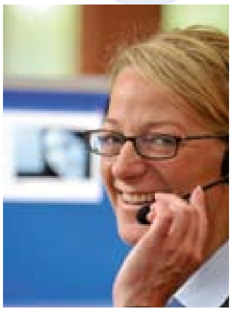
ANNUAL REPORT 2009

DEUTSCHE ANNINGTON

Thinking ahead and acting!



DEUTSCHE ANNINGTON

Our cornerstone for growth

Last year, we implemented the most comprehensive change project ever in the history of the housing industry. In doing so, we pursued three clear goals: with the new Deutsche Annington, we wanted to create the conditions for stronger customer loyalty, higher employee satisfaction and more efficient processes. And thus lay the cornerstone for further growth.

Before setting up the new Deutsche Annington, we carefully studied the behaviour and wishes of our customers, listened to our employees and analysed processes. We prepared more than 600 colleagues thoroughly for their new tasks, digitised more than 200,000 files with some 50 million pages of paper, significantly improved our availability and overall invested well over € 60 million in this innovative project.

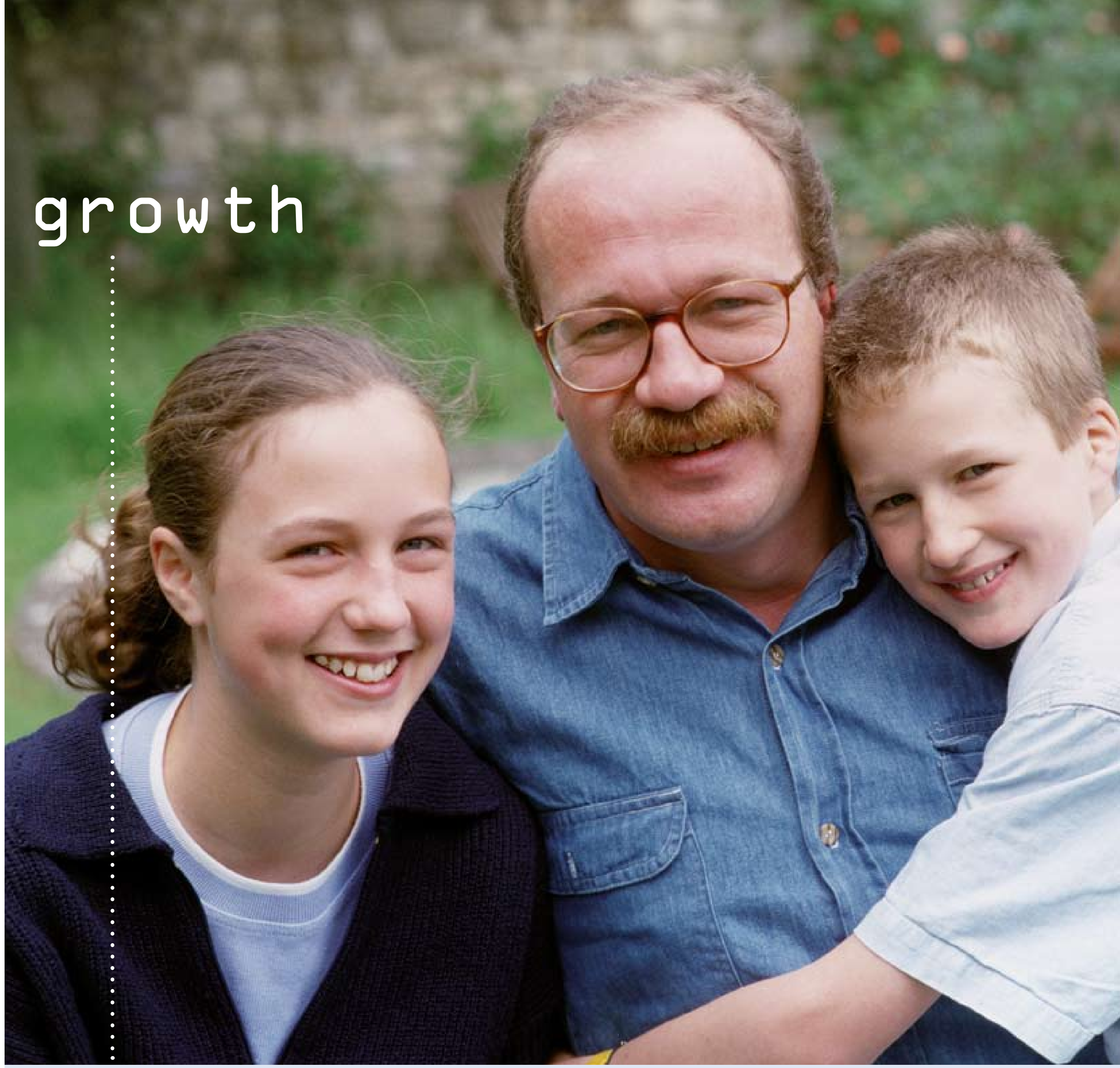
At the same time, we continued our daily business in a professional manner and once again invested about € 156 million in our residential portfolio. As a company geared to the long-term management of our properties, we ensure that our houses are continually modernised and maintained so our customers really feel at home with us. Naturally, we also make sure that the modernisation work is performed as smoothly as possible and that our customers are inconvenienced as little as possible.

Today, we have up to 1,100 onsite appointments every day. More than ever before, as we now drive out to our customers and no longer ask them to come to our customer offices. We literally go the extra mile to keep our customers satisfied! We have improved our availability. It has increased steadily to an average of 80 to 90 %, even though it may take a little longer at peak times such as Mondays. And our customers can still reach our emergency call service round the clock, seven days a week.

Last year, we broke new ground in district management. For example, together with Caritas we opened an advice centre in Gelsenkirchen, which provides breakfast and lunch, advice for people in need of care and support, social offers or help with homework. We soon want to set up similar projects in other cities as well.

2009 was a special year for us. The fact that we achieved our targets despite the considerable changes is thanks in no small part to our tenants who also remained patient and loyal to us, even in the days of upheaval. However, our employees were also a particular guarantee of success. They ventured the big step into a new world with complete and utter commitment. And last but not least, we can rely on an investor that fully supports us on our long-term path to becoming Germany's best housing company.

In 2010, we are not standing still, either. We are working on becoming even better – step by step, every day.



It's all about service. And it's all about quality!

> Today, we can be more easily reached than ever before.

> Today, we visit our tenants more than ever before.

> Today, we ensure our tenants have an attractive living environment with our district management.

> Today, we have a cutting-edge cost and service management system.

> And today we are investing more than ever before in improving the structural condition of our housing stocks.

Thinking ahead and acting

Our success of tomorrow

will be achieved through the course we set today. We want to be the best in our market. In quest of this goal, we never stand still. It is no coincidence that today we are one of the real estate industry pioneers. With innovative drive and perseverance, we have forged Germany's largest privately owned housing company out of a number of separate companies in just one decade. Since 2009, we have been concentrating even more on the quality of our services. Our goals: maximum customer focus, motivated employees and high process efficiency. Our commitment: 70,000 hours spent on the design and implementation of the new processes, 1,500 pages of relevant documentation, redefinition of the job profile of more than 600 employees, 29,000 hours of training and € 20 million invested in IT and infrastructure. **The first and most important winners: our tenants and customers.**

YESTERDAY*

- Limited opening hours for our customers
- Journeys to our customer offices
- 500 telephone numbers and 100 addresses
- 50 million pages of paper files
- Different people to contact for different inquiries
- Outside opening hours no information

TODAY AND TOMORROW

- 1 customer centre, available 54 hours a week
- Mobile field service, 1,100 onsite appointments every day
- 1 telephone number and one address
- Digital file for each tenant, all information at a glance
- 1 professional tenant management, expert advice and understandable documents
- Internet customer portal where people can search for new apartments online at all times and rent matters can be dealt with

*Data refer to 2008

Thinking ahead and acting

Letting:

»The best place for our keys is in your hands.«

Taking care of a portfolio of some 220,000 apartments is a demanding task and one that also requires effective sales management: every year we receive up to 780,000 inquiries from people wishing to rent or buy. As a result, some 75,000 viewing appointments have to be arranged. Through a professional sales centre, we ensure that our new customers – whether tenants or buyers – can easily reach us. We arrange viewings with them that are **tailored to their individual needs.** A competent back office supports the sales staff so the contract-relevant tasks are handled reliably and quickly. And so there is nothing to prevent a contract being signed quickly. Our user-friendly platform on the Internet and competent customer advisors in the sales centre ensure that our customers soon find the right apartment for them.

