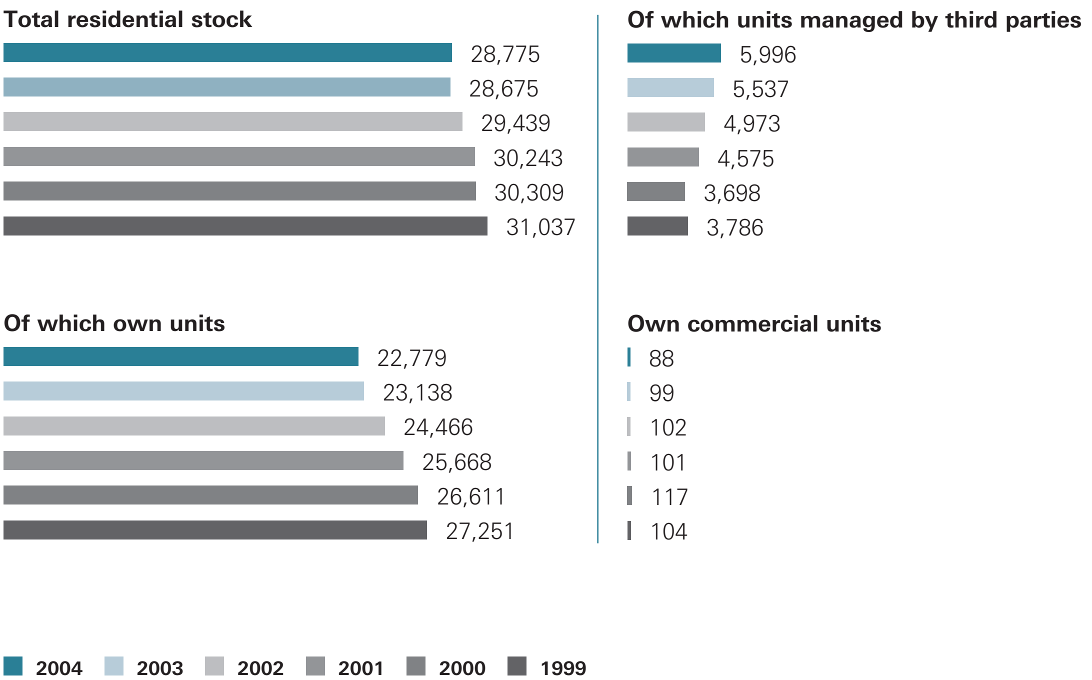
SEGMENT RESULT

The segment result of the Residential Property Management business area is dependent on the performance and success of Housing Privatization. This is because when they are sold, residential units cease generating rental income for the Residential Property Management business area.

Nevertheless, gross profit increased by €1.6 million from €30.3 million in 2003 to €31.9 million in 2004.

Area	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000	Dec. 31, 1999
Total residential space (millions of m^2)	1.45	1.49	1.58	1.66	1.73	1.77
Avg. unit size (m^2)	64	64	65	65	65	65
Commercial space (m^2)	34,282	33,729	33,958	32,417	31,761	26,864
Undeveloped space (m^2)	611,310	627,509	627,174	645,095	652,932	657,072

Portfolio structure



Rent (in € m)	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000	Dec. 31, 1999
Estimated rent	90.3	92.4	94.8	96.6	96.9	90.3
Income shortfalls due to vacancies	7.8	7.1	6.1	5.5	4.3	7.8
Actual rent	82.5	85.3	88.8	91.0	96.6	82.6

RENTAL INCOME

Estimated rent is reported in the consolidated income statement of the Deutsche Wohnen Group under the sales from property management item and represents the rent that should have been paid by tenants to the Company each fiscal year based on existing leases. The rental income from residential units sold is no longer included in the estimated rent for the subsequent period. Income shortfalls can result from vacancies and defaults on rent payments. The difference between the estimated rent and the income shortfalls is equal to the actual rent generated.

Whereas estimated rent amounted to €90.3 million (2003: €92.4 million), actual rent in fiscal year 2004 declined to €82.5 million as the result of the sale of 1,338 residential units, which was recognized in income, and of rent shortfalls due to vacancies, which increased by around €0.7 million to €7.8 million.

The decrease in estimated rent could only be partially offset by contractually agreed rent adjustments, the signing of new leases, and the purchase of a real estate portfolio containing 1,013 residential units.

The continual drop in rental income is part of Deutsche Wohnen's business model, but the acquisition of residential property portfolios can again boost rental cash flow, which to date has been declining from year to year.

In addition to estimated rent of €90.3 million, the second major item in property management sales in the year under review was heating and operating costs, which were billed in the amount of €30.5 million (total sales in 2004: €113.8 million; 2003: €119.9 million).

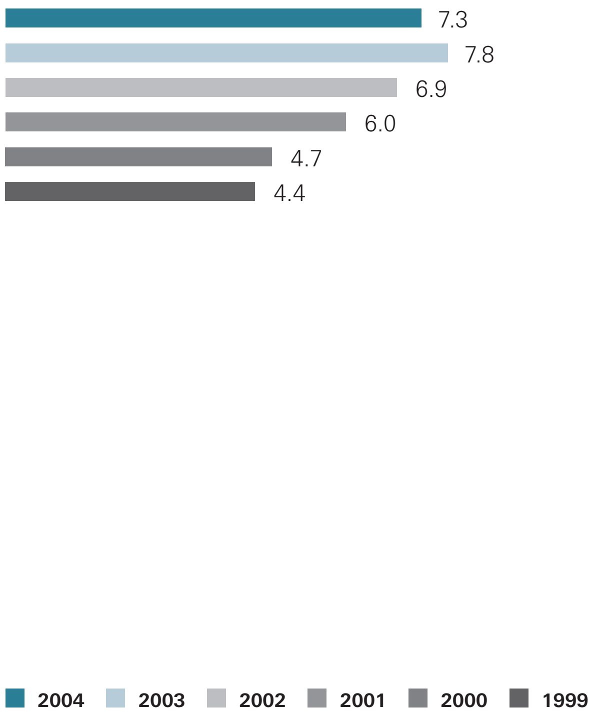
VACANCIES

As of December 31, 2004, 1,599 apartments stood empty; based on the number of Deutsche Wohnen's residential units, this equaled a vacancy rate of approximately 7.3%. The vacancies attributable to pending maintenance and pre-sale activities are referred to as project-related vacancies. Out of the total of 1,599 vacant units, 1,016 or around 64% were classified as this type of vacancy as of the reporting date, while the remainder was accounted for by market-related vacancies.

The vacancy rate is therefore not a cause for concern. On the contrary, most of the vacancies are intentional and serve to increase income in the Residential Property Management and Housing Privatization areas.

Vacancy rate in %

(based on reporting date/all vacant dwellings):



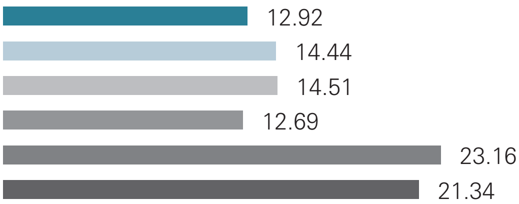
MAINTENANCE

In 2004, the total maintenance volume amounted to €19.1 million (€12.92 per m^2), down €3.8 million compared to 2003 (€22.9 million or €14.44 per m^2). This change is within the general multi-year fluctuation margin. The maintenance program is determined based on ongoing portfolio analyses. Individual projects exceeding €40,000 are discussed and resolved by the management committee using the discounted cash flow (DCF) method. Measures that fall below this limit are evaluated using a simplified, but also standardized, DCF approach and are the responsibility of the regional business areas within their annual budgets.

In line with portfolio strategy and based on ongoing, systematic market and demand studies by Portfolio Management, we focus our investment on buildings that can be refinanced from rental income within a ten-year period. This situation is generally to be found in macro and micro locations of above-average quality in our portfolio where there is as yet unutilized development potential in the buildings located there.

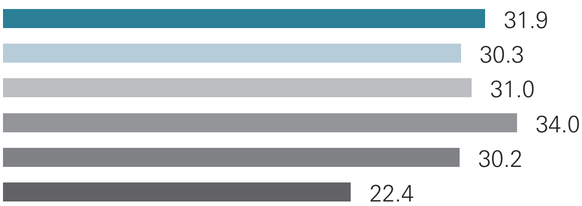
Based on this increasingly focused investment strategy, we have been able to adjust our maintenance levels (measured in € per m^2) in line with property management and privatization potential on an ongoing basis since 1999. As can be seen from the rental and sales income generated, this has not led to a deterioration in the quality of our residential stock.

Maintenance (€ per m²)



Average rent (€ per m²)

Gross profit from property management (€ m)



2004 2003 2002 2001 2000 1999

GROWTH

HOUSING PRIVATIZATION

Housing Privatization employees are tasked with preparing and implementing the privatization process, which includes duties such as researching customer groups, declarations of partition and their entry in the land register, and managing the Company's own and external employees during the customer acquisition and contract settlement processes.

KEY SALES FIGURES

The slight drop in gross profit from sales is attributable to reduced unrealized profit from the sale of residential units. This underscores that the privatization program should be judged not primarily on book values, but on the added market value.

Average selling price (€ per m²)	2004	2003	2002	2001	2000	1999
Unrealized gains from unit sales – fixed assets	40.1	41.3	38.5	34.8	24.4	13.0
Unrealized gains from unit sales – current assets	0.1	0.2	0.5	0.4	0.5	3.2
Unrealized gains from sales of undeveloped properties	0.1	0.0	0.7	0.2	0.3	6.3
Selling expenses	–4.3	–4.0	–3.4	–4.2	–2.4	–0.9
Pre-sale expenses	–3.6	–4.0	–3.2	–9.5	–2.5	–
Gross profit from sales, total	**31.3**	**32.5**	**33.1**	**21.7**	**20.4**	**21.6**
Number of units sold reported on the balance sheet	1,338	1,317	1,170	942	700	309
Average selling prices (€ per m²)	1,035	1,044	1,056	1,054	1,153	970

SEGMENT RESULT

Gross profit generated by Housing Privatization in 2004 amounted to €31.3 million, which was around €1.2 million or 3.7% less than in 2003 (€32.5 million). Total gross profit from privatization includes unrealized gains from the sale of residential units classified as fixed and current assets amounting to €40.3 million, as well as selling expenses and pre-sale expenses for increasing the attractiveness of the residential units, which together totaled €7.9 million. Selling expenses included commission payments to external sales companies, while expenses for renovating buildings undergoing privatization were reported under pre-sale expenses.

PRIVATIZATION SUCCESS

With 1,338 housing privatization projects reported on the balance sheet, the number of units sold was almost equal to the 2003 figure (1,317 units sold). A small number of 31 housing privatizations recorded in 2004 could not be included in the consolidated financial statements at the end of the year and were therefore carried forward to 2005.

As in previous years, we owe these successful privatization activities to our highly committed employees and the mix of external and internal sales staff.

At €1,035 per m², the average selling price of recognized sales was down slightly on last year (€1,044 per m²). This is the result of the regional distribution of the privatization program. In the Rhine-Main region, selling prices were 30% higher on average than in the regional and local centers in the Rhineland-Palatinate.

QUANTITY

PORTFOLIO MANAGEMENT

Although the Portfolio Management unit does not initially generate any measurable contribution to the Group's earnings, it provides an important service by acting as the interface between the Residential Property Management and Housing Privatization business areas.

| The portfolio management system enables the Company to collect rental data for each individual building and calculate the rent that a residential unit will generate in the coming years. Moreover, the system allows us to create scenarios that indicate the sales proceeds a privatized unit can generate.

| This information, which can only be obtained through close cooperation between Portfolio Management on the one hand and Residential Property Management and the sales force on the other, allows the preparation of joint investment and sales programs.

| Portfolio Management is involved in the annual calculation of the fair value and net asset value for the Group, analyzes market reports, and develops the resulting conclusions which are fed into the decision-making process.

| Finally, this unit is also involved in due diligence activities with regard to the planned purchase of additional residential stock.

CONTINUITY

RESULTS IN 2004

The result from ordinary activities of the Deutsche Wohnen Group improved for the fifth year in a row. A lower tax burden for the first time since 2002, a drop in maintenance expenses and an improvement in net interest expense led to a significant increase in consolidated earnings after taxes.

CONSOLIDATED INCOME STATEMENT

| The following notes relate to material changes in consolidated income statement items:

| **Sales from property management:** In addition to heating and operating costs billed (€30.5 million), the estimated rent generated (€90.3 million) accounted for the largest share of the overall sales from property management item (€113.8 million); estimated rental income declined by around €2.1 million over 2003 in particular due to ongoing privatization of residential units (see also the section on Residential Property Management).

