INSIGHTS – OUTLOOK » INTERIM REPORT AS OF MARCH 31, 2009

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INTERIM REPORT AS OF MARCH 31, 2009
CONTENT

KEY FIGURES

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Operational figures of the consolidated balance sheet	03/31/2009	12/31/2008
	EUR m	EUR m
Investment Properties	2,893.5	2,900.7
Current assets	106.5	110.4
Equity	624.4	649.3
Financial liabilities	2,073.0	2,089.2
Total assets	3,127.2	3,126.7
Net asset value	627.0	646.3
Net asset value per share	23.75	24.48

Operational figures Group P&L	Q1/2009	Q1/2008	12/31/2008
	EUR m	EUR m	EUR m
Results from rental business	39.0	39.3	147.8
Results from privatisation business	0.6	0.8	13.2
Administration expenses	–8.6	–10.6	–38.9
EBITDA	33.0	32.9	130.6
Profit or loss for the period	–2.2	–22.7	–255.9
Funds from operations	9.0	5.8	26.1
Funds from operations per share	0.34	0.22	0.99

Share	03/31/2009	03/31/2008	12/31/2008
Share price (EUR)	11.40	18.01	9.49
Number of shares	26,400,000	26,400,000	26,400,000
Market capitalisation (EUR m)	301.00	476.00	251.00
Primary stock exchange			Xetra
Indices			SDAX, EPRA/Nareit, MSCI
ISIN/Stock symbol (bearer share)			DE000A0HN5C6/DWNI

INTERIM MANAGEMENT REPORT

INTERIM MANAGEMENT REPORT

In the first quarter of 2009, we were able to continue the successes of the operational development of the previous quarters.

- The m² rent in the core portfolio increased further by 0.3 % to EUR 5.25, the most strongly in our development portfolio (cluster B) by 0.8 % to EUR 4.76 per m². Here, our investments in the property paid off.
- The vacancy rate could be reduced by 0.2 % to 3.7 % in the core holdings. The rental volume in the west (cluster A), where the vacancy rate was lowered from 5.1 % to 4.6 %, was especially successful.
- In the area of privatisation, we have already notarially concluded 205 purchase agreements, of a goal of 500 housing units for the year. Of these 205 sold units, 59 units reflected in the balance sheet in the first quarter of 2009. The average sales price was 32 % above the respective fair value.
- The cost savings initiated in the past year are having full effect in 2009; accordingly, personnel costs in the 1st quarter were lowered by 22 % and material costs by 11 % compared to the previous year's quarter.
- The financial result also declined by just under 10 % to EUR 27.6 million as a consequence of the redemptions in 2008.

As a result, the operative improvement translated into a significantly higher FFO of EUR 0.34 per share (Q1 / 2008: EUR 0.22 per share).

Structurally, we considerably improved service quality with the introduction of SAP and an additional organisational and procedural improvement in the property management division.

On the turbulent capital markets, the share price of Deutsche Wohnen held its ground better than average. With a share price of EUR 11.40 per share at the end of the quarter, the share has increased by 20 % since the beginning of the year.

New serious risks in connection with the development of the economic situation cannot be observed. We therefore expect a stable operative development also for the future business development. Further key areas of activity are the reduction of the debt position and the protection of arising growth opportunities.

A PORTFOLIO STRUCTURE

Overall, Deutsche Wohnen is managing 50,414 residential units as of the reporting date.

Our holdings in the **core portfolio** with presently 33,788 residential units are located in growing **metropolitan areas such as Berlin and Frankfurt / Main** and / or in interesting development areas such as the Rheintal-Süd with economically strong industrial centres such as Ludwigshafen / Mannheim or cultural / scientific centres such as Karlsruhe / Heidelberg. Here, we see the largest and most sustainable rental potentials and thus growth.