Potential customers per week: some 15,000

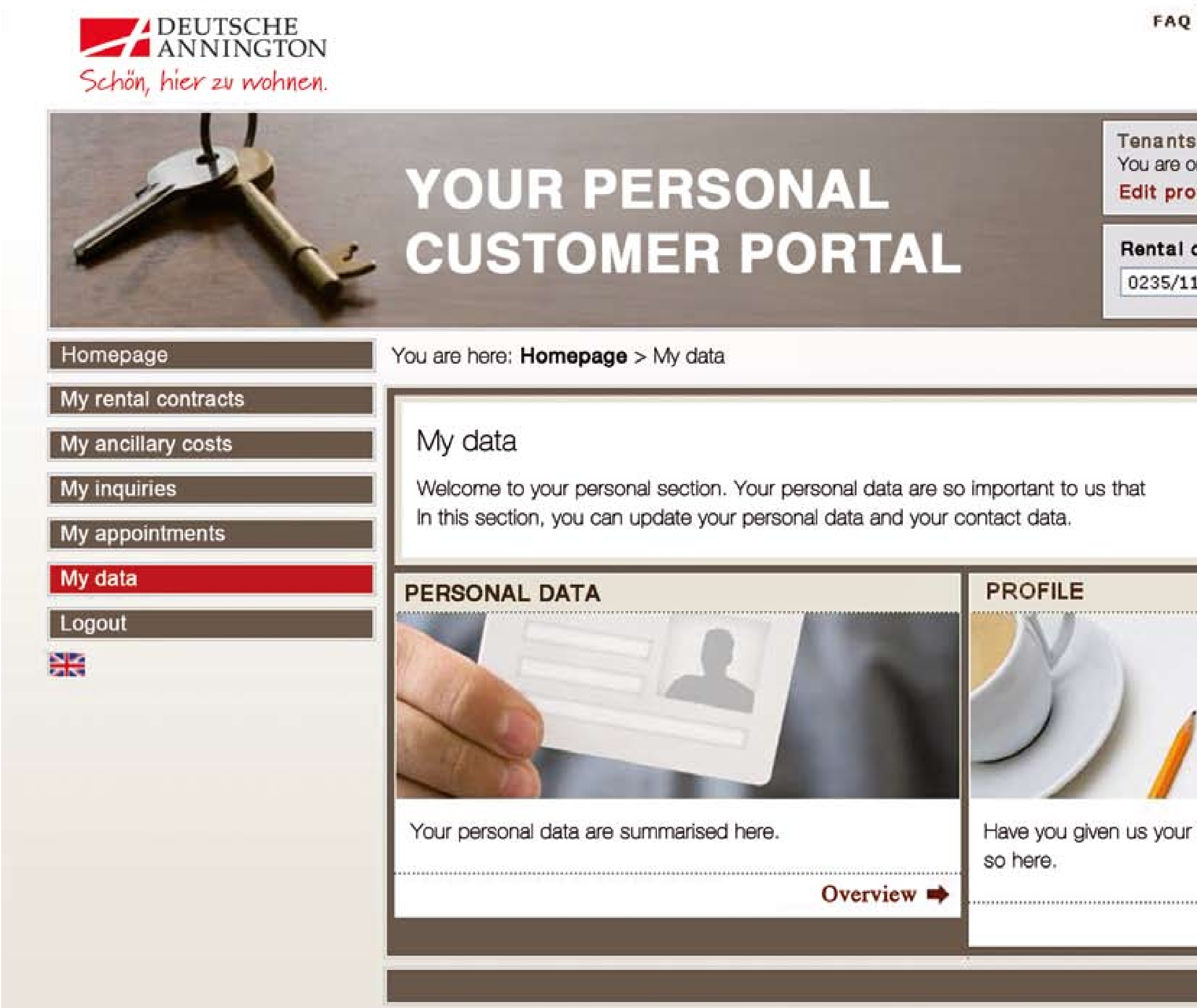
Availability:

»Many roads lead to us.«

With our new modern customer centre, we are taking a step in the housing industry that other industries have long since completed. Whereas we used to have to administer 50 million pages of paper at 100 locations, today we work with the **"digital tenant file".** All data relevant to the tenant and the property

are electronically stored in the digital tenant file. It is the heart of a pool of information that is continually being updated and which all authorised personnel can access. Whether by phone, fax or letter: the customer centre is a competent contact address for all our customers. Our employees are available there to answer inquiries 54 hours a week. From the middle of the year, current and potential customers will be able to use a completely revised customer portal: here our tenants will find all relevant forms that are important for tenancy matters. They can also change their rental contract data and lots more. People interested in renting an apartment can also arrange a viewing online on the new customer portal. And as our customers come from many different countries, they will in future be able to contact us in English, Spanish, Turkish or Russian.

Availability rate increased from 50 % to over 80 % with a waiting time of



less than **2:00 min.**

Thinking ahead and acting

Modernisation:

»Bricks and mortar also need care.«

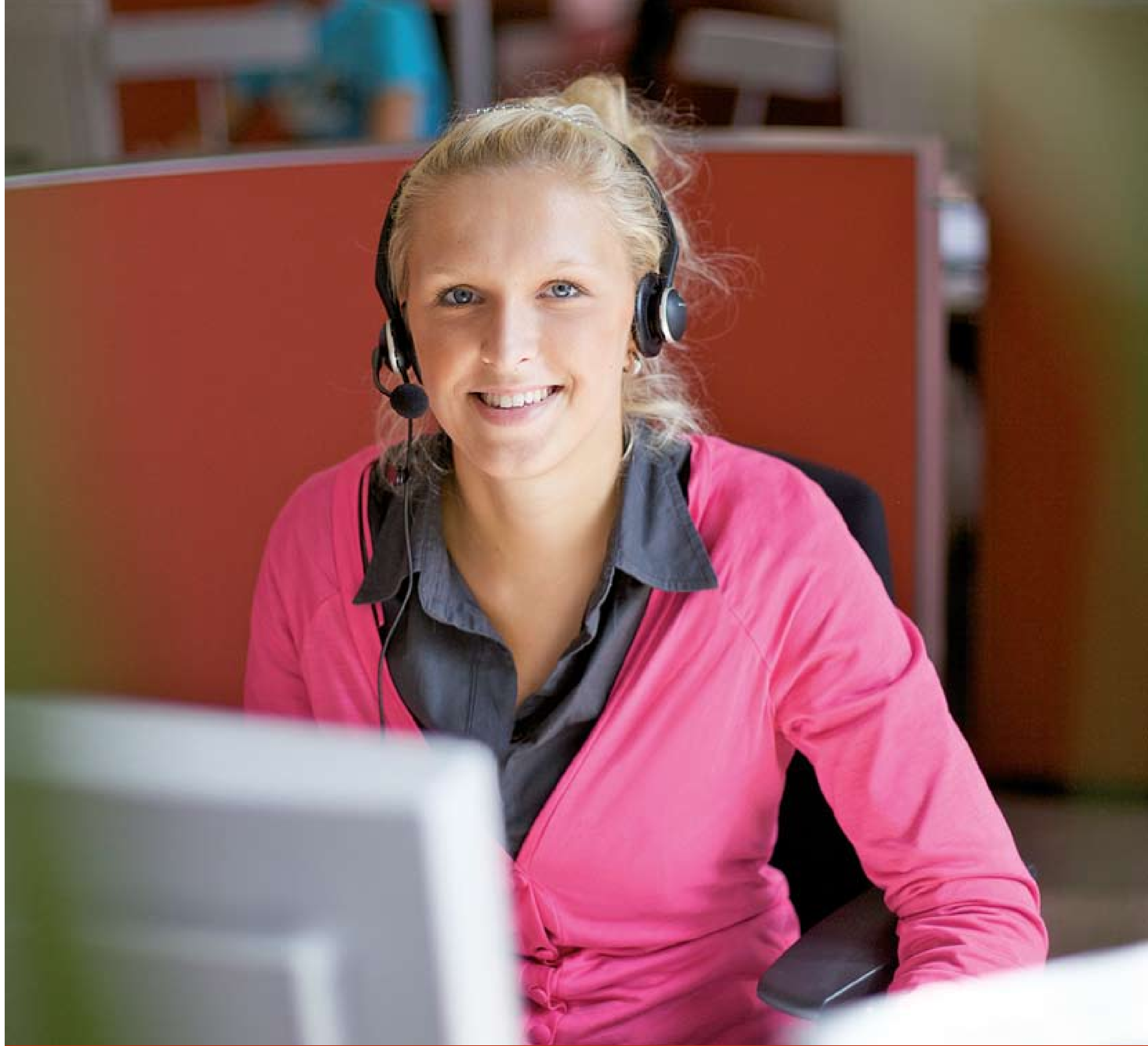
We let apartments. We can only do that successfully if our tenants like living in our properties and are satisfied with where they live. Owning property brings obligations: We have to not only provide a good service for our customers but also maintain the structural condition of the buildings and bring them up to modern standards. Our company is growing successfully because we manage this task professionally. In order to maintain the quality and value of our properties, we invested some € 340 million in 2008 and 2009 alone. For us this is an investment in the future, for our tenants it is proof of our promise of quality: **continuity in our relationship with tenants and sustainability with regard to the environment.** We channel a large proportion of our funds into energy-saving measures: They cut the tenants' energy costs and stop unnecessary CO_2 emissions damaging the environment. We managed to reduce CO_2 emissions significantly with the investments made in the past two years alone.