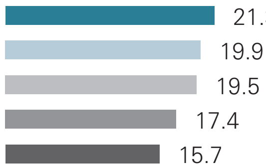
| **Other operating income:** This item primarily includes privatization income from the disposal of fixed assets amounting to €40.5 million. Other operating income totaled €44.6 million in 2004, a fall of €2.3 million compared with 2003.

| **Property management expenses:** Property management expenses totaling €51.2 million mainly include operating costs of €30.9 million and maintenance expenses of €19.1 million; the latter item fell by €3.8 million over 2003 due to the focused portfolio strategy.

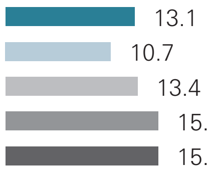
| Net interest expense: Net interest expense is obtained by netting interest income (2004: €2.8 million, €+0.5 million over 2003) and interest expenses (€28.7 million, €–1.3 million over 2003). This item amounted to €25.9 million (2003: €27.8 million) in 2004. The approximately 7% improvement in net interest expense over 2003 is accounted for by the intensified efforts undertaken in 2004 to analyze all intragroup and external lending relationships for savings potential. In addition, financial management increasingly focused on improving the average interest earned by funds invested – an area that already showed positive results in 2004.

| Result from ordinary activities: Consolidated net income before taxes for 2004 was up by around €1.4 million to around €21.3 million.

Consolidated result from ordinary activities (€ m)



Consolidated earnings after taxes (€ m)



Group DVFA/SG cash flow (€ m)

2004 2003 2002 2001 2000

Taxes on income: Taxes on income at the end of 2004 totaled around €8.1 million, down by around 12% over 2003 (€9.2 million).

The majority of the taxes on income of €8.1 million were attributable in 2004 to Rhein-Main Wohnen GmbH, which incurred trade tax expenses of €3.4 million and corporation tax and solidarity surcharge expenses of €4.9 million after adjustment for the reversal of provisions for taxes. Main-Taunus Wohnen GmbH & Co. KG incurred trade tax expenses of €0.5 million and income from the reversal of provisions for trade tax of €0.5 million. Finally, Rhein-Mosel Wohnen GmbH reversed its provision for trade tax.

Net income for the year: In fiscal year 2004, we generated consolidated earnings after taxes of around €13.1 million, approximately 22% or €2.4 million higher than in 2003 (around €10.7 million).

Deutsche Wohnen AG. The single-entity company Deutsche Wohnen AG recorded a result from ordinary activities in fiscal year 2004 of €–4.1 million and a net loss for the year in the same amount.

The lower net result for the year compared to 2003 (net income of €12.7 million) is first of all the result of a reduction of about €4.4 million in income from Deutsche Wohnen AG's equity investment in one of the Group companies. In addition, interest income from intragroup shareholder loans dropped by €11.3 million as part of the above-mentioned loan restructuring and as a measure necessitated by Section 8a of the KStG (German Corporation Tax Act), which was amended in late 2003.

A withdrawal from capital reserves in the amount of €39.1 million resulted in net retained profits of €35.0 million; the full amount of these net retained profits is earmarked for distribution to the shareholders.

CARE

DIVIDEND

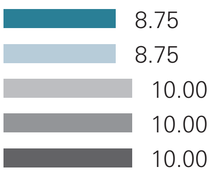
The total dividend is calculated based on the consolidated cash flows for each year, which are determined in accordance with DVFA/SG principles.

| Dividend payments by Deutsche Wohnen AG are completely tax-exempt for shareholders. The reason for this is the structure of the contribution account for tax purposes (formerly "EK-04"), which is an item classified under the capital reserves or equity of an AG (stock corporation). This cash item was funded in 1999 by DB Real Estate prior to the IPO and since then has been reduced by means of withdrawals each year.

| In view of the size of the Company's capital reserves (December 31, 2004: €274.3 million) and in light of current tax law, we assume that we can maintain tax-exempt dividend payments for several years based on the current funding of the contribution account for tax purposes.

| The Management Board and the Supervisory Board will propose to the Ordinary General Meeting in 2005 the payment of a dividend for fiscal year 2004 amounting to €8.75 per share (total dividend of €35.0 million).

Dividend (per share in €)



Total dividend (€ m)

INCREASE IN VALUE

Stock market turnover 2004 (all trading centers)

Month	Number of shares traded	Turnover volume
January	81,551	11,208,771
February	130,003	18,055,130
March	99,139	13,823,801
April	89,531	12,615,084
May	48,573	6,794,299
June	86,933	12,157,932
July	215,174	30,123,179
August	129,323	18,101,209
September	139,523	17,827,746
October	180,507	24,173,633
November	114,155	15,750,761
December	123,138	17,277,157
Total	**1,437,550**	**197,908,702**

DEUTSCHE WOHNEN SHARES

Investor and public relations activities involve external reporting (annual and interim reports), organizing and conducting the General Meeting, and answering quickly and completely all inquiries by shareholders, journalists, analysts and investors.

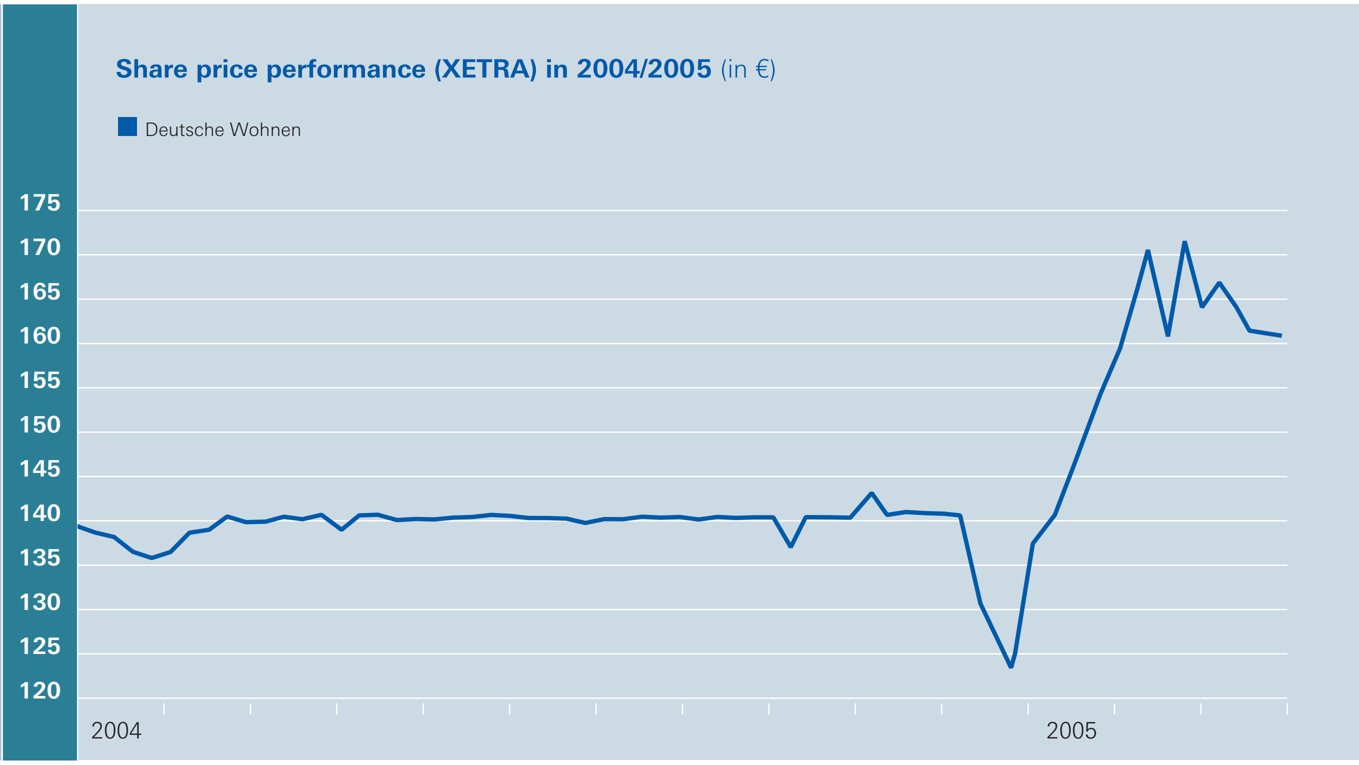
Rising trading volumes make it easier for investors to invest in our shares, as well as conversely to reduce or completely sell off their investments. Growth in our trading volume resulted in a sharp increase in demand by German and foreign institutional investors for shares of Deutsche Wohnen AG.

STOCK MARKET LIQUIDITY

Since early summer 2004, Seydler AG Wertpapierhandelsbank has been the designated sponsor for Deutsche Wohnen AG; in early 2005, Bankhaus Sal. Oppenheim was engaged as a second designated sponsor. The core responsibility of the designated sponsors is to ensure maximum liquidity for our shares and to guarantee tradability at any time. The sponsors quote binding prices and trade actively on the XETRA trading platform, thus ensuring positive investor visibility for our shares.

SHARE PERFORMANCE 2004/2005

Our share price performance was volatile in fiscal 2004. Until the General Meeting at the end of August 2004, our share price was quoted at between €136 and €143 (immediately before the General Meeting on August 30, 2004); on the day of the dividend distribution (August 31, 2004), the price was revised in line with requirements to the "ex dividend" price and adjusted downwards by €8.75 to €133.



In the course of September 2004 our share price declined further to €123 (September 27, 2004); the primary reason for this was apparently the reaction by various shareholder groups to the announced growth plan, the future nature of our shares, and the planned deconsolidation from the Deutsche Bank Group. After active capital market communication efforts were undertaken, the strategic prospects were accepted. Between October and the end of December 2004 our share price recovered to close the year at €139.52.

In the period to February 2005, the share price rose to an all-time high of just over €170, which presumably was mostly due to the above-mentioned increase in liquidity and the resulting visibility of our shares on the one hand, as well as to the speculative hopes surrounding REITs on the other. Following the all-time high, March/April 2005 saw the start of a consolidation phase. At the time of publication of the Annual Report (April 2005), our shares were trading at a relatively constant price of around €160.

SHAREHOLDER STRUCTURE

No material changes to the shareholder structure occurred in 2004. As in the past, two institutional shareholders hold more than 5% of the total of four million registered no-par value shares in circulation. Around 40 institutional shareholders hold blocks of shares of less than 5%. At the end of 2004 around 4,200 private shareholders held shares of Deutsche Wohnen AG.

MARKET CAPITALIZATION

At a share price at the end of 2004 amounting to €139.52 and a total of four million shares issued, Deutsche Wohnen's market capitalization was just under €560 million. Based on this market capitalization, Deutsche Wohnen AG is among the three largest listed German real estate stock corporations.

GENERAL MEETING 2004

The Ordinary General Meeting for 2004 was held on August 30, 2004 in Frankfurt am Main. Prior to the General Meeting no counterproposals from shareholders were received by Deutsche Wohnen AG. Shareholder interest in the General Meeting has risen compared to previous years, and this was reflected in the comparatively large number of shareholders (around 100) participating in the General Meeting (share capital represented: approx. 58%). These participants approved all agenda items with an overwhelming majority.

Leasable residential space (core business)	m^2	1,433,098
Fair value of residential property (core business)	**€ per m^2**	**855.78**
Fair value of residential property (core business)	**€**	**1,226,413,000.00**
Plus: other fixed and current assets	€	217,214,000.00
Total assets	€	1,443,627,000.00
Less: liabilities	€	636,387,000.00
Less: present value of overhead costs	€	19,729,000.00
Net asset value	**€**	**787,511,000.00**
Divided by number of shares in circulation		4,000,000
Net asset value per share	**€**	**196.88**
Discount on share price as of Dec. 31, 2004 (€139.52)		29%
Discount on share price as of Feb. 11, 2005 (€163.01)		17%

DIVIDEND

The Management Board and Supervisory Board will propose to the General Meeting for 2005 payment of a dividend amounting to €8.75 per share for fiscal 2004. Based on the closing price for 2004 of €139.52, the dividend yield is 6.3%. The tax-exempt nature of our dividend payments continue to guarantee an unusually attractive dividend.

NET ASSET VALUE

As of December 31, 2004, the net asset value of the Group and of Deutsche Wohnen's shares was calculated for the third time; this represents the value of the net operating assets. The calculation was based on the remeasurement of the residential portfolio; for the first time, the portfolio value was measured on a fair value basis. This approach is in full compliance with IAS 40. The calculation logic was validated by DTZ Property Advisors, and the carrying amounts were audited on a test basis as part of the audit of the financial statements by Deloitte and KPMG.