The by far largest **single location is still Berlin, with a portfolio share of almost 50 % or 67 % in the core holdings respectively.**

	Residential				Commercial		Parking
	Units	Area m² k	Rent EUR/m²	Vacancy rate %	Units	Area m² k	Units
Core portfolio	**33,788**	**2,038**	**5.25**	**3.7**	**382**	**70**	**8,051**
Berlin	22,757	1,369	5.04	3.0	270	37	1,855
Frankfurt/Main	3,661	217	6.71	3.4	43	17	1,825
Rhine-Main	3,282	203	5.78	7.9	59	15	1,963
Rheintal-Süd	4,088	249	4.74	4.7	10	1	2,408
Disposal	**14,005**	**880**	**4.78**	**11.5**	**81**	**7**	**5,213**
Single privatisation	4,958	330	5.26	12.0	20	2	1,839
Bloc sales	9,047	550	4.48	11.2	61	5	3,374
Own properties*	**47,793**	**2,918**	**5.11**	**5.9**	**463**	**77**	**13,264**
DB 14	2,621	179	5.43	5.8	31	8	2,624
Own properties incl. DB14	**50,414**	**3,096**	**5.13**	**5.9**	**494**	**85**	**15,888**

* not incl. North Hessen

B PORTFOLIO STRATEGY

Our business model is characterised by three main approaches:

1. Internal growth:
Full utilisation of rent development potentials

We plan to raise rents in our portfolio by 3–4 % each year. We can achieve this by making consistent use of adjustments to the rent index through targeted modernisation measures that can be allocated to tenants and through a reduction in the vacancy rate. In Berlin, we have been achieving average annual increases of 3–4 % for 3 years now. Market conditions and the property/location-based characteristics of our portfolio open up opportunities to enjoy continued above-average growth.

» Purposefully realising potential «

Paracelsusstraße, Berlin Pankow

Loreleistraße, Frankfurt/Main

2. Value-based privatisation

We have laid a sustainable foundation for our privatisation business involving the sale particularly of residential properties to occupants who want to become owners. The earlier volume and liquidity-driven sales strategy is no longer a priority. Rather, our properties are to be sold at least at fair value as part of a continuous concentration of our portfolio.

The **single sale partial portfolio** with presently 4,958 housing units is made up of the holdings released for sale in preceding years mainly in Berlin and Rhine-Main. We have assumed sales of about **500 units p. a.** in our planning, which corresponds to a sales rate of 10 % p. a. of this partial portfolio or 1 % p. a. of the entire portfolio respectively.

3. External growth: Focus on areas of high population density

Our strategy involves the concentration of our portfolio holdings in areas of high population density in Germany which show high rent development potential. Deutsche Wohnen has acquired another high-growth location through the purchase of the residential property holdings in Berlin. Along with the Rhine-Main region, home to the Frankfurt / Wiesbaden / Mainz centres, a large part of the portfolio is already located in the strategically targeted high population centres.

The **block sale partial portfolio** with presently 9,047 housing units includes all the holdings that are to be sold for strategic reasons within the next three years. These holdings mainly consist of property in rural regions of the **Länder Rhineland-Palatinate and Brandenburg.** We use the liquidity generated by sales for the repayment of credits or use it specifically for new acquisitions.

Elderly care and residential care homes

This division concentrates primarily on the operation of high-quality, in-patient care facilities located predominantly in Berlin and / or the new Länder which is carried out by the KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH. Overall, just under 1,500 beds are managed in this division, making it one of the larger private providers in Germany. The division has been developed in the last years by the GEHAG GmbH, increasing it in value, and today stands on a solid and productive foundation. Especially the utilisation of on average 97 %, which is above the nationwide average, and thus a turnover and profit development exceeding the internal planning show the profitability of this division. In the first quarter, an earnings contribution of EUR 8,1 million was generated for a turnover of EUR 2.3 million.

» Continuity in the holdings «

Prießnitzstraße, Berlin Pankow

C OPERATIONAL DEVELOPMENTS

Leasing

	Rents					Vacancy rate		
	Q1/2009	Q4/2008	Develop-ment	Market rents	Potential	Q1/2009	Q4/2008	Develop-ment
	EUR/m²	EUR/m²	%	EUR/m²	%	%	%	%
Core portfolio	5.25	5.23	0.3	5.90	12.4	3.7	3.9	−3.3
Cluster A	5.33	5.31	0.4	5.80	8.8	3.3	3.4	−3.2
Berlin	5.08	5.06	0.4	5.60	10.2	2.6	2.5	3.2
Frankfurt/Main	6.71	6.68	0.4	7.60	13.3	3.4	3.9	−11.7
Rhine-Main	5.78	5.77	0.2	6.00	3.8	7.1	8.1	−11.9
Rheintal-Süd	4.89	4.88	0.2	5.40	10.4	3.8	3.7	3.8
Cluster B	4.76	4.72	0.8	6.10	28.2	6.8	7.1	−3.8
Berlin	4.77	4.72	1.1	6.00	25.8	5.6	6.2	−9.2
Rhine-Main	5.74	5.71	0.5	8.30	44.6	12.4	11.2	11.4
Rheintal-Süd	4.37	4.35	0.5	5.50	25.9	7.1	7.4	−3.5

The average rent of the core holdings amounts to EUR 5.25 per m² as of March 31, 2009. Thus it was possible within three months to increase the rent by EUR 0.02 per m² or by 0.3 % against the previous quarter.