Investments in our residential properties in 2009:

€ 156 million

Efficiency:

»A question deserves a quick answer.«



The new central customer centre offers our customers a quick and direct way of getting their questions dealt with. After all, they speak immediately to the person who can answer their questions expertly or initiate the steps necessary to get things sorted out. Over the course of a year,

our customers contact us roughly 1.9 million times by phone, e-mail or post. We issue some 40,000 rental certificates for submission to the authorities. Every day, we get an average of 2,730 tenant inquiries. The subjects range from the arranging of appointments for apartment handover inspections and the issuing of rental certificates to questions about the rent contract. Up to 90 % of the inquiries can be dealt with immediately. The customer centre has made contacting us easier. We can help our customers quickly and reliably.

Percentage of tenant inquiries that can be dealt with immediately:

up to 90 %

The personal touch:

»A tenant appreciates an onsite visit.«

For a good relationship between landlord and tenant, it is important for us to be on the scene quickly when our tenants need us. Thanks to our efficient field service, we can now drive to considerably more customers than before. We employ innovative field service control technology that

ensures the optimal order of appointments for our employees and our customers. The system takes the distance to each property and the availability of free appointments, and sends each employee all the information he needs in electronic form. He can then get in touch with the customer directly. So we solve problems more quickly, have more time on the scene, have fewer idle times and save more than 2 million kilometres a year.

Onsite appointments every day*:

1,100

* plus the visits by workmen and service providers

Thinking ahead and acting

Demography:

»We look ahead and go with the times.«

The sociodemographic change is presenting new challenges for our society. The rising average age of the population, integration and increasing individualism are just three focal issues. We are actively tackling these issues and working out solutions with which we can provide optimum support for our tenants in the future. **For example, with new concepts we make sure that our customers can continue**

living in their homes to a ripe old age. Together with strong local partners, we want to arrange for nursing and home-help services as well as nationwide counselling. One example is a project in Gelsenkirchen-Hassel: here the charity Caritas opened a disabled-friendly advice centre and a café-cum-meeting place with our support. In addition to a reasonably priced lunch, the residents can get advice from experts in all questions concerning home-help, nursing and other care services. For elderly people in need of special support, apartments are also available in the same house where they can be given long-term care. Following the good response to this project, we are now also in talks with the cities of Dortmund and Duisburg.

Sponsoring of social projects through

district management

New structure

»We have already achieved a lot.«

We launched our new customer service in the summer of 2009. The introduction of new processes required intensive preparations upfront: for example, in the past two years we invested € 60 million in the changeover. Some 600 employees were prepared for their new tasks in about 29,000 hours of training. Some 50 million pages of paper were scanned for the electronic tenant file. A completely new IT platform and a central customer centre with some 170 employees were set up. It was a long way to the launch of the new structure, but now the processes are up and running for our customers and we are getting better from month to month.

2009 2010

JANUARY FEBRUARY MARCH APRIL MAY JUNE JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER JANUARY FEBRUARY

May 2009

Launch of the improved customer service
Seven months after the announcement, Deutsche Annington launches its improved customer service. In the weeks to follow, the company is to be transferred step by step to a new organisation. At the end of June, DAIG is to work entirely with new processes and in a new structure.

June 8, 2009

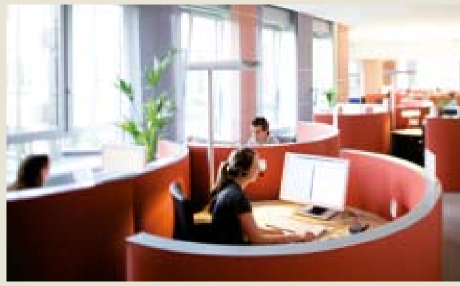
Start of the new business processes in the Ruhr, Rhineland and Westphalia regions
On the first day, the new customer centre receives nearly 7,000 calls. The repair centre has already been working reliably in the new structures for over three weeks. The sales centre started to operate the day before. Here there were so many inquiries that not all could be dealt with on the first day. The number of viewing appointments arranged increases sharply in the days that follow.

June 22, 2009

Introduction of the new business processes throughout Germany
The IT platform developed as part of the new organisation is about to have its first big test. All systems run stably, the first field service appointments are made electronically. Shortly after the nationwide service number is activated, the first reservation for renting an apartment is made in the system. The revamped website also goes online exactly on time for the nationwide launch.

September 2009

A good result after the first three months
Some ten weeks after the launch of the new organisation, DAIG takes stock for the first time: Availability for the customers has increased from roughly 50 % to more than 80 %. The average waiting time is one to two minutes.



December 2009

Performance stabilises at high level
The number of prospective tenants contacting us every week is higher than expected. In December, there are some 1,400 new lets. On average, the tenant centre receives about 15,000 inquiries every week ranging from appointments for apartment handover inspections and the issuing of rental certificates to questions about the rental contracts.

Social involvement

»We want to be successful and shoulder our responsibility.«

We will only enjoy lasting success if we can reconcile that success with the interests of our stakeholders. They include not only our tenants but also people who live in our residential districts or regional politicians. Out of this conviction, we already have been active in the local communities for many years now – both as an opinion leader and as a sponsor and supporter of social projects.

2009 2010

JANUARY FEBRUARY MARCH APRIL MAY JUNE JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER JANUARY FEBRUARY

February 2009

Deutsche Annington Foundation supports the Eden kindergarten in Gladbeck
A place to rest and browse through books: The Deutsche Annington Foundation donates a frame with different levels, rest areas and recesses to the Eden protestant kindergarten in Gladbeck. The frame worth some € 3,300 is to be installed in the relaxation and chill-out room.