The net asset value per share was calculated to be €196.88. The closing market price for the year of €139.52 represents a discount of around 29% on the net asset value. This discount had shrunk to around 19% by the end of March 2005 due to the upward trend in our share price. This is further evidence in our opinion that our shares still have upside potential given appropriate market and company-specific conditions.

MODERNITY

CORPORATE GOVERNANCE

The following is the joint declaration of conformity by the Management Board and Supervisory Board at the time of publication of this Annual Report:

The Management Board and Supervisory Board of Deutsche Wohnen AG hereby declare the following in accordance with section 161 of the *Aktiengesetz* (German Stock Corporation Act):

"Deutsche Wohnen AG complied and continues to comply with the recommendations of the Government Committee on the German Corporate Governance Code (in accordance with the version of the German Corporate Governance Code dated May 21, 2003), with the following three exceptions:

- A collective directors and officers insurance policy for Deutsche Bank AG applies to the members of the Management Board and the Supervisory Board. The deductible is low because the policy is valid worldwide and a higher deductible is not standard outside of Germany (Code section 3.8).

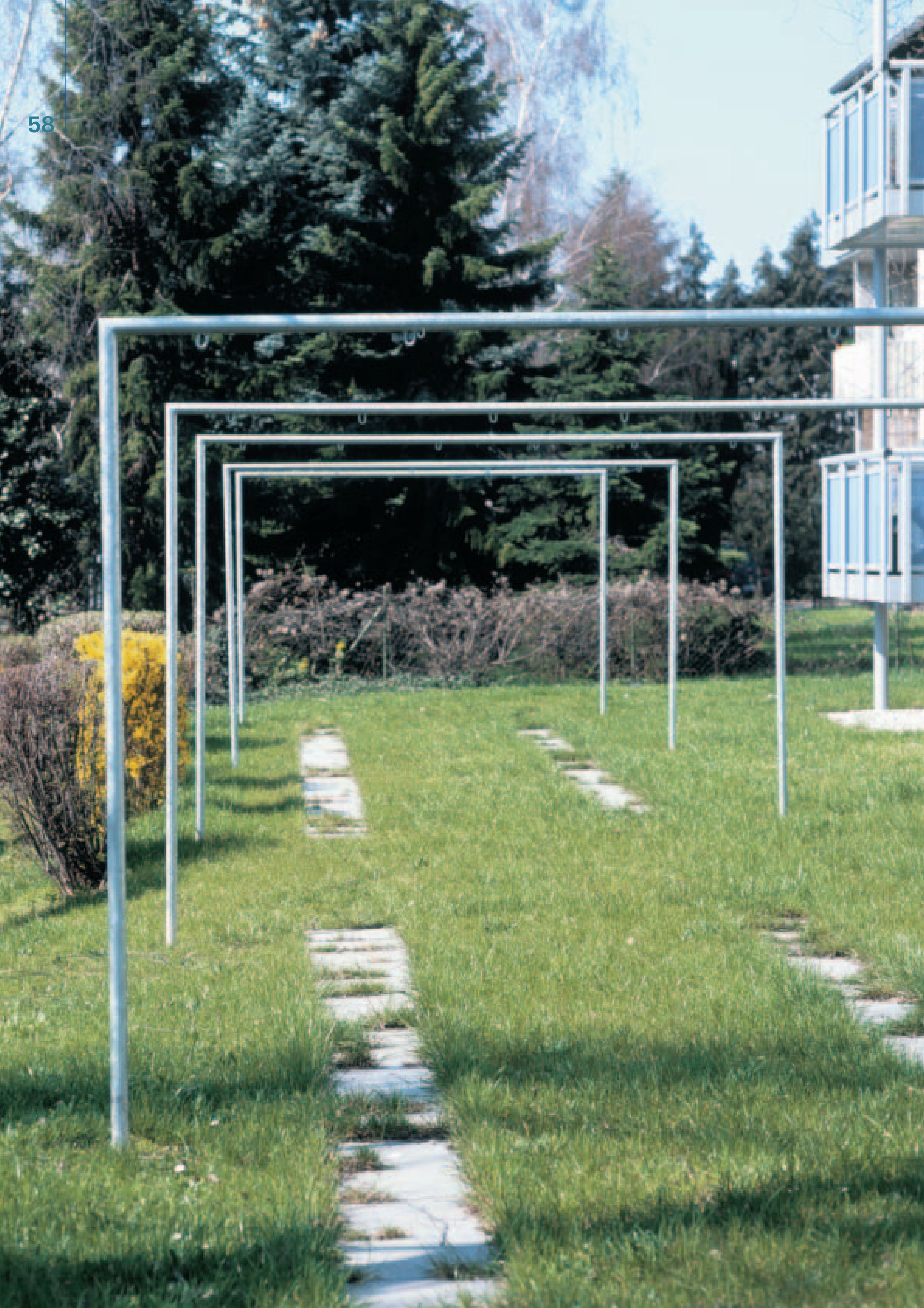
- No Supervisory Board committee has been set up to specifically handle accounting and auditing issues. We think it is appropriate for all six Supervisory Board members to handle these issues (Code section 5.3.2).

- In the future, the consolidated financial statements will continue to be published in May of the following year along with the annual report. However, the Company will continue to publish key figures for the Group in February of the following year (Code section 7.1.2 sentence 2).

In the following two cases, we did not adhere to the recommendations in the Code in the past, but will comply with these recommendations in the future:

- Up to and including fiscal year 2003, the notes to the consolidated financial statements did not include reporting of the remuneration of the Management Board. The notes to the 2004 consolidated financial statements disclose the remuneration of individual Management Board members broken down by variable and fixed components for the first time. Management Board members are remunerated above all in line with their contribution to the Company's success and in accordance with international industry standards (Code section 4.2.4).

- The preparation and publication of the consolidated financial statements in accordance with IFRSs for the first time is planned for fiscal year 2005. Fiscal year 2004 will then be included as a comparable period for 2005 (Code section 7.1.1 sentence 3)."



ANNUAL FINANCIAL STATEMENTS

ASSETS

in €	Dec. 31, 2004	Dec. 31, 2003
A. Fixed assets		
Financial assets		
Shares in affiliated companies	285,531,639.71	272,105,866.64
	285,531,639.71	**272,105,866.64**
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	292,028,588.81	345,589,752.47
2. Other assets	191,557.27	61,612.15
II. Cash in hand, central bank balances, other bank balances and checks	**1,856,558.26**	**0.00**
	294,076,704.34	**345,651,364.62**
C. Prepaid expenses	**3,000.00**	**3,000.00**
Total assets	**579,611,344.05**	**617,760,231.26**

EQUITY AND LIABILITIES

in €	Dec. 31, 2004	Dec. 31, 2003
A. Equity		
I. Subscribed capital	10,225,837.62	10,225,837.62
II. Capital reserves	274,334,745.12	313,436,071.62
III. Revenue reserves (legal reserve)	1,022,583.76	1,022,583.76
IV. Net retained profits	35,000,000.00	35,000,000.00
	320,583,166.50	**359,684,493.00**
B. Provisions		
Other provisions	719,367.00	524,807.00
	719,367.00	**524,807.00**
C. Liabilities		
1. Liabilities to banks	257,404,439.55	257,404,439.55
2. Trade payables	84,395.92	0.00
3. Liabilities to affiliated companies	764,454.82	72,379.95
4. Other liabilities	55,520.26	74,111.76
	258,308,810.55	**257,550,931.26**
Total equity and liabilities	**579,611,344.05**	**617,760,231.26**

INCOME STATEMENT
FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2004

in €	2004	2003
1. Other operating income	93,473.15	862.22
2. Personnel expenses	408,024.31	53,780.27
a) Wages and salaries €402,567.03 (previous year: €46,211.85)		
b) Social security €5,457.28 (previous year: €7,568.42)		
3. Other operating expenses	2,032,622.06	1,601,881.15
4. Income from investments	10,630,208.97	14,984,939.76
– thereof from affiliated companies €10,630,208.97 (previous year: €14,984,939.76)		
– thereof from profit pooling agreement €0.00 (previous year: €47,847.14)		
5. Other interest and similar income	1,447,671.88	12,634,435.07
– thereof from affiliated companies €1,348,232.67 (previous year: €12,633,544.27)		
6. Interest and similar expenses	13,234,311.47	13,231,987.90
– thereof from affiliated companies €48.83 (previous year: €123.26)		
7. Cost of loss absorption	597,722.66	0.00
8. Result from ordinary activities = net loss for the year (previous year: net income)	**4,101,326.50**	**12,732,587.73**
9. Withdrawals from capital reserves	39,101,326.50	22,518,100.55
10. Transfer to legal reserve	0.00	250,688.28
11. Net retained profit	**35,000,000.00**	**35,000,000.00**

I. GENERAL INFORMATION

These annual financial statements were prepared in accordance with the accounting requirements of the *Handelsgesetzbuch* (HGB – German Commercial Code) and the *Aktiengesetz* (AktG – German Stock Corporation Act). The income statement was prepared using the total cost (nature of expense) format.

II. ACCOUNTING POLICIES

General information
Bank balances at banks that are also affiliated companies are recorded under Receivables from affiliated companies, and liabilities to banks that are also affiliated companies are recorded under Liabilities to affiliated companies.

Fixed assets
Financial assets are carried at cost. There were no write-downs in the fiscal year under review. The list of shareholdings in accordance with section 285 no. 11 HGB is included as Appendix A to the Notes.

Current assets
Receivables and other assets are carried at their nominal amount or at cost.

Other provisions and liabilities
The amounts of provisions allow for all identifiable risks. Liabilities are recognized at the repayable amounts.

III. BALANCE SHEET DISCLOSURES

Fixed assets
Fixed assets, which consist solely of shares in affiliated companies, developed as follows:
The additions and disposals relate to the capital increase against non-cash contributions and the cash contribution to the capital reserves of the subsidiary Rhein-Pfalz Wohnen.

Receivables and other assets
Receivables from affiliated companies primarily comprise short-term loans amounting to €288,098 thousand (previous year: €323,593 thousand), along with remaining profit distribution or profit transfer claims amounting to €2,210 thousand (previous year: €48 thousand).

Short-term deposit balances with Deutsche Bank AG, Frankfurt am Main, amounting to €1,453 thousand (previous year: €15,662 thousand) are also reported under this item.

Equity
The registered share capital amounts to €10,226 thousand (previous year: €10,226 thousand), and is composed of 4,000,000 no-par value shares.
A substantial majority of the shares were held in free float at the end of the year.

The Management Board's proposal on the utilization of the retained profits for fiscal year 2003, which was submitted to the Supervisory Board for approval, included a withdrawal from the capital

STATEMENT OF CHANGES IN FIXED ASSETS

in € thousands	Historical cost				Depreciation, amortization and write-downs	Book value	
	Opening balance as of Jan. 1, 2004	Additions	Disposals	as of Dec. 31, 2004	as of Dec. 31, 2004	Dec. 31, 2004	Dec. 31, 2003
I. Financial assets							
Shares in affiliated companies	272,106	35,458	22,032	285,532	0	285,532	272,106
Total fixed assets	**272,106**	**35,458**	**22,032**	**285,532**	**0**	**285,532**	**272,106**

reserves in the amount of €39,101 thousand (previous year: €22,518 thousand). As a result of the withdrawal from the capital reserves, Deutsche Wohnen AG recorded net retained profits of €35,000 thousand (previous year: €35,000 thousand) for distribution. The net retained profits from the previous year were distributed in full in fiscal year 2004.

The shareholders listed below have informed us that they hold more than 5% of shares in Deutsche Wohnen AG.

Shareholder	Shareholding notified as of	Equity interest/ share of voting rights in %	Share of voting rights in registered share capital in € thousands
Ärzteversorgung Westfalen-Lippe Einrichtung der Ärztekammer Westfalen-Lippe Körperschaft des öffentlichen Rechts, Münster	April 4, 2002	9.00	920
Deutscher Herold Lebensversicherung AG, Bonn	April 8, 2002	6.70	685

Other provisions

Provisions are composed primarily of costs incurred in the audit and publication of the annual financial statements for 2004, the audit of the consolidated financial statements for 2004, the preparation of the Annual Report for 2004, and a provision for distribution-based remuneration due to DB Real Estate Management GmbH in accordance with section 5 (2) of the control agreement dated May 7, 1999, and the remuneration component for the Chairman of the Management Board that is dependent on consolidated earnings.

Liabilities

Liabilities to banks

The figure of €257,404 thousand (previous year: €257,404 thousand) comprises registered bonds amounting to €199,659 thousand with a term until May 6, 2014 and an amortizing loan in the amount of €51,129 thousand from Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main and Erfurt. The item also includes interest liabilities of €6,616 thousand relating to the above-mentioned loan.