The vacancy rate could be lowered again by 3.3 % to 3.7 % compared to December 2008. In Berlin, we have reached full occupancy with a leasing rate of 97.4 %. The development of the vacancy rate in the Rhine-Main region is to be especially highlighted. Here, the vacancy rate has decreased by 5.1 % to 4.6 % (improvement by 9.8 %), thanks to an improved rental performance.
In reference to an average market rent of EUR 5.90 per m², a rent potential of EUR 0.65 per m² or 12.4 % results. Especially in cluster B, we expect to realize the market potential of EUR 1.34 per m² or on average 30 % through specific modernisation measures.

The relatively high vacancy rate in cluster B is on purpose and is to be successively reduced in the course of the modernisation measures.

Sales

The following table gives an overview of the transactions in the first quarter - independent of the transfer of title:

	Units	Transaction volume	Fair Value	Difference
		EUR m	EUR m	EUR m
Single privatisation	205	16,2	12,3	3,9
Bloc sale	835	15,6	15,2	0,4
Total	1.040	31,8	27,5	4,3

In the context of the **single privatisation,** purchase agreements with a sales volume of EUR 16.2 million for 205 units were concluded in the first quarter. The average sales price amounted to EUR 1,181 per square meter and was thus 32 % above the fair value. For the property in Berlin, average rent multipliers of 23 x could be arranged, for the Rhine-Main region multipliers of 18 x. Of the 205 sold units, 59 were recognised in the profit and loss statement in the first quarter with a purchase price of EUR 4.6 million and a fair value of EUR 3.3 million.

For the **bloc sales** that are part of the portfolio adjustment, we concluded purchase agreements for 835 units and a transaction volume of EUR 15.6 million in the first quarter. Of these, only 35 units were recognised in the profit and loss statement with a purchase price of EUR 0.9 million and a fair value of EUR 0.8 million in the first quarter.

D ASSET, FINANCIAL AND EARNINGS POSITION

Earnings position

	Q1 / 2009	Q1 / 2008
	EUR m	EUR m
Estimated rent income	51.5	52.2
Income shortfalls	–3.5	–3.8
Reduced rent	–0.4	–0.4
Operating costs result	–1.7	–1.5
Net rents	**45.9**	**46.5**
Maintenance and restoration	–6.1	–6.8
Other income and expenses	–0.8	–0.5
Results from rental business	**39.0**	**39.3**
Revenue from sales	5.5	7.6
Sales expenses	–0.8	–1.1
Carrying amount debit	–4.1	–5.7
Results from privatisation business	**0.6**	**0.8**
Employee expenses	–5.5	–7.1
General and administration expenses	–3.1	–3.5
Administration expenses *)	**–8.6**	**–10.6**
KATHARINENHOF®	2.3	2.1
AKF	0.0	0.7
Miscellaneous	–0.3	0.5
Other business segments	**2.0**	**3.3**
EBITDA*	**33.0**	**32.9**
Depreciation	–0.5	–0.8
Market value adjustment	0.0	0.5
EBIT*	**32.5**	**32.5**
Market value adjustment of the derivative financial instruments	0.0	–24.0
Financial result	–27.6	–30.6
EBT*	**4.9**	**–22.0**
Restructuring and reorganisation expenses	–4.2	–1.3
Tax	–2.9	0.6
Profit or loss for the period	**–2.2**	**–22.7**

* adjusted for restructuring and reorganisation expenses

Except for the restructuring and reorganisation costs, the first quarter of 2009 has not been influenced by special items.

In spite of the sell-offs due to sales in 2008, the result of the residential property management could be kept at the level of the previous year, since the realised rent increases compensate for the rent losses of the sold units. Apart from this, we refer to our explanations in section "4. Operative Developments".

The cost savings in the administrative area are to be especially highlighted. Personnel expenses decreased in comparison with the previous year's quarter by EUR 1.6 million or 22 %. Material costs decreased by EUR 0.4 million.