March 2009

Deutsche Annington is an active sponsor of ZEUS
ZEUS stands for "Newspaper and School" and is the media educational school project of the WAZ Media Group. Deutsche Annington sponsors this project because it is convinced that nowadays it is very important to encourage the education and media competence of young people.

July 2009

A good start to reading and school for Deutsche Annington families
In a joint project with the "Reading Foundation", Deutsche Annington is committed to a programme to encourage children's reading and writing skills in the family. The company provides its customers with three different reading sets free of charge: for children from the age of one, kindergarten children and for children just starting school. The sets include children's books and readers, stickers, tips on how to read aloud to children as well as parenting guidebooks.

August 2009

Deutsche Annington Foundation: musical instruments for schoolchildren in Bergkamen
The Deutsche Annington Foundation has donated a sum of € 4,000 to the Department of Culture of Bergkamen town. The money has been used to buy musical instruments that Bergkamen schoolchildren are to be provided with during lessons as part of the "An Instrument for Every Child" programme.

December 2009

Employees of Deutsche Annington donate € 6,000 to Frankfurter Tafel
The South/Southwest business unit donated the proceeds from the sale of office furniture to employees to the non-profit organisation, Frankfurter Tafel e.V., which will use the money to finance a cold store for perishable food. Frankfurter Tafel provides some 150 needy people with food every day.

Portfolio maintenance

»The focus is on energy efficiency.«

Thermal insulation an important part of modernisation work

Whilst net rents have, on a national average, risen in line with inflation since the turn of the millennium, heating costs have become veritable cost drivers. Cutting the amount of energy needed to heat our houses is therefore something particularly dear to our hearts.

A large part of our investments in our residential portfolio goes into energy-saving measures, that is to say the insulation of facades, roofs and cellar ceilings. Energy consumption drops considerably in the modernised residential estates, which also cuts climate-damaging CO_2 emissions. This effect not only benefits the environment but also our tenants as it reduces their ancillary costs.

Deutsche Annington invests € 156 million in its residential portfolio

In 2009, Deutsche Annington successfully carried out 52 modernisation projects for a total of 2,275 apartments at 22 locations. In all, some € 156 million was invested in our residential portfolio, further improving the quality of the apartments and the living environment. The investments in our housing stocks are important if we are to continue providing our customers with attractive and competitive offers of accommodation and are also part of our long-term, value-enhancing property management.

Active environmental protection – thermal insulation to the latest standards

Frankfurt am Main saw one of the largest modernisation projects performed by Deutsche Annington in the last two years. Over € 5 million was invested here in the houses on Ackermannstrasse, Mainzer Landstrasse and Ehinger Strasse over the space of two years. The work focused on saving energy and improving the quality of our housing. The 165 apartments were insulated with ultramodern insulating materials according to the latest standards. They meet the requirements of the 2007 Energy Saving Ordinance and the current requirements of Kreditanstalt für Wiederaufbau (KfW) for funding such projects. The extensive thermal insulation leads to lower energy consumption and has a noticeable positive effect on the tenants' ancillary costs.

Duisburg: 126 apartments, approx. € 1.3 million spent on work including facade insulation and thermally insulated windows

Bochum: 111 apartments, approx. € 2.0 million spent on work including solar thermal system, facade and cellar ceiling insulation

Munich: 205 apartments, approx. € 3.1 million spent on work including thermal insulation

Dachau: 301 apartments, approx. € 5.0 million spent on work including facade and cellar ceiling insulation

Petersberg: 104 apartments, approx. € 1.3 million spent on work including thermal insulation

Frankfurt a. M.: 165 apartments, approx. € 5.0 million spent on work including facade and cellar ceiling insulation

2009

JANUARY FEBRUARY MARCH APRIL MAY JUNE JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER

2010

JANUARY FEBRUARY MARCH APRIL MAY JUNE JULY

Thinking ahead and acting

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Our telephone service hours

Mon. – Fri.	8 a.m. – 6 p.m.
Sat.	9 a.m. – 1 p.m.

* 3.9 cents/minute from German landlines, mobile phones max. 42 cents/minute

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FINANCIAL REPORT 2009

DEUTSCHE ANNINGTON

The Deutsche Annington Real Estate Group lets and manages approximately 220,000 apartments, employs some 1,100 staff and is one of the leading residential property companies in Germany. The company offers apartments to rent and to purchase in about 630 locations nationwide, complemented by customer-focused services.

We see ourselves as a service-minded property holder and intend to grow profitably in the years to come. To achieve this, we will expand our portfolio through selective acquisitions and further improve the quality of our tenants' living conditions by offering attractive services.

Key figures for the Group

€ million	2007	2008	2009	2008/2009 Change in %
Income from property management	1,075.1	1,029.1	1,033.6	0.4
Gross profit from property management	571.3	594.9	591.9	–0.5
Income from disposal of properties	248.0	144.3	149.6	3.7
Gross profit on disposal of properties	74.7	50.8	46.8	–7.9
Adjusted EBITDA	460.3	473.1	479.6	1.4
FFO	190.1	207.1	206.7	–0.2
Economic investments	525.6	148.7	241.1	62.1
Cash flow from operating activities	540.6	483.3	406.2	–16.0
Cash flow used in investing activities	–313.9	–117.2	–24.5	–79.1
Cash flow used in financing activities	–566.7	–479.0	–359.7	–24.9
Total assets	10,824.0	10,249.6	10,540.7	2.8
Non-current assets	7,989.4	7,892.5	8,534.6	8.1
Current assets	2,834.6	2,357.1	2,006.1	–14.9
Total equity	1,739.4	1,456.1	1,628.9	11.9
Return on equity in %	16.1	14.2	15.5	+1.3 % points
Number of residential units in portfolio (as at Dec. 31)	190,221	189,218	191,952	1.4
Number of units acquired (title transferred)	8,007	1,364	4,566	234.8
Number of units sold (recorded sales)	3,945	2,542	1,880	–26.0
Number of employees (as at Dec. 31)	1,406	1,302	1,097	–15.7

Contents

09

Klaus Freiberg Wijnand Donkers Dr Manfred Püschel

Dear Readers,

We can be very satisfied with the progress made in the 2009 business year. Thanks to the wholehearted commitment of our employees, we successfully introduced our new business processes. With this change-over announced in the spring of 2009, the Deutsche Annington Real Estate Group has taken an important step into the future. In the new organisation, our company is even more efficient – something which our customers, our employees and our partners in the cities and towns where we operate also benefit from.

The past year was very eventful and challenging: We had set out to do no less than lead Germany's largest residential property company into a new era. To achieve this goal, we completely reorganised our structures and processes from mid-2009 after very careful preparations. Today, just under a year after the start of the implementation phase, we can say that we have considerably improved performance. We now work much more efficiently. And above all: today we can offer our tenants and customers a service that sets new standards in the housing industry.

The step into the new world had its price: For example, we invested more than € 60 million in our company's new organisation in the past two years. The job requirements have changed extensively for more than 600 employees. They were thoroughly prepared for their new work in comprehensive training programmes. At the same time, the more efficient organisation meant the loss of 300 jobs, which we managed to phase out in a socially acceptable manner. Our customers also had to bear with us during the change-over: we had to rely on their patience and understanding many a time while we were working flat out harmonising our new workflows in the second half of the year. We are grateful that they stayed true to us over these months of change-over and through some teething troubles.

Meanwhile, we have returned to normality – but at a much higher level. This is underlined by the facts on one of our most important measures of performance, availability: It is now continually over 80 % in our tenant centre with a waiting time of less than two minutes. 16 months ago, it was still sometimes less than 50 % at peak times. Many things have become simpler for our tenants. For example, today our tenants and customers can reach us at a standard service number from all over Germany – not 35 hours as before but 54 hours a week. And anyone who wants to report a fault can reach us 24/7.

Deutsche Annington has also undergone a cultural change in the last few years: We have developed from a pure property holder into an active property manager that is determined to find solutions. For example, also with regard to the quality of our housing: in the past four years, we invested some € 600 million in our properties, including some € 340 million in 2008/2009 alone. A large proportion of our investments is currently going into improving energy efficiency, which also benefits the environment and of course our tenants as it reduces their ancillary costs.