Liabilities to affiliated companies

This item contains payment obligations from a consolidated VAT group amounting to €111 thousand, a liability relating to the loss absorption for MT Wohnen GmbH of €598 thousand, and pass-through costs.

Other liabilities

Other liabilities comprise VAT liabilities for the 2004 assessment period in the amount of €56 thousand (previous year: €74 thousand) owed to the Wiesbaden tax authorities.

MATURITY STRUCTURE OF LIABILITIES

in € thousands	Total	thereof with a residual maturity of less than 1 year	1–5 years	over 5 years
Liabilities to banks	257,404	6,616	71,095	179,693
(previous year)	(257,404)	(6,616)	(12,539)	(238,249)
Trade payables	84	84	0	0
(previous year)	(0)	(0)	(0)	(0)
Liabilities to affiliated companies	764	764	0	0
(previous year)	(72)	(72)	(0)	(0)
Other liabilities	56	56	0	0
(previous year)	(74)	(74)	(0)	(0)
Total[1]	**258,308**	**7,520**	**71,095**	**179,693**
Total (previous year)	(257,550)	(6,762)	(12,539)	(238,249)

[1] Changes as against the carrying amount in the balance sheet are due to rounding differences.
No collateral was provided for the liabilities above.

IV. INCOME STATEMENT DISCLOSURES

Other operating expenses
Other operating expenses totaling €2,033 thousand (previous year: €1,602 thousand) include in particular:

Expenses relating to service agreements with DB Real Estate Management GmbH for the performance of accounting and shareholder support services and distribution-based remuneration in accordance with section 5 (2) of the control agreement dated May 7, 1999. Consulting services for the implementation of a new portfolio management system are also included.

V. CONTINGENT LIABILITIES

As of the reporting date two corporate guarantees had been issued for Rhein-Pfalz Wohnen GmbH and MT Wohnen GmbH totaling €315 thousand for the benefit of R & V Versicherungs AG, Wiesbaden.

VI. OTHER FINANCIAL OBLIGATIONS

Other financial obligations totaling €3,349 thousand result from a service agreement relating to IT services that has been concluded until 2007.

VII. OTHER INFORMATION

The Company had commissioned DB Real Estate Management GmbH as its business agent. The service agreement with DB Real Estate Management GmbH was terminated with effect from December 31, 2004.

The Chairman of the Management Board, Andreas Lehner, has been employed by the Company since fiscal year 2004. His total remuneration amounts to €408 thousand, of which €250 thousand is deferred performance-related remuneration.

Remuneration granted to members of the Supervisory Board amounted to €24 thousand in the year under review.

SUPERVISORY BOARD

a) Membership of other statutory supervisory boards.

b) Membership of comparable supervisory bodies in companies in Germany and abroad.

Helmut Ullrich
– Chairman –
Managing Director DB Real Estate Management GmbH, and DB Real Estate Investment GmbH (both Eschborn)

a) DB Real Estate Spezial Invest GmbH, Eschborn
JADE Residential Property AG, Eschborn

b) Wohnungsbaugesellschaft JADE mbH, Wilhelmshaven
– Chairman –
DEUTSCHBAU Immobilien-Dienstleistungen GmbH, Düsseldorf (until January 7, 2005)
DEUTSCHBAU Wohnungsgesellschaft mbH, Berlin (until January 7, 2005)
Deutschbau-Holding GmbH, Düsseldorf (until January 7, 2005)
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

Dr. Michael Gellen
– First Deputy Chairman –
Lawyer

a) Deutsche EuroShop AG, Hamburg

b) DEUTSCHBAU Immobilien-Dienstleistungen GmbH, Düsseldorf (until January 31, 2004)
Deutschbau-Holding GmbH, Düsseldorf (until February 29, 2004)
DEUTSCHBAU Wohnungsbaugesellschaft mbH, Berlin (until January 31, 2004)
Deutsche Bank Realty Advisors Inc., New York, USA (until January 31, 2004)

Harry Gutte
Managing Director DB Real Estate Investment GmbH, Eschborn

a) JADE Residential Property AG, Eschborn

b) ARBI Beteiligungsgesellschaft mbH, Eschborn
– Chairman –
Bürozentrum Frankfurter Allee (Lichtenberg) Anders & Co. KG, Berlin
Main-Taunus Wohnen GmbH & Co. KG, Eschborn (until March 22, 2004)
MT Wohnen GmbH, Frankfurt am Main (until March 19, 2004)
Rhein-Main Wohnen GmbH, Frankfurt am Main (until March 22, 2004)
Rhein-Mosel Wohnen GmbH, Mainz (until March 30, 2004)
Rhein-Nahe Wohnen GmbH, Mainz (until March 22, 2004)
Rhein-Pfalz Wohnen GmbH, Mainz (until March 22, 2004)
WohnBauEntwicklungsgesellschaft München-Haidhausen mbH & Co. KG, Eschborn

Matthias Hünlein
Managing Director DB Real Estate Management GmbH, Eschborn

a) Deutsche Commercial Property AG, Eschborn
– Chairman –

b) ARBI Beteiligungsgesellschaft mbH, Eschborn
Deutsche Commercial Property Anlagegesellschaft mbH & Co. KG, 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
Wohnungsbaugesellschaft JADE mbH, Wilhelmshaven

Hans-Werner Jacob
Member of the Management of Deutsche Bank AG,
Munich office

a) Leoni AG, Nuremberg

b) Völkl GmbH & Co. KG, Straubing
(until December 31, 2004)

Dr. rer. pol. Andreas Kretschmer
Managing Director
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) AP-Asset Management AG, Pfäffikon/Switzerland
Bayerische Hypo- und Vereinsbank AG, Munich
Deutsche Apotheker- und Ärztebank eG, Düsseldorf (until June 17, 2004)
TRITON, St. Helier/Jersey

MANAGEMENT BOARD

a) Membership of other statutory supervisory boards

b) Membership of comparable supervisory bodies in companies in Germany and abroad

Andreas Lehner
– Chairman –

b) Berliner Gesellschaft zum Controlling der Immobilien-Altrisiken mbH, Berlin
Main-Taunus Wohnen GmbH & Co. KG, Eschborn
– Chairman –
MT Wohnen GmbH, Frankfurt am Main
– Chairman –
Rhein-Main Wohnen GmbH, Frankfurt am Main
– Chairman –
Rhein-Mosel Wohnen GmbH, Mainz
– Chairman –
Rhein-Nahe Wohnen GmbH, Mainz
– Chairman –
Rhein-Pfalz Wohnen GmbH, Mainz
– Chairman –

Michael Neubürger

CONSOLIDATED FINANCIAL STATEMENTS

The Company is the majority shareholder in Rhein-Pfalz Wohnen GmbH, Main-Taunus Wohnen GmbH & Co. KG and MT Wohnen GmbH. It is therefore the Group parent and prepares consolidated financial statements which are deposited with the commercial register of Frankfurt am Main Local Court (reg. no. HRB 42388).

The Company signed a control agreement with DB Real Estate Management GmbH in the context of the Annual General Meeting on May 7, 1999. As a result of this control agreement, the annual financial statements of Deutsche Wohnen AG are included in the consolidated financial statements of Deutsche Bank AG, Frankfurt am Main. The consolidated financial statements of Deutsche Bank AG are deposited with the commercial register of Frankfurt am Main local court under the number HRB 30000.

In addition, the Management Board and Supervisory Board have issued the declaration of conformity with the German Corporate Governance Code required in accordance with section 161 AktG, which has been made permanently available to shareholders on the Internet (www.deutsche-wohnen.de).

Frankfurt am Main, February 25, 2005

Deutsche Wohnen AG

Andreas Lehner
– Chairman of the Management Board –

Michael Neubürger
– Member of the Management Board –

SHAREHOLDINGS AS OF DECEMBER 31, 2004 IN ACCORDANCE WITH SECTION 285 N0. 11 HGB

	Share of capital in %		Equity	Net income/loss for the period
	total	indirect	in € thousands	in € thousands
1. Main-Taunus Wohnen GmbH & Co. KG, Eschborn	99.99	30.96	11,601	7,255
2. MT Wohnen GmbH, Frankfurt am Main	100.00	–	26	0[1]
3. Rhein-Pfalz Wohnen GmbH, Mainz	99.89	–	37,143	– 1,497
4. Rhein-Mosel Wohnen GmbH, Mainz[2]	99.99	99.99	78,309	5,916
5. Rhein-Nahe Wohnen GmbH, Mainz[2]	99.98	99.98	97,699	13,104
6. Rhein-Main Wohnen GmbH, Frankfurt am Main[2]	99.99	99.99	187,037	30,637
7. Entwicklungsgesellschaft Rhein-Pfalz Verwaltungs GmbH, Mainz[3]	–	–	–	–
8. Entwicklungsgesellschaft Rhein-Pfalz GmbH & Co. KG, Mainz[3]	–	–	–	–

[1] Profit pooling agreement with Deutsche Wohnen AG.
[2] Large corporation in which more than 5% of the voting rights are held.
[3] Shares sold in fiscal year 2004.

CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT

ASSETS

in €	Dec. 31, 2004	Dec. 31, 2004	Dec. 31, 2003
A. Fixed assets			
I. Intangible assets			
Concessions, industrial and similar rights and assets and licenses in such rights and assets		91,324.00	39,870.45
II. Tangible assets			
1. Land and land rights with residential buildings	818,750,779.73		874,703,648.65
2. Land and land rights with commercial and other buildings	24,402,724.09		27,043,729.19
3. Land and land rights without buildings	27,558,955.45		28,106,766.22
4. Land with heritable third-party building rights	456,006.48		501,199.57
5. Buildings on third-party land	533,180.78		602,544.84
6. Other equipment, operating and office equipment	124,402.55		188,951.12
7. Assets under construction	203,416.95		1,197,270.69
8. Pre-construction costs	523,654.78		671,943.31
9. Payments on account	174,000.00		0.00
		872,727,120.81	**933,016,053.59**
III. Financial assets			
1. Equity investments	3,944,250.51		4,238,750.52
2. Other loans	21,081,246.69		21,234,982.61
		25,025,497.20	25,473,733.13
		897,843,942.01	**958,529,657.17**
B. Current assets			
I. Properties for sale and other inventories			
1. Land and land rights without buildings	3,281,459.17		3,349,310.74
2. Land and land rights with buildings	8,951,781.05		0.00
3. Work in progress	25,586,897.35		27,973,743.72
4. Other inventories	395,061.75		0.00
		38,215,199.32	31,323,054.46
II. Receivables and other assets			
1. Receivables from rental activities	2,044,733.90		2,141,893.51
2. Receivables from property sales	24,477,121.96		28,417,515.16
3. Receivables from management services	1,783,276.48		1,669,006.02
4. Receivables from affiliated companies	87,090.80		6,744.92
5. Other trade receivables	2,614.57		7,626.37
6. Other assets	13,506,996.84		11,269,686.08
		41,901,834.55	43,512,472.06
III. Securities			
Own shares		9,821.92	9,821.92
IV. Cash and cash equivalents			
Cash-in-hand and bank balances		66,054,109.67	76,019,134.70
		146,180,965.46	**150,864,483.14**
C. Prepaid expenses			
1. Discount	2,478.22		5,411.00
2. Other prepaid expenses	20,816.27		38,416.60
		23,294.49	**43,827.60**
Total assets		**1,044,048,201.96**	**1,109,437,967.91**

EQUITY AND LIABILITIES

in €	Dec. 31, 2004	Dec. 31, 2004	Dec. 31, 2003
A. Equity			
I. Subscribed capital	10,225,837.62		10,225,837.62
II. Capital reserves	274,334,745.12		313,436,071.62
III. Reserve for own shares	9,821.92		9,821.92
IV. Revenue reserves			
Legal reserve	1,022,583.76		1,022,583.76
V. Consolidated net retained profits	119,812,277.52		102,690,808.59
VI. Minority interests	361,852.86		581,058.55
		405,767,118.80	**427,966,182.06**
B. Provisions			
1. Provisions for pensions and similar obligations	3,882,370.41		3,945,319.43
2. Provisions for taxes	10,313,951.29		12,804,153.97
3. Provisions for building maintenance	483,184.24		483,184.24
4. Other provisions	14,201,142.02		13,451,574.50
		28,880,647.96	**30,684,232.14**
C. Liabilities			
1. Liabilities to banks	498,582,725.10		527,547,602.63
2. Liabilities to other lenders	55,430,965.38		65,482,019.57
3. Payments on account received	30,924,410.85		33,155,039.65
4. Liabilities from rental activities	10,885,402.08		10,432,972.55
5. Trade payables	830,549.19		1,064,713.04
6. Liabilities to affiliated companies	0.00		69,337.67
7. Other liabilities	12,746,382.60		13,023,413.64
		609,400,435.20	**650,775,098.75**
D. Deferred income		**0.00**	**12,454.96**
Total equity and liabilities		**1,044,048,201.96**	**1,109,437,967.91**

CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2004

in €	2004	2004	2003
1. Sales			
a) from property management	113,761,844.49		119,933,858.79
b) from property sales	365,343.00		2,523,760.01
c) from management activities	2,500,993.51		2,087,620.07
d) from other services	295,152.85		366,163.59
		116,923,333.85	124,911,402.46
2. Decrease in work in progress		– 1,896,818.74	– 4,432,251.32
3. Other operating income		44,601,489.33	46,876,416.63
4. Cost of purchased services			
a) expenses for property management	51,188,371.57		57,380,694.58
b) expenses for property sales	278,371.62		463,625.94
c) expenses for other services	6,921.68		6,233.61
		51,473,664.87	**57,850,554.13**
5. Personnel expenses			
a) wages and salaries	14,294,484.90		13,922,034.75
b) social security and other pension costs	3,868,204.03		4,043,312.06
		18,162,688.93	**17,965,346.81**
6. Amortization of intangible assets and depreciation of tangible assets		17,755,891.37	18,261,772.99
7. Other operating expenses		25,054,716.46	25,562,531.95
8. Income from long-term loans		660,244.75	664,180.93
9. Other interest and similar income		2,134,651.82	1,590,713.24
10. Write-downs of financial assets		27,703.03	1,040.14
11. Interest and similar expenses		28,698,648.60	30,032,517.71
12. Result from ordinary activities		**21,249,587.75**	**19,936,698.21**
13. Taxes on income		8,056,720.96	9,197,793.52
14. Other taxes		111,301.10	67,499.49
15. Consolidated net income for the year		**13,081,565.69**	**10,671,405.20**
16. Retained profits brought forward		67,690,808.59	69,831,147.53
17. Withdrawal from capital reserves		39,101,326.50	22,518,100.55
18. Transfer to legal reserve		0.00	250,688.28
19. Transfer to reserve for own shares		0.00	34.64
20. Minority interest in net income for the year		61,423.26	79,191.05
21. Net retained profits		**119,812,277.52**	**102,690,808.59**

I. GENERAL INFORMATION

The consolidated financial statements as of December 31, 2004 were prepared in accordance with the accounting requirements of the *Handelsgesetzbuch* (HGB – German Commercial Code) and the additional provisions of the *Aktiengesetz* (AktG – German Stock Corporation Act). The income statement was prepared using the total cost (nature of expense) format.

The presentation of the consolidated balance sheet and consolidated income statement is based on the provisions of the *Verordnung über Formblätter für die Gliederung des Jahresabschlusses von Wohnungsunternehmen* (Regulation on Formats for the Classification of Annual Financial Statements of Residential Property Companies). Business activities specific to the Group have been reflected in additional headings in the financial statements.

The comments relating to the items contained in the consolidated balance sheet and consolidated income statement required by law and more detailed disclosures have been provided in the notes.

The annual financial statements of companies included in the consolidated financial statements have been prepared using uniform accounting policies. The single-entity financial statements of the consolidated companies were drawn up at the same balance sheet date as the consolidated financial statements.

II. COMPANIES CONSOLIDATED

The consolidated financial statements include the financial statements of a total of six directly or indirectly affiliated Group companies, in addition to those of the parent company, Deutsche Wohnen AG.

Companies fully consolidated at the balance sheet date were as follows:

SUBSIDIARIES

	Share capital/ capital in €	**Interest in share capital/ capital held 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	9,724,750.00	99.99
b) indirectly affiliated		
Rhein-Main Wohnen GmbH, Frankfurt am Main	5,166,150.00	99.99
Rhein-Mosel Wohnen GmbH, Mainz	10,026,900.00	99.99
Rhein-Nahe Wohnen GmbH, Mainz	9,203,350.00	99.98

III. ASSOCIATES

Investments in associates are not material for the Group within the meaning of section 311 (2) of the HGB; the provisions regarding recognition and presentation of associates in financial statements have therefore not been applied to them.

COMPANY (indirectly affiliated)

	Equity in €	**Interest held in %**
DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Eschborn	58,000,000.00	6.9

The 34.0% interest in the development company Rhein-Pfalz GmbH & Co. KG, Mainz, and the interest in the development company Rhein-Pfalz Verwaltungs GmbH, Mainz, also amounting to 34.0%, were both disposed of in fiscal year 2004.

IV. BASIS OF CONSOLIDATION

The single-entity financial statements were aggregated to form the consolidated financial statements applying the following principles:

Consolidation was performed using the book value method in accordance with section 301 (1) sentence 2 no. 1 of the HGB.

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

First-time consolidation as of December 31, 1998 gave rise to a positive difference of €472,568,015.48. Hidden reserves amounting to €472,564,848.00 were recognized in respect of land and land rights with buildings. Goodwill of €3,167.48 resulting from the consolidation of MT Wohnen GmbH was recognized; this amount was written off in its entirety in 1999.

The first-time consolidation gave rise to positive differences of €392,908.05 attributable to minority interests; hidden reserves in this amount were also recognized in respect of land and land rights with buildings.

Loans, work in progress, receivables, payments on account and liabilities between companies included in the consolidated financial statements were eliminated, as were income and expenses and intercompany profits between the companies included.

V. ACCOUNTING POLICIES

The single-entity financial statements included in the consolidated financial statements are prepared according to principles applied uniformly across the Group.

The accounting policies have not changed fundamentally since the previous year.

Intangible assets acquired for monetary consideration and tangible assets are recognized at cost, reduced by depreciation on a straight-line basis over their useful lives.

The cost of land and land rights with residential buildings in the consolidated financial statements also includes hidden reserves recognized in the context of first-time consolidation. Depreciation of residential buildings is based in principle on a depreciation period of 50 years from the date of first-time consolidation. To the extent that the actual remaining useful lives of buildings were less than 50 years at January 1, 1999, they are depreciated over the relevant shorter period. In addition, writedowns are charged to adjust tangible assets to their fair value at the balance sheet date. Writedowns to the lower fair value are only charged in the event of a probable permanent impairment of value.

Low-value business assets are written off completely in the year of acquisition in accordance with section 6 (2) of the *Einkommensteuergesetz* (EStG – German Income Tax Act).

The Company made use of the option to capitalize interest on borrowings to finance individual properties in determining their cost in fiscal year 2004. Interest on borrowings amounting to €286 thousand in respect of a development project was capitalized in 2004.

Equity investments are recognized at cost. Low-interest and interest-free loans included under other loans are discounted to their present value, to the extent that they were not refinanced at similar rates. Otherwise they are recorded at their nominal amounts.

Land with or without buildings included under current assets is recognized at cost or the lower fair value. Work in progress is measured at cost. Valuation allowances for vacancies and other risks of loss of income were made to the extent required. Receivables and other assets, and cash and cash equivalents are recorded at their nominal amount. Write-downs are made in respect of known risks.

Amounts for discounts included under prepaid expenses are written off over the fixed interest period.

Provisions are recognized in all cases at the amount which is appropriate at the balance sheet date according to the principles of sound business judgement, and reflect all known risks and uncertain liabilities. The provisions for pensions and similar obligations are based on the entry age normal method prescribed for tax purposes, using the biometric tables published by Prof. Dr. Klaus Heubeck in 1998. The discount rate of 6% p.a. is the rate required to be applied by section 6a of the *Einkommensteuergesetz*.

A majority of the employees of Rhein-Pfalz Wohnen GmbH have been granted additional pension benefits in accordance with the regulations governing additional pension benefits in the civil service. The additional benefits are based on the company's membership of the Bayerische Versorgungskammer – Zusatzversorgungskasse der bayerischen Gemeinden (the Bavarian association for providers of civil service and professional pensions and other benefits). In keeping with standard accounting practice, the Company's liability resulting from the additional benefits has not been recognized.

Liabilities are recorded at their repayment amounts. Payments on account received are stated at their nominal values.

VI. DISCLOSURES RELATING TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated balance sheet

The development and classification of fixed assets are shown in the attached statement of changes in fixed assets in Appendix A.

In fiscal year 2004, costs of €6.7 million (previous year: €9.8 million) for subsequent work on buildings were capitalized. This included modernization and improvements in value, as well as the initial installation of new fittings and fixtures or the upgrading of existing ones.

In the year under review, 1,013 residential units in North Hesse were acquired with the intention of reselling them in the next few years. They are included in current assets under land with buildings.

Work in progress includes claims relating to amounts not yet billed for heating and operating costs of €25,587 thousand.

The composition of receivables and other assets, their maturities and their inclusion in other items in the balance sheet can be found in Appendix B.

Own shares shown in the consolidated financial statements relate to shares in Rhein-Pfalz Wohnen GmbH with a nominal value of €9,821.92 held by Rhein-Nahe Wohnen GmbH.

Bank balances include amounts due from affiliated companies (Deutsche Bank AG) of €24,764 thousand (previous year: €64,241 thousand).

The registered share capital of Deutsche Wohnen AG shown in the balance sheet amounted to €10,225,837.62 (previous year: €10,225,837.62). It is divided into 4,000,000 no-par value shares, a substantial majority of which were held in free float at the year-end. Capital reserves have been established in accordance with section 272 (2) no. 4 of the HGB.

Consolidated retained profits brought forward from the previous year amounted to €67,690,808.59 (previous year: €69,831,147.53).

Other provisions include a provision for risks associated with the right of tender on the part of the limited partner in DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Eschborn, in respect of the limited partner's interest in the fund. (The tender period runs from January 1, 2005 to December 31, 2019. The right of tender is valued at a repurchase price of between 105% (2005) and 175% (2019) of the limited partner's initial capital contribution of €54,000 thousand. The provision for the risk deriving from the right of tender was €3,745 thousand as of December 31, 2004.) The other principal items included are maintenance and marketing services not yet billed (€2,753 thousand), personnel expenses (€2,412 thousand) and surplus income from the winding-up of the former rural development project (Landsiedlung) not yet paid out.

The maturities of liabilities, details of collateral provided and the amounts related to other items in the balance sheet can be found in the analysis in Appendix C.

Liabilities from rental activities include tenants' rental deposits of €10,211 thousand (previous year: €9,782 thousand), which are secured by bank guarantees.

Other liabilities include liabilities from taxes of €160 thousand (previous year: €167 thousand) and liabilities from social security amounting to €104 thousand (previous year: €112 thousand).

Rhein-Pfalz Wohnen GmbH has been certified as a renovation and development company in accordance with sections 158 and 167 of the *Baugesetzbuch* (BauGB – Federal Building Code). The company performs assignments delegated by local authorities as their trustee. Work completed up to December 31, 2004 in respect of property renovation and development, and land division and development measures, including trust assets and liabilities, gave rise to income and expenses not yet billed of €129,646 thousand each (previous year: €118,310 thousand). The assignments for which Rhein-Pfalz Wohnen GmbH is responsible as trustee are carried out by the development company Rhein-Pfalz GmbH & Co. KG under the terms of service agreement. The Group also acts as the trustee and administrator of accounts belonging to residential owners' associations amounting to €5,870 thousand (previous year: €6,164 thousand).

In connection with the spin-off of residential stocks to DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG in 1999, the Group assumed guarantee obligations relating to a rental guarantee currently amounting to around €10.2 million per annum until the year 2019. In addition, in return for a fixed annual payment, the Group assumed an obligation to the fund for the continuing maintenance of the spun-off stock, which consists of 2,652 residential and commercial units, until the year 2019. The fund also received guarantees until the year 2019 of the interest rate and repayment terms of loan obligations amounting to €184.4 million at the date of the spin-off, which were transferred with the residential stock.

In addition, the Group has contingent liabilities from guarantees in accordance with sections 765 ff. of the *Baugesetzbuch* of €14 thousand (previous year: €14 thousand), and from the granting of collateral for third-party liabilities of €175,114 thousand (previous year: €175,114 thousand) relating to land charges on spun-off properties which have not been re-registered with the land registry.

Other financial liabilities amounting to €2,551 thousand (previous year: €212 thousand) relate to heritable building rights contracts. A service agreement with affiliated companies in respect of IT services gave rise to other financial liabilities amounting to €3,349 thousand. Additionally, liabilities from leases and long-term rental agreements amounted to €3,706 thousand.

2. Consolidated income statement

Sales from property management include income from the billing of cost allocations amounting to €30,512 thousand (previous year: €33,471 thousand).