The financial result could be lowered by EUR 3 million or 9.8 % through the amortisations in 2008.

The restructuring and reorganisation expenses (EUR 4.2 million) include compensations and continued payments of wages amounting to EUR 3.4 million; these are offset by future, annual cost savings of up to EUR 2 million.

Furthermore, EUR 0.8 million were accumulated in the context of the reorganisation.

Net asset position

The balance sheet total as of March 31, 2009 of EUR 3,127.2 million has only negligibly changed against December 31, 2008 (EUR 3,126.7 million). With 93 %, the investment properties makes up the largest balance sheet item (EUR 2,893.5 million).

The current assets amount to EUR 106.5 million and include as the largest single items cash and cash equivalents with EUR 40.7 million and the noncurrent assets held for sale with EUR 21.5 million.

On March 31, 2009, the equity amounted to EUR 624.4 million.

The current and noncurrent financial liabilities with EUR 2,073.0 million decreased compared to the end of 2008 due to amortisations (December 31, 2008: EUR 2.089,2 million).

Thus we were able to improve our debt position to 70.1 %:

	03/31/2009	12/31/2008
	k EUR	k EUR
Financial liabilities	2,072,953	2,089,173
Convertible bond	25,714	25,430
	2,098,667	2,114,603
Cash and cash equivalents	–40,729	–41,974
Net financial liabilities	**2,057,939**	**2,072,628**
Investment properties	2,893,458	2,900,673
Land and buildings held for sale	19,364	19,355
Noncurrent assets held for sale	21,500	17,696
	2,934,322	2,937,724
Loan-to-value-ratio	70.1 %	70.6 %

Financial position

The Group cash flow statement shows a clear improvement of the liquidity development against the comparison period in 2008. The operating cash flow improved by EUR 5.9 million to EUR 14.2 million. From disinvestments, further funds in the amount of EUR 7.3 million could be added to the company, of which EUR 0.8 were reinvested. Financial liabilities in the amount of EUR 21 million were repaid net.

» Structured development «

Waldemarstraße, Bad Kreuznach

As of March 31, 2009, the financial resource fund includes EUR 40.7 million in cash. Furthermore, we have free credit lines in the amount of EUR 58 million at our disposal.

The operationally improved cost structure, together with the reduction of the vacancy rate and the rent development, also clearly reflects positively in the funds from operations as of March 31, 2009. These funds amount to EUR 9 million or EUR 0.34 per share respectively and are calculated as follows:

	Q1/2009	Q1/2008
	EUR m	EUR m
Profit or loss for the period	–2.2	–22.7
Depreciations	0.5	0.8
Value adjustment of investment property	0.0	–0.5
Value adjustment of the derivative financial instruments	0.0	24.0
Financial expenses not affecting liquidity	3.7	3.5
Deferred taxes	2.9	–0.6
Restructuring costs	4.2	1.3
FFO	9.0	5.8
FFO per share	0.34	0.22

Net asset value

As of March 31, 2009, the net asset value amounts to EUR 627 million or EUR 23.75 per share respectively. It is calculated from the equity of EUR 624 million as of March 31, 2009, adjusted by the deferred taxes in connection with the property (EUR 3 million).

Stock market and Deutsche Wohnen share

The first quarter of 2009 at the worldwide financial markets was ruled by strong insecurity regarding the economic development and the depth and length of the expected recession. Inconsistent news reporting – first fears over problems at further banks followed by a bank bailout plan of the American government, then interest-rate cuts by the ECB together with a negative economic outlook, while the Fed had positive economic expectations – made for very volatile stock markets, which led to losses in the first quarter for both German key indices and most real estate shares.

In the first three months of the year, DAX, MDAX and SDAX lost 15 %, 21 % and 15 % respectively. The EPRA index, which shows the development of the largest European real estate shares, lost 16 %, the EPRA Germany index, which shows the German real estate shares, declined by 11 %.

To be sure, the Deutsche Wohnen share temporarily also lost 20 %, but was able to more than recover this loss and significantly gain since the end of February. From the low of EUR 7.62, the share won 50 % and was therefore able to record a price gain of 20 % in the first quarter of 2009 compared to the share price at the end of 2008. The Deutsche Wohnen share thus clearly stood out from other listed real estate shares, which almost all closed the first quarter with losses. The Deutsche Wohnen share closed the quarter with a share price of EUR 11.40.