When improving the quality of our properties and performance, we also take advantage of our size as an organisation. We can buy in goods and services at prices that are as much as 30 % lower than most of our competitors have to pay.

Our company is prepared for changes and that is good for everybody: us as company, our employees, our tenants and also the local neighbourhoods – for as a socially responsible landlord we continue to be committed to helping groups needing support in a wide variety of ways.

In 2009, we were also once again economically successful – the Deutsche Annington Real Estate Group managed to come through the difficult economic times largely unaffected. We also coped well with far-reaching internal changes. In 2009, the Group raised rents by an average of 1.3 %. With the successful integration of 4,458 apartments in Berlin, we maintained our strategy of cautious growth. In line with our long-term strategy, we continued property sales, but at a lower level.

We can also be satisfied with our earning power: adjusted EBITDA rose by 1.4 % to € 480 million and FFO, a key indicator of our economic success, was roughly on a par with the previous year at € 207 million. We are therefore well within expectations. All in all, the past year has once again shown that our business model is robust and not particularly sensitive to cyclical changes.

The stability of our company has also been further strengthened by the fact that we further reduced our debt last year and improved our return on equity. For example, in 2009 we successfully refinanced or prolonged mortgages totalling € 85 million. The trust which our partners placed in us last year in the latest refinancing and new financing transactions shows us that we are regarded as a reliable partner on the capital market.

Furthermore, the German residential real estate market is considered to be comparatively stable despite the international financial and economic crisis. Rents and selling prices for multi-family houses and owner-occupier apartments continued to develop positively, particularly in the metropolitan areas relevant for our Group. Together with the rent and purchase price increases achieved in our own housing stocks, this led to a slight rise in the overall fair value of our residential portfolio. At the balance-sheet date, it was € 10.0 billion.

What does the future hold? In the current year, we will steadfastly maintain our course. Together with our employees and with a reinforced management, we will further improve the new business processes. On the one hand, we are counting on our employees' hard work and dedication, for example to reduce the vacancy rate. On the other hand, we are developing new ideas for innovative services to convince our tenants to stay with us long term. If the opportunity presents itself, we also want to integrate further residential portfolios in our company. In the present environment, the conditions for buying properties are developing positively. We have the financial capabilities to seize opportunities when the time is right.

On the economic side, we aim to slightly exceed last year's key performance indicators in 2010: We are expecting to increase adjusted EBITDA in the current year while FFO will fall slightly.

We are looking forward to leading the Deutsche Annington Real Estate Group into the future with renewed energy and drive this year. And we would like to thank you, dear friends and partners of our company, for staying with us on this road.

Wijnand Donkers | Klaus Freiberg | Dr Manfred Püschel

Boards

Managing Directors

Wijnand Donkers
Chairman

- *Responsible for:*
  Acquisition, Business Management, Group Purchasing, Human Resources Management, Portfolio Management, Legal Affairs and Shareholdings, Corporate Communications, Deutsche Annington Service GmbH, Westphalia business unit, North/East business unit, South/Southwest business unit, Rhineland/Ruhr business unit, Prima Wohnbauten Privatisierungs-Management GmbH

Born in 1962; Master of Business Administration; international management experience at BP p.l.c. with career steps in Europe and North America; last: Managing Director, BP Gas Marketing

Dr Manfred Püschel

- *Responsible for:*
  Controlling, Finance, Accounting, Auditing, Taxes

Born in 1953; PhD in Business Economics; many years of management experience in the fields of planning and finance at various companies incl. VEBA, Stinnes and Raab Karcher; from 1998 to 2005 CFO of Viterra AG; since 2005 Managing Director of Deutsche Annington

Klaus Freiberg (since February 1, 2010)

- *Responsible for:*
  Deutsche Annington Dienstleistungs GmbH, Deutsche Annington Kundenservice GmbH, Deutsche Annington Vertriebs GmbH, Deutsche Annington Informationssysteme GmbH

Born in 1962; degree in History, Social Studies and Economics; from 1995 to 2010 various managerial positions in the Arvato Group (Bertelsmann) including responsibility for the optimisation of the Deutsche Post and Deutsche Telekom service centres; last Managing Director at Arvato Services. Klaus Freiberg is a recognised expert in making companies customer-focused.

Supervisory Board

Guy Hands
- *Chairman and Chief Investment Officer of Terra Firma Capital Partners Limited, London*

Robbie Barr (since November 11, 2009)
- *Chief Financial Officer of Terra Firma Capital Partners Limited, London*

Phillip Wesley Burns
- *Financial Managing Director of Terra Firma Capital Partners Limited, London*

William T. Comfort
- *Chairman of Citigroup Venture Capital, New York*

Fraser Duncan
- *Business Consultant, London*

Wolfgang König
- *Business Consultant, Esslingen*

Prof. Dr Klaus Rauscher
- *Business Consultant, Berlin*

REPORT

Management Report

The 2009 Financial Year

Overview of the financial year

The Deutsche Annington Real Estate Group can look back on a successful year – a year which was dominated by the reorganisation of our business processes aimed at further enhancing performance, efficiency and customer satisfaction. The thoroughly prepared change-over, which began towards the middle of the year, was successfully completed in the second half of 2009. With this new organisational structure, the Deutsche Annington Real Estate Group can now offer its customers a substantially improved service: longer opening hours, better availability, faster processing times. With these services, the Group is setting new standards in the German residential real estate industry.

We managed to buck the difficult overall economic trend in 2009. The company raised rents by 1.3 %. We continued to expand our residential portfolio by acquiring another 4,458 apartments in Berlin. In line with our long-term strategy, we continued property sales but at a lower level. Overall, the past financial year showed once again that our business model is sound and not particularly sensitive to cyclical changes.

We are very satisfied with our economic results: Despite the extensive reorganisation of the company, adjusted EBITDA rose to € 479.6 million (+1.4 %) and FFO was roughly on a par with the figure for 2008 at € 206.7 million. Therefore, we are well in line with expectations.

In 2010, we will continue on our successful course, further improving our processes and again making considerable investments in the quality of our residential portfolio. Economically speaking, our goal in 2010 is to top last year's figures for the most important performance indicators.

Structure, Strategy, Employees

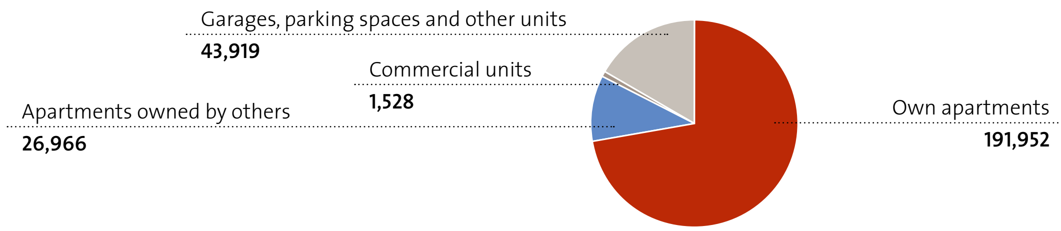
The Deutsche Annington Real Estate Group is geared to the long-term management of residential properties in Germany. Through our core activities, property management, property sales and growth through acquisitions, we want to expand our leading market position in the years to come and further increase our earning power. The new company organisation introduced in 2009 will make a major contribution towards achieving these goals.

Structure and strategy

Business activities: service-driven management of residential properties
The Deutsche Annington Real Estate Group is one of the top housing companies in Germany with some 220,000 residential units managed and approx. 1,100 employees. The company was established as part of the takeover of railway housing companies in 2001 and grew considerably through further acquisitions in the years that followed. With the purchase of Viterra in 2005, Deutsche Annington advanced to become Germany's biggest residential real estate company. Today, the Group pools the experience and know-how of ten companies with up to one hundred years' history.