Other operating income is principally made up of profits on the sale of residential stock amounting to €40,484 thousand (previous year: €42,025 thousand), prior-period income from the reversal of provisions of €1,293 thousand (previous year: €2,400 thousand), income from receivables written off amounting to €423 thousand (previous year: €471 thousand) and from liabilities no longer recognized of €414 thousand (previous year: €482 thousand).

Personnel expenses include pension costs of €1,291 thousand (previous year: €1,400 thousand).

Write-downs to the lower fair value in accordance with section 253 (2) sentence 3 of the HGB amounted to €2,818 thousand (previous year: €2,266 thousand). They relate to land with residential buildings, undeveloped land and preconstruction costs.

Other operating expenses include administration costs of €8,493 thousand (previous year: €8,544 thousand), sales commissions and costs relating to property purchases of €7,930 thousand (previous year: €8,008 thousand), as well as write-downs of and valuation allowances on receivables of €2,466 thousand (previous year: €2,680 thousand). In addition, the restatement of the real estate stock gave rise to prior-period expenses amounting to €2,439 thousand.

Taxes on income are mainly the result of positive taxable income; the expense was netted against refunds for earlier years and the reversal of provisions for taxes. In the year under review, the net expense for corporation and trade tax amounted to €8,057 thousand (previous year: €9,198 thousand).

Affiliated companies account for €796 thousand (previous year: €1,284 thousand) of other interest and similar income.

VII. OTHER DISCLOSURES

1. The activities of Deutsche Wohnen AG and its subsidiaries are predominantly located in the Rhine-Main area and the Rhineland-Palatinate.

2. The Management Board and the Supervisory Board have issued the declaration of conformity with the Corporate Governance Code required in accordance with section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act) and have made it permanently available to shareholders by publishing it on the Company's website (www.deutsche-wohnen.de).

3. The total remuneration of the Management Board of Deutsche Wohnen AG for fiscal year 2004 can be broken down as follows:

in € thousands	**Total remuneration**	**Remuneration component**	
		fixed	**variable**
Andreas Lehner	408	158	250
Michael Neubürger	233	128	105

4. The remuneration paid to the Supervisory Board in fiscal year 2004 amounted to €24 thousand.

5. The average number of staff for the year (full-time equivalents) was:

   283 employees
   20 trainees

Frankfurt am Main, February 25, 2005

Deutsche Wohnen AG

Andreas Lehner
– Chairman of the Management Board –

Michael Neubürger
– Member of the Management Board –

STATEMENT OF CHANGES IN FIXED ASSETS

in €	Cost Opening balance Jan. 1, 2004	Additions	Disposals
I. Intangible assets			
Concessions, industrial and similar rights and assets and licenses in such rights and assets	542,347.96	94,933.81	0.00
II. Tangible assets			
1. Land and land rights with residential buildings	951,679,311.46	5,987,007.96	53,216,736.76
2. Land and land rights with commercial and other buildings	29,966,951.24	173,717.27	924,835.34
3. Land and land rights without buildings	30,747,989.23	9,007.02	462,277.54
4. Land with third-party heritable building rights	501,199.57	0.00	45,193.09
5. Buildings on third-party land	971,143.53	819.13	0.00
6. Other equipment, office and operating equipment	1,142,832.23	462,788.59	582,958.43
7. Assets under construction	1,197,270.69	203,416.95	0.00
8. Pre-construction costs	790,860.32	501,502.87	174,250.09
9. Payments on account	0.00	174,000.00	0.00
	1,016,997,558.27	**7,512,259.79**	**55,406,251.25**
III. Financial assets			
1. Equity investments	4,238,750.52	0.00	294,500.01
2. Other loans	21,251,442.90	9,580.95	76,211.81
	25,490,193.42	**9,580.95**	**370,711.82**
	1,043,030,099.65	**7,616,774.55**	**55,776,963.07**

Reclassifications	Closing balance Dec. 31, 2004	Cumulative depreciation, amortization and write-downs Dec. 31, 2004	Book value Dec. 31, 2004	Book value Dec. 31, 2003	Depreciation, amortization and write-downs in fiscal year
0.00	637,281.77	545,957.77	91,324.00	39,870.45	43,480.26
1,196,229.94	905,645,812.60	86,895,032.87	818,750,779.73	874,703,648.65	14,645,184.03
3.00	29,215,836.17	4,813,112.08	24,402,724.09	27,043,729.19	2,271,037.47
1,040.75	30,295,759.46	2,736,804.01	27,558,955.45	28,106,766.22	95,581.00
0.00	456,006.48	0.00	456,006.48	501,199.57	0.00
0.00	971,962.66	438,781.88	533,180.78	602,544.84	70,183.19
– 3.00	1,022,659.39	898,256.84	124,402.55	188,951.12	154,884.11
– 1,197,270.69	203,416.95	0.00	203,416.95	1,197,270.69	0.00
0.00	1,118,113.10	594,458.32	523,654.78	671,943.31	475,541.31
0.00	174,000.00	0.00	174,000.00	0.00	0.00
0.00	**969,103,566.81**	**96,376,446.00**	**872,727,120.81**	**933,016,053.59**	**17,712,411.11**
0.00	3,944,250.51	0.00	3,944,250.51	4,238,750.52	0.00
0.00	21,184,812.04	103,565.35	21,081,246.69	21,234,982.61	27,703.03
0.00	**25,129,062.55**	**103,565.35**	**25,025,497.20**	**25,473,733.13**	**27,703.03**
0.00	**994,869,911.13**	**97,025,969.12**	**897,843,942.01**	**958,529,657.17**	**17,783,594.40**

MATURITY STRUCTURE OF RECEIVABLES AND OTHER ASSETS AS OF DECEMBER 31, 2004

	Balance sheet amount	thereof	
Prior-year figures in parentheses in €		with a remaining term of more than 1 year	due from other investees and investors
1. Receivables from rental activities	2,044,733.90 (2,141,893.51)	983.08 (5,596.29)	0.00 (0.00)
2. Receivables from property sales	24,477,121.96 (28,417,515.16)	2,322,942.42 (2,942,706.45)	0.00 (0.00)
3. Receivables from management services	1,783,276.48 (1,669,006.02)	1,772,474.98 (1,452,062.85)	1,772,474.98 (1,452,062.85)
4. Other trade receivables	2,614.57 (7,626.37)	0.00 (0.00)	0.00 (0.00)
5. Receivables from affiliated companies	87,090.77 (6,744.92)	0.00 (0.00)	0.00 (0.00)
6. Other assets	13,506,996.84 (11,269,686.08)	5,069.72 (0.00)	86,089.43 (0.00)
	41,901,834.52 (43,512,472.06)	**4,101,470.20** (4,400,365.59)	**1,858,564.41** (1,452,062.85)

STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2004

in €	Balance January 1, 2004	Distributions	Change from net income for the year
I. Subscribed capital	10,225,837.62	0.00	0.00
II. Capital reserves	313,436,071.62	0.00	0.00
III. Revenue reserves			
1. Legal reserve	1,022,583.76	0.00	0.00
2. Reserve for own shares	9,821.92	0.00	0.00
IV. Consolidated net retained profits	102,690,808.59	35,000,000.00	13,020,142.43
V. Minority interests	581,058.55	0.00	61,423.26
	427,966,182.06	**35,000,000.00**	**13,081,565.69**

MATURITY STRUCTURE OF LIABILITIES AS OF DECEMBER 31, 2004

Prior-year figures in parentheses in €	Balance sheet amounts	thereof with a remaining term of less than 1 year	1–5 years	over 5 years	thereof due to other investees and investors
1. Liabilities to banks	498,582,725.10[1] (527,547,602.63)	20,670,761.43 (18,431,212.54)	106,608,420.82 (51,054,993.91)	371,303,542.85 (458,061,396.18)	0.00 (0.00)
2. Liabilities to other lenders	55,430,965.38[2] (65,482,019.57)	3,625,155.88 (3,786,977.59)	13,689,078.94 (12,382,705.64)	38,116,730.56 (49,312,336.34)	0.00 (0.00)
3. Payments on account received	30,924,410.85 (33,155,039.65)	30,870,304.17 (32,786,045.02)	7,040.49 (184,864.76)	47,066.19 (184,129.87)	0.00 (0.00)
4. Liabilities relating to rental activities	10,885,402.08 (10,432,972.55)	656,586.87 (651,406.86)	10,228,815.21 (9,781,565.69)	0.00 (0.00)	0.00 (0.00)
5. Trade payables	830,549.19 (1,064,713.04)	685,939.84 (912,457.50)	144,609.35 (152,255.54)	0.00 (0.00)	0.00 (0.00)
6. Liabilities to affiliated companies	0.00 (69,337.67)	0.00 (69,337.67)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
7. Other liabilities	12,746,382.60[3] (13,023,413.64)	7,317,441.30 (7,533,565.39)	219,139.70 (219,139.70)	5,209,801.60 (5,270,708.55)	5,284,887.60 (5,270,708.55)
	609,400,435.20 (650,775,098.75)	**63,826,189.49** (64,171,002.57)	**130,897,104.51** (73,775,525.24)	**414,677,141.20** (512,828,570.94)	**5,284,887.60** (5,270,708.55)

[1] Thereof €223,053,460.32 (previous year: €237,811,708.55) secured by mortgages.
[2] Thereof €55,430,965.38 (previous year: €65,443,647.12) secured by mortgages.
[3] Thereof taxes €160,508.64 (previous year: €166,915.61) and social security €103,937.18 (previous year: €111,805.25).

Change from repurchase of minority interests	Withdrawals	Transfers	Balance Dec. 31, 2004
0.00	0.00	0.00	10,225,837.62
0.00	39,101,326.50	0.00	274,334,745.12
0.00	0.00	0.00	1,022,583.76
0.00	0.00	0.00	9,821.92
0.00	0.00	39,101,326.50	119,812,277.52
280,628.95	0.00	0.00	361,852.86
280,628.95	**39,101,326.50**	**39,101,326.50**	**405,767,118.80**

CASH FLOW STATEMENT

in € thousands	2004	2003
1. Net income for the period (including minority interest in net income)	13,082	10,671
2. Depreciation, amortization and write-downs of fixed assets	17,784	18,262
3. Increase/decrease (–) in medium- and long-term provisons	– 36	112
4. Cash flow according to DFVA/SG	**30,830**	29,045
5. Increase/decrease (–) in other provisions	–1,767	5,130
6. Net gains/losses (–) on disposal of fixed assets	– 40,078	– 41,347
7. Increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	–1,337	7,591
8. Increase/decrease in trade payables and other liabilities not related to investing or financing activities	–1,672	– 2,687
9. Cash flows from operating activities	**–14,024**	– 2,268
10. Proceeds from disposal of tangible assets	87,423	84,012
11. Purchase of tangible assets	– 7,512	– 11,184
12. Purchase of intangible assets	– 95	– 34
13. Proceeds from disposal of financial assets	371	212
14. Purchase of minority interests in consolidated companies	– 48	0
15. Purchase of financial assets	– 10	– 27
16. Cash flow from investing activities/housing sales	**80,129**	72,979
17. Cash payments to owners (dividend)	– 35,000	– 40,000
18. Cash proceeds from borrowings	11,109	778
19. Cash repayments of borrowings	– 52,179	– 22,831
20. Cash flows from financing activities	**–76,070**	– 62,053
21. Net change in cash funds	**–9,965**	8,658
22. Cash funds at beginning of period	76,019	67,361
23. Cash funds at end of period	**66,054**	**76,019**

As in the previous year, cash funds comprise cash-in-hand (€6 thousand; previous year €14 thousand) and bank balances (€66,048 thousand; previous year €76,005 thousand). Bank balances include rental deposits of €3,250 thousand (previous year €2,753 thousand).

In fiscal year 2004 cash and cash equivalents of €9,457 thousand were pledged to Aareal Bank AG, and cash and cash equivalents of €1,777 thousand were pledged to Hypo Real Estate Bank AG.

In fiscal year 2004 taxes on income of €10,547 thousand were paid to the tax authorities.

SEGMENT REPORTING

in € thousands	2004	2003
Gross profit from		
– property management	31,902	30,330
– sales of property and buildings	31,264	32,463
– services and other operating income	6,913	7,306
	70,079	**70,099**
Personnel expenses	– 18,163	– 17,965
Other operating costs	– 14,724	– 11,892
Operating result	**37,192**	**40,242**
Interest income and income from investments	2,767	2,254
Interest expense (including for acquisition of investments)	– 15,717	– 16,901
Impairment losses and write-downs	– 2,818	– 2,266
Provision for risks	– 285	– 3,460
Result before taxes	**21,139**	**19,869**
Taxes on income	– 8,057	– 9,198
Consolidated net income for the year	**13,082**	**10,671**

The presentation of segment reporting reflects sector-specific considerations relevant to the Group's business and departs in some respects from the recommendations of the German Accounting Standards Committee (GAS 3). The assets shown in the balance sheet cannot be clearly allocated to a particular segment. For this reason, the segment reporting analysis only takes into account items recognized in the income statement.