Supplementary report

The company had no knowledge of any important transactions after the reporting date.

Risk report

In terms of the risks of the future business development, we refer to the statements made in the risk report of the consolidated annual financial statements as of December 31, 2008. Due to the current financial crisis, we would like to especially point out the following: The risks resulting from the refinancing of loans are in the Deutsche Wohnen Group at present largely limited through a by far predominant share in long-term loans. In the next three years, our refinancing volume only amounts to EUR 150 million. Nevertheless, due to the more restrictive lending practice as a consequence of the financial crisis, future problems when taking out and extending loans can on principle not be ruled out.

In our real estate assets, we see no need for further depreciation from the current point of view, based on the intact economic fundamentals (location, realised rent increase and vacancy rate reduction, interest-rate development) and the depreciation as of December 31, 2008.

Forecast report

The continuing financial crisis and the associated slowdown of the economy will also continue to have a paralysing effect on the real-estate markets. Larger transactions are substantially impeded or deferred due to the tightening of credit.

Nevertheless, traditionally, Germany has one of the most stable real-estate markets of the world. The residential property market is taking up a relatively recession-proof position within this market, based on its intact economic fundamentals (household and rent development). This is true especially for the core regions of our portfolio.

Our business model has proved itself even on very difficult markets. Through the successful integration and reorganisation, we developed Deutsche Wohnen into an efficient and highly professional platform in the previous year. We are convinced that we have thus laid the foundation for further operational success in the coming years. We want to use the opportunities arising from the crisis for further growth.

» In the market with a future «

Peter-Bied-Straße, Frankfurt/Main

Franz-Liszt-Straße, Birkenheide

Riemeisterstraße, Berlin-Zehlendorf

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF DEUTSCHE WOHNEN AG

ASSETS

Deutsche Wohnen AG, Frankfurt/Main Consolidated Balance Sheet as of March 31, 2009	03/31/2009	12/31/2008
	k EUR	k EUR
Assets		
Investment properties	2,893,458	2,900,673
Fixed assets	17,709	17,745
Intangible assets	4,489	4,652
Other noncurrent assets	190	198
Holdings in affiliated companies	284	495
Deferred tax asset	104,501	92,559
Noncurrent assets	**3,020,631**	**3,016,322**
Land and buildings held for sale	19,364	19,355
Other inventories	1,868	1,908
Trade receivables	14,209	21,202
Receivables from income tax	4,982	5,479
Other assets	3,877	2,796
Payment instruments	40,729	41,974
Subtotal current assets	**85,030**	**92,714**
Noncurrent assets held for sale	21,500	17,696
Current assets	**106,530**	**110,410**
Total assets	**3,127,161**	**3,126,732**

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF DEUTSCHE WOHNEN AG

LIABILITIES

Deutsche Wohnen AG, Frankfurt/Main Consolidated Balance Sheet as of March 31, 2009	03/31/2009	12/31/2008
	k EUR	k EUR
Liabilities		
Equity allocated to shareholders of the parent company		
Subscribed capital	26,400	26,400
Capital reserve	269,677	269,677
Accumulated consolidated earnings	327,988	352,913
Total	**624,066**	**648,990**
Minority interest	302	302
Total equity	**624,368**	**649,292**
Noncurrent financial liabilities	1,940,355	1,991,077
Convertible bond	25,714	25,430
Pension obligations	39,220	39,300
Liabilities to Fund limited partners	47,620	48,006
Tax liabilities	62,353	60,652
Derivative financial instruments	54,161	32,570
Other provisions	12,472	12,506
Deferred tax liabilities	76,348	71,660
Total noncurrent liabilities	**2,258,243**	**2,281,200**
Current financial liabilities	132,598	98,096
Trade payables	28,912	22,800
Other provisions	10,373	10,296
Derivative financial instruments	28,027	16,779
Tax liabilities	20,470	21,629
Other liabilities	24,170	26,640
Total current liabilities	**244,550**	**196,240**
Total liabilities	**3,127,161**	**3,126,732**