The Deutsche Annington Real Estate Group sees itself as a service-driven holder and manager of residential property in Germany. Its core business is to offer reasonably priced apartments for long lets to broad sections of the population and to make itself an attractive landlord to tenants by providing additional services. The second core activity is the sale of selected properties. A further pillar is the targeted acquisition and integration of residential portfolios into the Group.

Units managed by the Deutsche Annington Real Estate Group
(as at December 31, 2009)



The Deutsche Annington Real Estate Group is Germany's largest residential letting company

The Deutsche Annington Real Estate Group is, today, the largest private housing company in Germany. In total, we manage 191,952 apartments of our own, 43,919 garages, parking spaces and other units as well as 1,528 commercial units. What's more, we also manage 26,966 apartments for other owners. The Deutsche Annington Real Estate Group offers accommodation in some 630 cities, towns and villages throughout Germany. 69% of the apartments are situated in cities with more than 100,000 inhabitants; 31% are in medium-sized and small towns as well as villages.

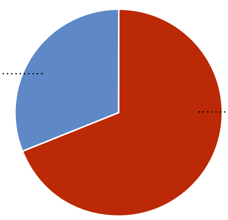
Portfolio structure: regional focus in NRW, Berlin and southern Germany

Approx. 60% of our portfolio is concentrated in 20 major cities and towns in which we have between 2,000 and 18,000 residential units. The focus is on the Ruhr area, Berlin, the Rhine-Main region and southern Germany. The four biggest locations are Dortmund, Berlin, Frankfurt am Main and Essen. The vast majority of our housing stocks (95.9%) are situated in the states of former West Germany (including Berlin). 52.9% are in North Rhine-Westphalia. Therefore, by far the largest proportion of our residential portfolio is located in the most highly populated German state.

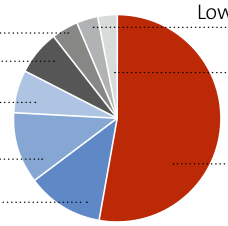
Positioning: offering affordable apartments, standing out through best possible service

As Germany's largest residential letting company, the Deutsche Annington Real Estate Group has a strong market position. The Group uses this size advantage to actively expand the services it provides in addition to pure property rental in its market segment – affordable apartments, mainly in metropolitan areas. The Group not only optimises its own services but also generates purchasing advantages for its tenants by bundling demand. With this combination it offers current and potential tenants an attractive package of services, which is a considerable advantage when competing for long-term tenant loyalty: the additional services offered range from lower ancillary cost bills thanks to framework agreements for the most important maintenance and other services to discounts on purchases from selected retailers. The Group has also devised an innovative and free-of-charge service for its older tenants called "Annington Wohnen Plus".

Structure of the Deutsche Annington residential portfolio by cities, towns and villages



Structure of the Deutsche Annington residential portfolio by German states



New business model: from regional to functional

Last year, the Deutsche Annington Real Estate Group totally redesigned its business organisation and processes as part of the restructuring of the company: the regional companies, which were previously responsible for the local business as well as for customer acquisition and customer care, ceased operations. In the new business organisation, their former responsibilities have now been allocated to two functional areas – Business Management and Property Management. We have pooled the owner function under Business Management. It is now performed by the four business units Westphalia, North/East, South/Southwest and Rhineland/Ruhr. Local decisions about properties are taken by business managers who are responsible for a certain specially defined portfolio assigned to them. This ensures that in-depth knowledge of a property and market proximity can be used to even better effect and decisions can be taken in a well-founded and considered manner.

In the second functional area, Property Management, we have set up a customer centre consisting of the central tenant centre, the repair centre and the sales centre. We handle all customer queries through the customer centre. Our employees can access a digital tenant and property file containing all necessary information. Some 50 million pages of paper from more than 100 locations had to be scanned and sorted to create these files. Thus we have completed a step that is long since standard at customer-minded companies in other industries. Tenant questions that the customer service staff cannot answer directly on the phone are handled by our tenant service field workers who go out to the customers. The customer service employee makes an appointment while the tenant is on the phone and immediately enters it in the field worker's diary. The dynamic field service control system then soon directs the field worker to the customer or apartment. Every day, our employees make up to 1,100 local visits. We have never been so close to our customers.

Standard procedures, such as ancillary cost billing, are handled by a service centre, which is attached to the tenant centre.

Last but not least, we have pooled all necessary management and support functions in a third area, Corporate. The new company organisation has made a crucial contribution towards further improving the Group's performance and efficiency.

Targets: customer satisfaction, profitability, efficiency and performance

Like every private-sector enterprise, the Deutsche Annington Real Estate Group wants to generate attractive earnings. It is our firm belief that this goal can only be achieved through satisfied customers and therefore through performance. Deutsche Annington focuses particularly on service and looking after our portfolio.

With the introduction of the new business organisation, we have considerably improved customer service and our efficiency. At the same time, in 2009 we continued to ensure that we always meet our social responsibility as a landlord. We are well aware that our customers' homes are particularly important to them. That is reflected in our commercial decisions as well as in our activities in the fields of corporate citizenship and social responsibility.

The alpha and omega of all our activities is and always will be customer satisfaction. Satisfied customers are proof that our customer relationships are intact, our business processes work and our service offering is attractive. Furthermore, satisfied customers are an incentive to stay loyal as a tenant to Deutsche Annington over many years. This makes a substantial contribution to stable income, lower costs and higher earning power.

STRATEGY: growing profitably by developing our portfolios and enhancing our performance

The Deutsche Annington Real Estate Group's aim is profitable and sustained growth. We concentrate on three fields of business:

- **Long-term, value-enhancing management:** Through our letting and other services whose quality we continually monitor and improve, we offer our customers a competitive range of properties with very good services. Parallel to this, we maintain our residential portfolio to modern-day quality standards and make targeted improvements. All this helps to ensure long lets and good rental conditions.

- **Selective sales of units in a socially acceptable manner, primarily to tenants:** We offer residential properties at attractive prices. We only sell carefully selected units, primarily to our tenants, but we also approach other prospective owner-occupiers and in some cases capital investors. We involve tenants and local authorities in this process at an early stage.

- **Strategic acquisition of housing portfolios:** As a housing company geared to long-term property management, we are expanding our housing stocks throughout Germany. In doing so, we concentrate above all on portfolios in urban areas. Thanks to our financial strength, we can also buy large residential portfolios.

Our strategy focuses on the profitable management of our properties and their maintenance. It is, after all, our properties which secure us a regular and sustained income. When buying new portfolios and selling residential units, we proceed according to carefully defined criteria.

One important aspect which we must consider when acquiring properties is whether they fit into our portfolio structure and will satisfy our earnings expectations in the short to medium term. We examine both private-sector and public-sector housing portfolios which are up for sale. When taking over housing stocks, we are used to handling special agreements such as comprehensive social clauses to protect tenants. Our attention is mainly focused on relatively large portfolios of more than 500 apartments.

Strong rent structure and tenancy figures

Our portfolio generates an average monthly rent of € 5.00 per square metre (2008: € 4.91 per square metre). Roughly half of our apartments (52%) have living areas of up to 64 square metres. Thus the Deutsche Annington Real Estate Group is a major provider of reasonably priced, small and medium-sized apartments. Industry experts are currently predicting that this market segment will offer the best opportunities since the demand for smaller apartments is growing disproportionately as the number of single people in our society increases.

Our customer satisfaction is unusually high: On average, a tenant lives for about 15 years in a Deutsche Annington apartment; on a national average, a tenancy lasts about nine years.