Gross profit from property management rose by €1,572 thousand compared with the previous year. Lower estimated rent and higher discounts were largely offset by lower maintenance costs.

At €31,264 thousand, the gross profit from sales of property and buildings was €1,199 thousand below last year's level. This reduction was the result of lower book gains from real estate sales.

Gross profit from services and other operating income results partly from management services of €2,501 thousand (previous year: €2,088 thousand), which mainly comprise condominium management, fund management and renovation and development services. It also includes income from the reversal of provisions of €1,293 thousand (previous year: €2,400 thousand) and income from other services of €295 thousand (previous year: €366 thousand).

The operating result fell by €3,050 thousand; the gross profit decreased as a result of higher personnel expenses and other operating costs compared with the previous year.

The increase of €2,411 thousand in net income for the year is mainly attributable to a reduction of €3,175 thousand in the addition to risk provisions, a reduction of €1,184 thousand in the interest expense for acquisitions of investments and corporate financing and lower taxes on income of €8,057 thousand compared with €9,198 thousand in the previous year.

COMBINED MANAGEMENT REPORT FOR FISCAL YEAR 2004

1. General economic environment

German gross domestic product in 2004 improved by 1.7% over 2003. This was the highest rate of growth for the German economy since the year 2000. Despite a sharply higher euro exchange rate, which made German goods more expensive in foreign markets, German exports rose by 8.2% (imports, on the other hand, grew by only 5.7%). This made them the driving force behind the improvement in gross domestic product in 2004.

Public expenditure in 2004 was up slightly on the previous year (+0.4%), while private spending showed a marginal fall (–0.3%).

Price inflation was modest in 2004, with consumer prices rising by 1.5%. Unit wage costs fell noticeably, thus making a substantial contribution to price stability in Germany.

The rate of unemployment at the end of 2004 was 10.8% (December 31, 2003: 10.4%). However, the working population also rose: on balance 128,000 people found new jobs over the year as a whole, especially through self-employment as a result of setting up their own businesses.

2. German residential property market

According to forecasts by the Federal Statistical Office, the population of Germany will decline by about 10 million people by the year 2050. This assumes that life expectancy will continue to increase and that net annual immigration to Germany will be around 200,000.

Apart from population change, the main determinants of demand for residential property will be the floorspace required by residents and the size of households (currently around 2.1 occupants per household on average). The principal factor influencing floorspace requirements is real income, which has increased only slightly over the last ten years and has actually fallen since 2001.

The total German residential property market currently consists of around 37 million residential units. Around 15 million of these units are owner-occupied, 13 million are owned by private landlords, and about 9 million by public-sector and commercial institutions and companies.

In response to economic pressure, local authorities and industrial companies in particular are currently reviewing their ownership of residential stock. It is likely that in West Germany alone in the current decade, more than one million residential units will be sold in the form of share or asset deals.

Deutsche Wohnen AG intends to take full advantage of this development in the German residential property market: following its first portfolio acquisition in autumn 2004, it aims to increase its residential portfolio substantially through further purchases.

3. General information

As of December 31, 2004, the following companies formed part of the Deutsche Wohnen Group:

- Deutsche Wohnen AG, Frankfurt am Main
- 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

Deutsche Wohnen AG concluded a control agreement in 1999 with DB Real Estate Management GmbH, Eschborn (formerly Deutsche Grundbesitz Management GmbH). DB Real Estate Management GmbH is a 100% subsidiary of Deutsche Bank AG, with the result that Deutsche Wohnen AG is included in the latter's consolidated financial statements.

The activities of the operating subsidiaries of Deutsche Wohnen AG consist exclusively of the management and privatization of its real estate stock.

As of December 31, 2004, the real estate portfolio was made up as follows:

Total residential stock	28,775 units
Of which: own apartments	22,779 units*
Of which: managed by third parties	5,996 units
Total commercial units	130 units
Of which: own commercial units	88 units
Of which: managed by third parties	42 units
Total residential space	1.45 million m^2
Average size of apartment	64 m^2
Commercial space	34,282 m^2
Undeveloped space	611,310 m^2

* Note: In August 2004, Rhein-Pfalz Wohnen GmbH acquired 1,013 residential units located in Kassel and North Hesse (see below under 'Portfolio acquisition in 2004').

4. Business activities in 2004

a) Residential Property Management

A substantial part of the core business of the Deutsche Wohnen Group consists of the management of residential real estate.

A major focus of operations in 2004 was the drive to reduce the vacancy rate in the residential property portfolio. As of December 31, 2004, the overall vacancy rate of 7.3% (around 1,600 residential units) as compared with the previous year was broken down as follows:

in %	Dec. 31, 2004	Dec. 31, 2003
Overall vacancy rate	7.3	7.8
– of which due to modernization	0.2	0.8
– of which due to development	0.8	0.6
– of which awaiting lease	2.7	2.4
– of which awaiting sale	3.6	3.9

Average monthly estimated rent almost reached the level of 2003 (€4.96 per m^2), amounting to €4.95 per m^2 at the balance sheet date. The loss of rent resulting from the overall vacancy rate of 7.3% was around €7.8 million. Total estimated rental income amounted to €90.3 million (2003: €92.4 million), while actual rental income amounted to €82.6 million (2003: €85.3 million).

Maintenance costs for the real estate stock in fiscal year 2004 were €12.92 per m^2 (2003: €14.44 per m^2). Given an average size of dwelling of 64 m^2, this amounted to around €847 per residential unit. Modernization costs requiring capitalization of around €2.70 per m^2 or €176 per unit were also incurred. Total maintenance expenses for 2004 were €19.1 million (2003: €22.9 million).

The reduction in maintenance costs of around 17% is the result of the portfolio strategy of investing only in those units which show continuing earnings potential with regard to rental or sale at least in the medium term.

The segment reporting that forms part of the consolidated financial statements shows substantial costs in the property management segment amounting to €14.6 million (2003: €15.5 million) for depreciation of residential and commercial buildings used by third parties, and €13.0 million (2003: €13.1 million) for interest expenses relating to property financing.

The gross profit from sales and expenses relating to property management in 2004 was €31.9 million (2003: €30.3 million).

b) Housing Privatization

Housing Privatization is the second major area of the Deutsche Wohnen Group's core operating business.

In fiscal year 2004, as the table below shows, approximately the same number of housing sales was recorded as in 2003.

Housing sales	2004	2003
Number of housing sales recorded	1,338	1,317
Average sale price (€ per m^2)	1,035	1,044

The regional sales breakdown was as follows: around 58% (777 residential units) of sales related to units in the Rhineland-Palatinate, 41% (550 residential units) of sales were located in the Rhine-Main area and around 0.1% (11 residential units) in North Hesse.

The book gain resulting from all residential transactions amounted to €40.2 million in total (2003: €41.5 million).

After marketing and pre-sale expenses totaling €7.9 million (2003: €8.0 million) and write-downs of receivables from the sale of property of €1.1 million (2003: €1.0 million), the gross profit from Housing Privatization in 2004 amounted to €31.3 million (2003: €32.5 million).

in € m	2004	2003
Gross profit from sale of developed property classified as fixed assets	40.1	41.3
Gross profit from sale of developed property classified as current assets	0.1	0.2
Gross profit from sale of undeveloped property	0.1	0.0
Marketing expenses	–4.3	–4.0
Pre-sale expenses	–3.6	–4.0
Write-downs of receivables from property sales	–1.1	–1.0
Total gross profit from sales	**31.3**	**32.5**

c) Portfolio management

Although the portfolio management activities do not initially make a quantifiable contribution to the Group's results, they represent a vital link between the management and sales operations. The portfolio management system enables rental data to be collected at the level of individual properties, and the rental contribution a residential unit is capable of generating in the coming years to be calculated. It also allows scenarios to be drawn up showing the likely sales proceeds in the event that a unit is privatized. Coordinated investment and sales programs can be produced on the basis of this information, which only close cooperation between portfolio management, property management and sales is able to provide. Portfolio management also plays a role in the annual determination of the fair value and net asset value for the Group, as well as analyzing market reports and feeding the conclusions drawn into the decision-making process. Finally, this area is involved in due diligence activities associated with our aim of acquiring further residential stock.

5. Results

a) Consolidated net assets

The largest item under tangible assets is land and land rights with residential buildings, which fell by approximately €56.0 million to €818.8 million as a result of housing sales. Further selected items from the asset side of the Group balance sheet are as follows:

in € m	2004	2003	Change
Tangible assets	872.7	933.0	–60.3
Financial assets	25.0	25.5	–0.5
Current assets	146.2	150.9	–4.7
– of which: cash-in-hand and bank balances	66.1	76.0	–9.9

b) Group capital structure

Total equity shown in the consolidated balance sheet for 2004 of €405.8 million is composed principally of subscribed capital of around €10.23 million, capital reserves of €274.3 million, revenue reserves of €1.0 million and net retained profits of €119.8 million.

Consolidated equity fell by €22.2 million compared with 2003 (€428.0 million) due to a further withdrawal from the capital reserves of Deutsche Wohnen AG. The way this capital withdrawal is structured is a precondition for Deutsche Wohnen AG's ability to make tax-free distributions to its shareholders.

Around 82% of all Group liabilities, which totaled €609.4 million at December 31, 2004, consist of amounts due to banks. These can be broken down as follows:

in € m	2004	2003
Property financing loans	211.4	216.7
Long-term loans and registered bonds	250.8	250.8
Other long-term loans	9.1	33.3
State building loans	17.4	18.1
Short-term loans and accrued interest	9.9	8.6
Total liabilities to banks	**498.6**	**527.5**

Property financing loans consist of loans relating to specific residential and commercial properties included under fixed assets.

The long-term loans and registered bonds were placed with Hessische Landesbank in 1998. They were partially assigned by Hessische Landesbank to Naspa Dublin (Ireland) in 1999. They bear interest rates of 4.94% p.a. in the case of the loans and 5.38% p.a. in the case of the bonds, fixed until May 6, 2009 and May 6, 2014 respectively.

The average rate of interest on all liabilities to external lenders, which amounted to €554.0 million as of December 31, 2004, was 4.74% p.a.

The equity ratio for the Deutsche Wohnen Group rose by 0.3 percentage points to 38.9% (December 31, 2003: 38.6%). This ratio between equity and total capital will allow the intended portfolio acquisitions to be financed (see further information under 'Outlook').

c) Consolidated income statement

The consolidated result from ordinary activities for 2004 improved by 7% from €19.9 million to €21.2 million. The main factors influencing the rise were lower expense items, shown in the table below, which more than made up for the fall in rental income and income from sales compared with 2003.

Taxes on income (corporation tax and trade tax) of €8.1 million showed a reduction in the tax expense of €1.1 million or 12% over 2003 (€9.2 million).

The resulting consolidated net income for 2004 of €13.1 million was around 22% higher than in 2003 (€10.7 million).

The two principal causes of this were the lower tax expense mentioned above and the €1.8 million improvement in the net interest expense.

The following items in the consolidated income statement for 2004 showed substantial changes from 2003:

in € m	2004	2003	Effect on income
Sales	116.9	124.9	−8.0
of which from property management	113.8	119.9	−6.1
Other operating income	44.6	46.9	−2.3
of which income from housing sales	40.5	42.0	−1.5
Interest income	2.1	1.6	+0.5
Property management expenses	51.2	57.4	+6.2
Other operating expenses	25.1	25.6	+0.5
Interest expense	28.7	30.0	+1.3
Result from ordinary activities	**21.2**	**19.9**	
Taxes on income	8.1	9.2	+1.1
Net income for the year	**13.1**	**10.7**	
Net retained profits	119.8	102.7	

The lower amount for sales from property management is the result of the reduction in residential stock due to privatization since, once sold, units can no longer generate rental income for the Group in the subsequent period.