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF DEUTSCHE WOHNEN AG

PROFIT AND LOSS STATEMENT

Deutsche Wohnen AG, Frankfurt/Main Group profit and loss statement for the period from January 1 to March 31, 2009	Q1/2009	Q1/2008
	k EUR	k EUR
Turnover	**71,200**	**74,025**
Result from property privatisation		
Sales proceeds	5,548	7,594
Carrying amounts of assets disposed	–4,120	–5,732
Total	1,428	1,862
Other operating income	1,998	3,089
Total income	**74,626**	**78,976**
Expenses for trade payables	–26,185	–26,184
Personnel expenses	–9,683	–11,645
Other operating expenses	–5,776	–8,248
Restructuring and reorganisation expenses	–4,166	–1,269
Total expenses	**–45,811**	**–47,346**
Interim result	**28,815**	**31,629**
Result from the fair value adjustment of investment properties	0	479
Depreciations	–496	–839
Earnings before interest and taxes (EBIT)	**28,319**	**31,270**
Financial income	278	276
Result from the market value adjustment of derivative financial instruments	0	–23,969
Financial expenses	–27,909	–30,832
Earnings before taxes	**688**	**–23,255**
Income tax	–2,911	590
Result of continuing business areas	–2,224	–22,666
Result for the period	**–2,224**	**–22,666**
Of these allocated to		
Shareholders of parent company	–2,224	–22,666
Minority interests	0	0
Total	**–2,224**	**–22,666**
Earnings per share		
basic	–0.08	–0.86
diluted	–0.07	–0.83

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF DEUTSCHE WOHNEN AG

OVERALL RESULT

Deutsche Wohnen AG, Frankfurt / Main Group statement of income and accumulated earnings from January 1 to March 31, 2009	Q1 / 2009	Q1 / 2008
	k EUR	k EUR
Profit or loss for the period	**– 2,224**	**– 22,666**
Unrealised losses from derivative financial instruments (after deduction of deferred taxes)	– 22,700	0
Overall result	**– 24,924**	**– 22,666**
Of these allocated to		
Shareholders of parent company	– 24,924	– 22,666
Minority interests	0	0
Earnings per share		
basic	– 0.94	– 0.86
diluted	– 0.91	– 0.83

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF DEUTSCHE WOHNEN AG

CASH FLOW STATEMENT

Deutsche Wohnen AG, Frankfurt/Main Group cash flow statement for the period from January 1 to March 31, 2009	Q1/2009	Q1/2008
	k EUR	k EUR
Operating activity		
Result for the period before tax and interest from divisions to be continued	28,319	7,301
Result for the period after tax from discontinued divisions		
Fair value adjustment of investment properties	0	–479
Depreciations	496	839
Adjustment of interest rate swaps	0	23,969
Other non-cash expenses/earnings	–375	–3,002
Changes in the net working capital		
Changes in receivables, inventories and other current assets	3,043	2,352
Changes in the operating liabilities	3,773	–184
Operating cash flow	**35,255**	**30,795**
Interest paid	–20,885	–22,791
Interest received	278	276
Taxes paid	–414	0
Cash flow from operating activity	**14,234**	**8,280**
Investment activity		
Proceeds from sales	7,283	12,593
Payments for investments	–766	–4,637
Payments made to Fund limited partners	–887	0
Cash flow from investment activity	**5,631**	**7,956**
Financing activity		
Proceeds from loans taken up	28,252	1,492
Payments made for the redemption of loans	–49,362	–10,703
Cash flow from financing activity	**–21,110**	**–9,211**
Net changes in cash	**–1,245**	**7,025**
Cash at the start of the period	**41,974**	**47,874**
Cash at the end of the period	**40,729**	**54,899**

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF DEUTSCHE WOHNEN AG

STATEMENT OF CHANGES IN EQUITY

Deutsche Wohnen AG, Frankfurt / Main
Group statement of changes in equity as of March 31, 2009

	Subscribed capital	Capital reserves	Accumulated consolidated profit: Pensions	Accumulated consolidated profit: SWAP reserves	Accumulated consolidated profit: Others reserves	Subtotal	Minority interests	Equity
	k EUR	k EUR	k EUR	k EUR	k EUR	k EUR	k EUR	k EUR
Equity as of January 1, 2008	26,400	349,521	1,894	0	558,008	935,823	302	936,125
Profit or loss for the period					–22,666	–22,666		–22,666
Equity as of March 31, 2008	26,400	349,521	1,894	0	535,342	913,158	302	913,460
Equity as of January 1, 2009	26,400	269,677	2,215	–31,250	381,947	648,989	302	649,292
Result for the period					–2,224	–2,224		–2,224
Unrealised losses				–32,840		–32,840		–32,840
Deferred taxes on unrealised losses				10,140		10,140		10,140
Overall result				–22,700	–2,224	–24,924	0	–24,924
Equity as of March 31, 2009	26,400	269,677	2,215	–53,950	379,723	624,065	302	624,368