Overview of the residential portfolio data of the Deutsche Annington Real Estate Group

Portfolio as at Dec. 31, 2009	Units	Share in %	Living area in m²	Average living area per unit in m²	Annualised net rent* in € million	Share in %	Monthly net rent per m²* in €	Vacancy rate* in %
Top 20 cities and towns								
Dortmund	18,029	9.4	1,100,220	61	58.7	7.9	4.44	5.0
Berlin	13,439	7.0	866,538	64	56.0	7.6	5.37	3.4
Frankfurt	10,657	5.6	663,291	62	51.3	6.9	6.42	2.3
Essen	10,656	5.6	659,773	62	39.0	5.3	4.91	7.3
Gelsenkirchen	8,970	4.7	542,322	60	28.3	3.8	4.34	5.9
Bochum	7,848	4.1	455,720	58	26.1	3.5	4.77	5.2
Munich	5,284	2.8	351,098	66	25.2	3.4	5.95	2.0
Duisburg	5,040	2.6	300,804	60	16.8	2.3	4.63	6.4
Herne	4,715	2.5	289,063	61	15.2	2.1	4.38	5.5
Bonn	4,663	2.4	327,631	70	22.7	3.1	5.72	4.6
Cologne	4,645	2.4	303,186	65	21.2	2.9	5.80	5.3
Gladbeck	3,692	1.9	225,701	61	12.7	1.7	4.67	8.6
Herten	2,969	1.5	192,479	65	9.9	1.3	4.27	5.7
Düsseldorf	2,684	1.4	175,427	65	13.1	1.8	6.18	3.2
Marl	2,599	1.4	174,923	67	10.7	1.4	5.08	7.9
Aachen	2,259	1.2	150,312	67	8.8	1.2	4.88	2.0
Bottrop	2,187	1.1	137,881	63	7.9	1.1	4.74	4.1
Bergkamen	2,027	1.1	134,185	66	7.2	1.0	4.44	9.5
Wiesbaden	2,022	1.1	131,439	65	10.7	1.5	6.65	6.6
Geesthacht	2,007	1.0	114,577	57	7.3	1.0	5.30	6.2
Subtotal for top 20 cities and towns	**116,392**	**60.6**	**7,296,571**	**63**	**448.9**	**60.7**	**5.10**	**5.0**
Other locations	75,560	39.4	4,988,999	66	290.8	39.3	4.86	7.3
Total	**191,952**	**100.0**	**12,285,570**	**64**	**739.7**	**100.0**	**5.00**	**5.9**

* as at beginning of December

Company and environment: active involvement as a socially responsible landlord and reliable partner

The housing stocks of the Deutsche Annington Real Estate Group come from the merger and integration of various housing companies. When we took them over, comprehensive social clauses were generally agreed to protect the tenants. We work closely in the communities with all those involved in a spirit of trust, are committed to the development of urban districts and conclude individual estate agreements. We are party to numerous regional cooperation agreements throughout Germany. We maintain a constructive dialogue with political representatives and tenants' associations.

Through our two non-profit foundations, we offer help in cases of social hardship and to people in need. Our foundations also promote intact neighbourhoods and vocational training. Furthermore, we are involved in many social projects in the vicinity of our residential estates. We encourage a strong community spirit among our tenants by supporting tenants' festivals, initiatives and clubs. Through sponsoring, we back social projects for children and young people as well as cultural activities.

Involvement in innovative projects to improve the quality of housing and life

At the same time, in view of the demographic development, we are trying to find ways of helping our tenants to continue living in their own homes to a ripe old age. Together with strong local partners, we want to arrange nursing and domestic help services as well as nationwide counselling. The services offered are not only to be designed for older people but also for adolescents and young families.

In 2009, Deutsche Annington launched a project in cooperation with the charity, Caritas, in Gelsenkirchen: When modernising a multi-family house, we set up a disabled-friendly advice centre with a café-cum-meeting place for tenants. Out of two ground-floor apartments, we made one handicapped-accessible unit. The specially converted rooms are being provided for Caritas rent-free, initially for two years.

Furthermore, we are considering how technology can be used in our apartments to help elderly people retain their independence. Here we are planning a project in cooperation with Johanniter-Unfall-Hilfe e.V. in Dortmund: On similar lines to the Caritas project, the idea is again to set up an advice centre and meeting place in one of our buildings. The Johanniter staff are to use the centre to coordinate local home emergency calls from Dortmund and the surrounding area. The Johanniter Unfallhilfe organisation is one of the biggest providers of home emergency call services in Germany. As part of this cooperation, we also want to offer our tenants reasonably priced home emergency call systems.

If the response is good, we will expand on projects like this and set up more of the same kind.

Helping tenants to buy their own home

Through the selective sale of apartments, we give many tenants the chance to fulfil their dream of owning their own home as an investment and provision for retirement. According to a survey conducted by Immobilienverband von Deutschland (IVD), property offers the best protection against inflation and is playing an increasingly important role in people's provisions for retirement. According to the survey, just under half of all tenants have already thought seriously about buying a house or apartment.

The mix of tenants and owners in our housing estates is an advantage because it creates a stable living environment. We aim to primarily sell to tenants, owner-occupiers and capital investors. In the last ten years, some 50,000 families have bought an apartment from us or one of our predecessor companies.

Our mission: long-term development and sustained first-rate performance

In our business, we believe in focusing on the long-term development of our company and total commitment to this goal. Our mission is clearly defined: We want to be the best company in the housing industry, now and always. We systematically pursued this goal in 2009 with the introduction of new business processes.

Employees

Number of employees reduced as a result of optimised business processes

At the end of 2009, the Deutsche Annington Real Estate Group had 1,097 (2008: 1,302) people in its employ. The decrease in the number of employees is mainly due to the reorganisation of the company during which we identified potential for organisational improvements and optimised our processes. The restructuring and strategic realignment of our Group were implemented with effect from July 1, 2009. As a result of the reorganisation, a total of 353 FTEs will be cut by the end of 2010.

In anticipation of the new organisation, the number of employees was already reduced by 104 in 2008. This was mainly achieved by not refilling positions that had become vacant as people left the company.

In 2009, the number of jobs was further reduced by 195 FTEs (in absolute terms: 205 employees). In many cases, employees were offered incentives to leave the company voluntarily.

The restructuring will be completed by December 31, 2010 when roughly another 90 full-time jobs will have been cut.

Social compensation plan agreed together with the works council

In the negotiations with the Group works council on a reconciliation of interests and social compensation plan, socially acceptable solutions were found for the employees affected. In addition to financial compensation, the social compensation plan contains a clause according to which all employees leaving the company are given the offer to move to a so-called transfer company. The transfer company maintains close contact with potential new employers and therefore significantly increases the employees' chances on the labour market. Moreover, the employees are helped to gain further qualifications and given support in finding a new job.

During the reporting period, 78 employees took up the offer of moving to the transfer company. The remaining job cuts were achieved through natural wastage, part-time phased early retirement contracts and termination agreements by mutual consent.

HR development focused on preparing staff for new tasks
Our HR development continually supports our staff and managers in developing their skills. In the light of the fundamental restructuring of the company, the special challenge in 2009 was to prepare more than 600 employees for their new assignments and roles. To accomplish this, we developed a series of training courses in which employees were taught to cope with the new tasks. Important elements were an intensive introduction to the operation of the new systems as well as social support: a change management project team concentrated particularly on providing direct support and assistance for the employees during the change-over. Coaching and call technique offers were important components. Our managers were prepared for the new organisation in internal change & performance workshops. In total, our employees received some 29,000 hours of training.

Continued commitment to health and the family
One important focus of attention in 2009 was on health management. It concentrates on sports activities as a form of preventive health care. In the "balance body & mind" field, we demonstrate our commitment to health care for our employees with annual health days, flu vaccinations as well as cancer screening. Our cooperation with Kieser Training, a provider of health sports programmes, as well as with other fitness centres means we can offer our employees attractive conditions for taking part in individual health programmes.

Towards the end of the year, we devoted our attention to preparations for our re-audit as a family-friendly company under the work and family audit, "audit berufundfamilie®" performed by the non-profit Hertie Foundation. This re-audit is scheduled for the spring of 2010.