Income from housing sales fell despite the slightly higher number of 1,338 recorded sales compared with 1,317 for 2003 (see "Housing Privatization" above). The main reason for this was the sale in 2004 of a development property with a total of 104 residential units, which was able to make only a small contribution to the Group's results.

d) Additional key consolidated figures

in € m	2004	2003	Change
DVFA/SG earnings	11.8	8.1	+3.7
DVFA/SG cash flow	30.8	29.1	+ 1.7
EBIT	47.2	47.7	–0.5
EBITDA	64.9	66.0	– 1.1

in %	2004	2003	Change
Equity ratio	38.9	38.6	+0.3
Return on equity	3.1	2.5	+0.6
Asset cover ratio 1	45.2	44.7	+0.5
Asset cover ratio 2	105.7	106.1	–0.4
Liquidity ratio	154.3	159.7	–5.4

e) Annual financial statements of Deutsche Wohnen AG

The equity of Deutsche Wohnen AG, which functions as a management holding company, amounted to €320.6 million at the balance sheet date, a reduction of €39.1 million compared with December 31, 2003 (€359.7 million). This was due to the withdrawal of a similar amount from capital reserves (2003: €22.5 million).

The withdrawal from capital reserves was used to offset the net loss for the year of €4.1 million and to report net retained profits of €35 million.

Deutsche Wohnen AG is the principal shareholder of the consolidated company Rhein-Pfalz Wohnen GmbH, with a holding of 99.89%. In order to strengthen the equity of Rhein-Pfalz Wohnen GmbH, 30.96% of Deutsche Wohnen AG's holding in Main-Taunus Wohnen GmbH & Co. KG was transferred to Rhein-Pfalz Wohnen GmbH by means of a capital increase against non-cash contributions. The effect of this was to reduce Deutsche Wohnen AG's holding in Main-Taunus Wohnen GmbH & Co. KG to 69.03%.

Deutsche Wohnen AG's income from its holding in Main-Taunus Wohnen GmbH & Co. KG fell by €4.4 million compared with the previous year. Interest income from intragroup shareholder loans was reduced by €11.3 million in the context of the loan restructuring. This was the principal cause of the net loss for the year of €4.1 million recorded at Deutsche Wohnen AG level at the 2004 year-end (2003: net income of €12.7 million).

The Management Board and Supervisory Board will propose at the Annual General Meeting for 2005 that the net retained profits of Deutsche Wohnen AG amounting to €35.0 million be distributed in their entirety to the shareholders.

6. Employees

The Chairman of the Management Board has been an employee of Deutsche Wohnen AG since January 1, 2004; the second member of the Management Board has also been an employee of Deutsche Wohnen AG since January 1, 2005. Deutsche Wohnen AG has no other employees.

At the 2004 year-end, a total of 294 staff and 19 trainees were employed by companies belonging to the Group (December 31, 2003: 312 and 21 respectively).

7. Risk management

The Deutsche Wohnen Group is exposed to operating risks, financial risks and market risks, which are described in the following paragraphs.

| Operating risks: As part of the process of risk management, actual figures achieved and any variances from the business plan are constantly monitored. This enables negative developments to be identified as an early stage so that steps can be taken to initiate appropriate countermeasures.

In the context of the services provided by DB Real Estate Management, Deutsche Wohnen AG has developed an IT network. The IT network is protected from external attacks by means of a firewall system. All data are backed up on a daily basis. The probability that the Company could risk losing vital data can be classified as extremely low.

| Financial risks: Fundamental changes in the basis of taxation can give rise to financial risks. External tax consultants provide ongoing support and advice to the management of Deutsche Wohnen AG in tax matters, and at the same time keep them permanently up to date with changes in tax law. This enables the management to put any necessary measures into effect in good time.

An additional basic financial risk could arise as a result of interest rate changes in respect of existing borrowings. The Deutsche Wohnen Group has reduced risk from interest rate changes significantly by taking out long term loans.

A particular financial risk arises from the obligation on the part of Rhein-Pfalz Wohnen GmbH, with effect from 2005 until 2019, to repurchase shares in DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, a closed-end real estate investment fund. The 2,600 or so residential units owned by the fund are of a consistently high quality. The risks for the Group derive from the locations of these units, which are no more than average, and the resulting uncertain prospects for rental income and low potential for appreciation in value.

Changes were made to the structure of shareholder loans within the Group with regard to the amendment to section 8a of the *Körperschaftsteuergesetz* (KStG – German Corporation Tax Act), which came into effect on January 1, 2004.

The Group faces no financial risks from the point of view of liquidity, given that bank balances at the 2004 year-end amounted to €66.0 million. This represents a reduction of around €10 million compared with December 31, 2003 due to higher repayments of debt than in the previous year, which also improved the financial result. In total, debt repayments in 2004 amounted to around €41.1 million (2003: around €22.8 million).

The liquidity ratio was 154.3%.

The Group's long-term business plan, revised in November 2004, plays a major role in risk management and the overall control of the Group. The plan is regularly updated and submitted to the Supervisory Board.

Market risks: Market risks are posed by possible changes in general economic conditions which may have a negative effect on rental income and the market environment as a result of higher vacancy rates and lower income from property sales. The Company's Residential Property Management and Housing Privatization business areas worked together successfully in 2004 to address the issue of vacancy management: the overall vacancy rate fell by 0.5 percentage points compared with December 31, 2003 to 7.3%.

With reference to section 289 (2) of the *Handelsgesetzbuch* (HGB – German Commercial Code), there are currently no identifiable risks of price changes, loss of income or liquidity which are abnormal for the sector, or risks of fluctuations in payment flows requiring particular protective measures.

Annual impairment tests based on fair values, carried out at the level of individual companies at their respective balance sheet dates, are used to assess potential risks to Deutsche Wohnen AG resulting from the carrying amounts of shareholdings in affiliated companies. There was no evidence of any such risk at December 31, 2004.

The Management Board is of the opinion that the sum total of all risks will not affect the continued existence of the Deutsche Wohnen Group.

In preparation for major investment decisions by the Management Board, such as prospective large portfolio acquisitions, and in the context of assessing the market value of the Group's own residential stock, external appraisals and reviews are generally obtained. They are used to validate the Company's own calculations and are discussed with the Supervisory Board. At its quarterly meetings, the Supervisory Board also reviews the effectiveness of the Group control and risk management systems presented by the Management Board. The ongoing cooperation of the Management Board and the Supervisory Board ensured a constant exchange of information in 2004 as well, to the benefit of the Company.

The risk management system is documented monthly, quarterly and annually. The results of housing sales are analyzed and presented monthly, and the results of rental activities and vacancy statistics quarterly, both at business area and at Group level. The internal risk management handbook is brought up to date once a year.

8. Portfolio acquisition in 2004

On July 26, 2004, Rhein-Pfalz Wohnen GmbH acquired 1,013 residential units from WOHNSTADT Stadtentwicklungs- und Wohnungsbaugesellschaft Hessen mbH.

The intention is to dispose of all of these residential units within the next five fiscal years. For this reason, the units have been recorded under current assets.

As of December 31, 2004, 11 residential units from this portfolio had been sold.

9. Events of particular significance occurring after the end of the fiscal year

In January 2005, the fair value of the Deutsche Wohnen Group's real estate stock as of December 31, 2004 was assessed. The fair value of the residential stock included under fixed assets amounted to approximately €1.23 billion, or €855.78 per m^2. The method of calculation used was reviewed by DTZ Property Advisors and judged to be appropriate.

On the basis of fair value and after deducting consolidated liabilities, provisions and capitalized overheads (costs of management not taken into account in calculating fair value), the total net asset value at December 31, 2004 amounted to €787.5 million, or €196.88 per share.

In order to optimize the Group's tax position, internal reorganization measures are being put into effect, which will involve the merger of Rhein-Main Wohnen GmbH with Rhein-Nahe Wohnen GmbH.

10. Outlook

Deutsche Wohnen AG is aiming for deconsolidation from the Deutsche Bank group in 2005. The inclusion of Deutsche Wohnen AG in the Deutsche Bank group is based firstly on the existence of a shareholders' right of tender, and secondly on the control agreement with DB Real Estate. The necessary discussion of both these topics with Deutsche Bank AG was commenced in 2004 and is currently (February 2005) still continuing. Deutsche Wohnen AG will keep shareholders and the capital markets in general informed of new developments in this respect.

Deconsolidation from the Deutsche Bank group would give Deutsche Wohnen AG the practical and financial flexibility to enlarge its residential real estate portfolio substantially through the acquisition of larger residential stocks, in order to take advantage of the current market environment.

Thanks to its well-balanced capital structure, however, Deutsche Wohnen AG is already in a position to expand its current residential portfolio by targeted purchases of relatively small residential portfolios, or at least to offset the annual rate of privatization. Capitalization measures to finance further growth are planned in the event that the deconsolidation from the Deutsche Bank group goes ahead.

In the operational area, we intend to maintain the quantity and quality of housing privatization activity at its previous level. The aim is to reduce the vacancy rate further and to monitor the value obtained from expenditure on maintenance and general administration on an ongoing basis.

We expect the operating result for the 2005 fiscal year to be at the same level as in 2004.

AUDITORS’ REPORT

We have audited the annual financial statements, together with the bookkeeping system, of Deutsche Wohnen AG as well as the consolidated financial statements prepared by the Company comprising the balance sheet, the income statement, the cash flow statement, the segment reporting analysis, the statement of changes in equity and the notes, and the combined management report for the Company and the Group for the fiscal year from January 1 to December 31, 2004. The preparation of these documents in accordance with German commercial law is the responsibility of the Company’s Management Board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, as well as on the consolidated financial statements prepared by the Company and the combined management report for the Company and the Group, based on our audit.

We conducted our audit of the annual and consolidated financial statements in accordance with section 317 of the *Handelsgesetzbuch* (HGB – German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that material misstatements affecting the presentation of the net assets, financial position and results of operations in the annual and consolidated financial statements in accordance with German principles of proper accounting and in the management report for the Company and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual and consolidated financial statements and the combined management report for the Company and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting and consolidation principles applied and significant estimates made by management, as well as evaluating the overall presentation of the annual and consolidated financial statements and the combined management report for the Company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements and the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Company and the Group in accordance with German principles of proper accounting. On the whole the management report provides a suitable understanding of the Company's and the Group's position and suitably represents the risks of future development.

Frankfurt am Main, February 25, 2005

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Dr. Lemnitzer)
Wirtschaftsprüfer

(Janus)
Wirtschaftsprüfer

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

The Supervisory Board discussed the Deutsche Wohnen Group's business development together with the Management Board at four meetings in fiscal year 2004. The Supervisory Board's discussions relating to the Group's long-term business planning, the purchase of a residential property portfolio in North Hesse and the revised privatization program were of particular importance.

The Supervisory Board resolved the transactions and measures submitted to it for examination and approval in accordance with the law and the Articles of Association.

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited the annual financial statements, the consolidated financial statements and the combined management report and Group management report for fiscal year 2004 submitted by the Management Board, and granted them an unqualified audit opinion.

The Supervisory Board examined the audit reports prepared by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and endorsed the auditors' findings.

The Supervisory Board approved the annual financial statements prepared by the Management Board at its meeting on April 21, 2005. The annual financial statements are therefore adopted. The Supervisory Board also examined and approved the consolidated financial statements on April 21, 2005. In addition, the Supervisory Board endorsed the Management Board's proposal on the appropriation of the net retained profits. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft attended the Supervisory Board's meeting on April 21, 2005 and reported on the key findings of its audit to the Supervisory Board and the Management Board.

The Management Board and the Supervisory Board comply with the requirements of the German Corporate Governance Code. The current version of the joint declaration of conformity required under section 161 of the *Aktiengesetz* (German Stock Corporation Act) is permanently available for inspection at "www.deutsche-wohnen.de".

The Supervisory Board would like to thank the Management Board for its constructive cooperation and its achievements in 2004. The Supervisory Board also wishes to thank the Company's employees for their hard work.

Eschborn, April 21, 2005

On behalf of the Supervisory Board

Helmut Ullrich
– Chairman –

Management Board and Supervisory Board

MANAGEMENT BOARD
(as of May 2005)

Andreas Lehner
– Chairman –
Bochum

Michael Neubürger
Bad Homburg

SUPERVISORY BOARD
(as of May 2005)

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– Chairman –
Königstein
Managing Director
DB Real Estate Management GmbH, Eschborn
DB Real Estate Investment GmbH, Eschborn

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Düsseldorf
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Ärzteversorgung Westfalen-Lippe
Einrichtung der Ärztekammer Westfalen-Lippe
– Körperschaft des öffentlichen Rechts –

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The shares of Deutsche Wohnen AG are officially listed on the stock exchange in Luxembourg and are traded on the unofficial markets at the stock exchanges in Frankfurt am Main, Düsseldorf, Stuttgart and Berlin

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CALENDAR

June 2, 2005
Kempen & Co European Property Seminar, Amsterdam

August 16, 2005
Interim Report as of June 30, 2005

October 26, 2005
"Real Estate Share Initiative" Conference, Frankfurt am Main

November 8, 2005
Interim Report as of September 30, 2005

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