NOTES TO THE FINANCIAL STATEMENTS

I. GENERAL INFORMATION

Deutsche Wohnen AG is the holding of the entire Deutsche Wohnen Group. In the holding, Group-wide issues such as company strategy, portfolio management, personnel, investor relations / business communication, and planning / control are managed. The operations of the subsidiaries focus on residential property management and housing privatisation of the property which is mainly located in Berlin and in the Rhine-Main/Rhineland Palatinate area. Deutsche Wohnen is the second largest listed residential real estate company in Germany.

The consolidated financial statements have been prepared in Euros. Unless otherwise stated, all figures are rounded to thousand (k EUR) or million (EUR m). Slight mathematical rounding differences may be reflected in the tables and references.

II. FUNDAMENTALS AND METHODS OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The shortened Group interim financial statements for the period from January 1 to March 31, 2009 were prepared in accordance with IAS 34 Interim reporting, as it is to be applied in the EU.

These interim financial statements do not contain all information and statements required for consolidated annual financial statements and are therefore to be read together with the consolidated annual financial statements as of December 31, 2008.

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

The consolidated financial statements include the financial statements of Deutsche Wohnen and its subsidiaries as of March 31, 2009. The financial statements of the subsidiaries are prepared using standard accounting policies as of the same balance sheet date as the financial statements of the parent company.

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

The business activity of the Deutsche Wohnen Group is essentially free of seasonal or economic influences.

III. CHANGES IN THE CONSOLIDATED COMPANIES

There were no chances in the consolidated companies.

IV. CHANGES IN ACCOUNTING POLICIES

Deutsche Wohnen basically applied the same accounting policies as in the previous year.

In the first quarter of 2009, the new standards and interpretations to be applied that are mandatory for financial years beginning after January 1, 2009 were applied completely. The application of the standards led to adjustments of the elements of the Group's interim financial statements (especially of the consolidated balance sheet, the Group profit and loss statements, and the Group's statement of income and accumulated earnings). The previous year's comparison values were adjusted accordingly. In the context of the initial application of the regulations of IFRS 8 regarding segment reporting, no changes of the business segments reported by the Deutsche Wohnen Group resulted. The definition of the segment result was adjusted in the segment reporting.

In April 2009, the IASB published a further collection of standards regarding the changes of different IFRS. The collection of standards has the primary goal of eliminating inconsistencies and clarifying formulations. Separate transition regulations exist for every standard. The Deutsche Wohnen Group expects no essential changes due to the initial application.

V. SELECTED NOTES ON THE CONSOLIDATED BALANCE SHEET

The assets of the Deutsche Wohnen Group consist to 93 % of investment properties. The reduction compared to December 31, 2008 is essentially due to sales.

The tangible assets consist predominantly of technical facilities and operational and office equipment.
The derivative financial instruments are interest rate swaps reported in the balance sheet at current market value that were finalised not for speculation purposes, but rather exclusively in order to minimize the risks of interest rate changes and thus cash flow risks of variable rate loans. Due to the further interest rate cuts, the negative market value increased from EUR 49.3 million to EUR 82.2 million as of the end of the year.

The development of the equity can be seen in the statement of changes in shareholders' equity on page 20.

The financial liabilities decreased in comparison with December 31, 2008 mainly due to amortisations. In the first three months, total loans in the amount of EUR 49.4 million were repaid. This was offset by new loan extensions in the amount of EUR 28.3 million.

The share of debt capital of the convertible bond issued as part of the purchase price of the GEHAG Group is reported in the balance sheet item Convertible bond. The change is due to the accrued interest for the first three months.

The accrued taxes essentially take into account the payment obligation for EK 02.

VI. SELECTED NOTES ON THE GROUP PROFIT AND LOSS STATEMENT

Revenue comprises the following:

	Q1/2009	Q1/2008
	EUR m	EUR m
Residential property management	63.0	63.7
Nursing and residential care homes	8.1	7.4
Care-giving activities	0.1	1.0
Telecommunications services	0.0	1.9
Total	71.2	74.0

The expenses for trade payables affect for the most part expenses for the residential property management (EUR 23.6 million, same period of the previous year EUR 24.1 million).

The reduction of personnel expenses from EUR 11.6 million to EUR 9.7 million is essentially due to the reorganisation in 2008. Apart from this, EUR 4.2 million (previous year EUR 4 million) account for the care division.

The restructuring and reorganisation expenses include compensations and continued payments of wages (EUR 3.4 million; previous year EUR 0 million) for further job reductions and reorganisation expenses (EUR 0.8 million; previous year EUR 1.3 million).

The financial expenses are composed as follows:

	Q1/2009	Q1/2008
	EUR m	EUR m
Current interest	24.2	27.3
Accrued interest on liabilities and pensions	3.7	3.5
Total	27.9	30.8

VII. CASH FLOW STATEMENT DISCLOSURES

The financial resource fund consists of the cash balance and the bank balance. In addition, we have credit lines at banks in the amount of EUR 58 million at our disposal.

VIII. SEGMENT REPORTING DISCLOSURES

In the first quarter of 2009, the regulations of the IFRS 8 were applied for the first time for the segment reporting. Compared to the previous periods, the segment result was adjusted on the basis of the internal reporting of the Deutsche Wohnen Group. Thus, from now on, there are no more income tax expenses reported in the segment result.

The following table shows the segment income and the segment result for the Deutsche Wohnen Group:

	External turnover *		Intercompany turnover		Turnover total *		Segment result (EBIT **)	
	Q1/2009	Q1/2008	Q1/2009	Q1/2008	Q1/2009	Q1/2008	Q1/2009	Q1/2008
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Residential property management	63.0	63.7	0.2	0.3	63.2	64.0	39.0	39.3
Housing privatisation	5.5	7.6	0.0	0.0	5.5	7.6	0.6	0.8
Services	8.1	9.3	0.0	0.0	8.1	9.3	2.3	2.8
Others and group function	0.1	1.0	19.4	8.3	19.5	9.3	– 8.9	– 10.1
Transition	0.0	0.0	– 19.6	– 8.6	– 19.6	– 8.6	– 0.5	– 0.4
Group	76.7	81.6	0.0	0.0	76.7	81.6	32.5	32.5

* External turnover and turnover total include sales revenue of EUR 5.5 million (previous year EUR 7.6 million) that are reported in the P&L in the result from the privatisation of residential units.
** adjusted for restructuring and reorganisation expenses

IX. OTHER DISCLOSURES

Related companies and individuals

No essential changes occurred in the related companies/individuals in comparison with the information as of December 31, 2008.

Management and Supervisory Board

No changes occurred in the management and supervisory board compared to the information as of December 31, 2008.

Risk report

In terms of the risks of the future business development, we refer to the statements made in the risk report of the consolidated annual financial statements as of December 31, 2008. Due to the current financial crisis, we would like to especially point out the following: The risks resulting from the refinancing of loans are in the Deutsche Wohnen Group at present largely limited through a by far predominant share in long-term loans. In the next three years, our refinancing volume only amounts to EUR 150 million. Nevertheless, due to the more restrictive lending practice as a consequence of the financial crisis, future problems when taking out and extending loans can on principle not be ruled out.

In our real estate assets, we see no need for further depreciation, based on the intact economic fundamentals (situation, realised rent increase and vacancy rate reduction, interest-rate development) and the depreciation as of December 31, 2008.

Frankfurt/Main, May 2009

ASSURANCE OF THE LEGAL REPRESENTATIVES

"We assure to the best of our knowledge that in accordance with the applicable financial accounting principles the interim financial statements as of March 31, 2009 convey a view of the revenue, financial and asset position of the company, which corresponds with the actual circumstances, and that in the interim report the business performance including the financial result and the position of the Group is portrayed in such a manner that the significant opportunities and risks of the company's likely development are depicted."

Frankfurt/Main, May 2009

Deutsche Wohnen AG

Michael Zahn Chairman of the Management Board	Helmut Ullrich Chief Financial Officer

The Management Board

Michael Zahn (Chairman of the Management Board)

Helmut Ullrich (Chief Financial Officer)

MANAGEMENT BOARD

Version May 2009

Michael Zahn
Chairman of the Management Board, Berlin

Helmut Ullrich
Chief Financial Officer, Berlin

SUPERVISORY BOARD

Version May 2009

Hermann T. Dambach
Chairman, Bad Homburg

Dr. Andreas Kretschmer
Vice Chairman, Düsseldorf

Jens Bernhardt
Oberursel

Uwe E. Flach
Frankfurt/Main

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