Employee structure remains balanced
As of December 31, 2009, the Deutsche Annington Real Estate Group employed 521 women, which is 47.5 % of the total workforce. 193 employees (17.6 %) have part-time jobs. The average age of employees in our Group is 43.4; the average number of years of service is 13.4.

Apprenticeships: successful examinees, employment contracts and scholarship awards
As of December 31, 2009 the Deutsche Annington Real Estate Group had 72 apprentices in its employ, which is 6.6 % of the total workforce. In the 2009 financial year, 25 apprentices were recruited in the Deutsche Annington Real Estate Group. A traineeship as an event manager was offered for the first time in 2009.

22 apprentices passed their final exams; 16 were given a fixed-term employment contract and four received a permanent contract. Some of the final-year apprentices passed their exams with the distinction of being best in their year: three before the Chamber of Industry and Commerce in the central Ruhr area in Bochum, one with Verband der Südwestdeutschen Wohnungswirtschaft e. V. in Frankfurt a. M. and two in the European Training Centre in Bochum.

Deutsche Annington offers a further attractive educational opportunity in the form of scholarships for study programmes parallel to vocational training or to the job.

Economic Environment and Business Review

Business performance well in line with expectations

In 2009, our attention focused on the smooth implementation of the new organisation and the systematic introduction of the new structures and business processes. We managed to successfully set up the associated operational tasks by the end of the year. 2009 also saw another successful step in our course of growth with the acquisition of the majority of the shares in Prima Wohnbauten Privatisierungs-Management GmbH. In Berlin, we integrated another 4,458 apartments. The attractive real estate market in the capital is now our second-largest location after Dortmund with some 13,500 units. Despite a difficult economic environment, we again posted sound earnings in 2009. All our financial performance indicators were in line with expectations and in some cases even exceeded them. With the new processes in place, we are expecting further significant improvements in earnings in the years to come. On the operations side, the benefit of the new, centrally organised processes is already distinctly noticeable.

Economic development

OVERALL ECONOMY: global economy slowly pulling out of recession
After the severest slump since the end of World War II, the global economy is now recovering slightly. The deep recession was triggered above all by the particularly sharp and abrupt collapse of world trade at the beginning of 2009. According to the German Council of Economic Experts, global production fell significantly by 1.1 % in 2009.

Towards the middle of the year, the global economy then stabilised. This development is mainly attributable to four factors: the expansive monetary policy of the central banks, the strong expansion of public-sector demand thanks to economic stimulus programmes, the relative robustness of emerging economies as well as the comparatively low oil price.

The trend towards recovery is also reflected in the world economic climate index, which is part of the ifo World Economic Survey, conducted by the Munich-based ifo Institute for Economic Research. It rose again in the fourth quarter of 2009 for the third time in succession. The increase in the index is a result of both greater optimism about the next six months and less pessimism about the current economic situation. The ifo Institute is expecting the recovery of the global economy to continue. Nevertheless, the speed of growth will remain slow.

The core problem remains the weakness of the international financial markets whose functioning is still restricted in important segments. In addition, the banking system is having to contend with huge equity losses resulting from the high write-downs on structured securities. Some major industrial countries are also having to deal with a crisis on the real estate market, which means that the banks have to write down even more. The credit conditions are therefore remaining restrictive throughout the world, which is severely impeding the financing of investments and new jobs. What's more, the economic stimulus programmes introduced so far are now running out and the need to consolidate public finance is becoming ever more urgent.

German economy recovered slightly towards the middle of the year

Parallel to the development of the global economy, the German economy also recovered slightly towards the middle of 2009. According to the Federal Statistical Office, price, season and calendar-adjusted gross domestic product (GDP) rose by 0.7 % in the third quarter of 2009 compared with the same pre-year quarter. The slight upward trend from the second quarter (+0.4 %) thus continued. According to the ifo Institute, one of the main determining factors was that the global economy perked up. Consequently, the German export industry experienced season and calendar-adjusted growth of 3.4 % in the third quarter of 2009. Gross domestic investment also started to pick up on the back of the German government's economic stimulus packages. By contrast, real private consumer spending, which had been boosted by a large number of tax measures in the first half of 2009, fell appreciably in the third quarter.

The severity of the economic crisis was still clearly recognisable in 2009. The German economy shrank in 2009 for the first time in six years. In comparison to the previous year, GDP fell by 5.0 %.

Slight upturn expected in 2010

Despite improved economic prospects, the ifo Institute is so far not expecting any self-supporting upturn in the economy in 2010. Given the persistently difficult financing conditions for companies, the state of the economy remains unstable. Exports are likely to only increase moderately because the economy in the major customer countries is not improving dramatically. All in all, the picture is similar for imports. Therefore, the balance of trade, i.e. the difference between exports and imports of goods and services, will not provide any appreciable contribution to growth of GDP. With capacity utilisation remaining at a low level, capital spending is only expected to increase slightly. The economic stimulus packages will initially continue to have a positive impact on public-sector investments in the construction industry. Incomes and private consumption are being given a short-term boost at the beginning of 2010 due to the Wachstumsbeschleunigungsgesetz (Growth Acceleration Act) and the tax relief package already passed by the government. However, after this initial phase, momentum will be weak. In addition, the lack of demand for cars following the purchases brought forward in 2009 due to the car scrappage allowance is having a dampening effect. On an annual average, the real gross domestic product in 2010 is likely to rise by 1.7 %.

Labour market more robust than expected

The labour market proved to be relatively robust in 2009 in spite of the economic slump. Nevertheless, the December figures show that the economic crisis has meanwhile also filtered through to the labour market. On an annual average, the unemployment rate was around 8.1 % of the labour force (2008: 7.8 %). On the labour market, which lags behind the development of the economy, employment will gradually adjust to the low production level. Short-time working will decrease and, in turn, unemployment will increase. The German Federal Employment Agency is expecting an average unemployment rate of 8.5 % in 2010.

HOUSING MARKET: Gap between supply and demand increased as fewer new homes were built

In Germany, the number of permits granted for new residential buildings fell yet again in 2009. According to the Federal Statistical Office, the number of residential building permits granted dropped by 3.1 % to 128,800 in the first three quarters, compared with the same period in 2008. Two-digit growth rates are expected again for the first time for the last quarter of 2009 and the coming year 2010. For the fourth quarter of 2009 alone, the German building societies (Landesbausparkassen) are expecting the number of permits to rise by 13 %. They are also forecasting a further increase of 11 % to 195,000 residential building permits for 2010. This would be the highest figure for four years, but would still be 20 % below the figure for 2005/2006. The German building societies see the reasons for this positive development in the more optimistic attitude of potential home owners and the Riester incentives for would-be owner-occupiers. According to analysts' estimates, however, between 270,000 and 350,000 new residential units have to be built every year to meet the demand for new accommodation.

Growing number of small households boosts demand for accommodation

According to a study conducted by HSH Real Estate AG, the demand for accommodation will increase steadily until 2020 despite the shrinking population. The study states that the reason for this development is the growing number of single-person households. The number of households will have risen by 1.1 million to 40.5 million by 2020, above all due to the increase in one and two-person households. The large cities and surrounding areas as well as other metropolitan areas in the south and west of Germany will profit particularly from this trend.

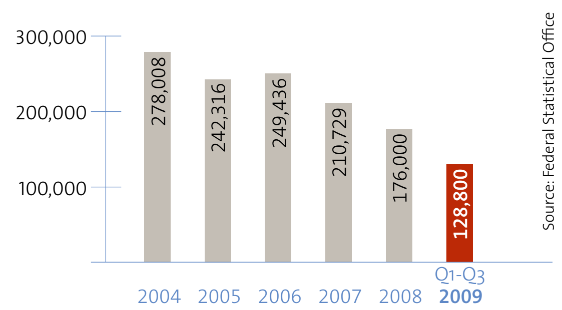
Demand for living space increases again

The average per-capita living space rose in Germany to a new record of 41.9 square metres in 2007 according to a report of ifs Städtebauinstitut. In the two previous years, this figure was 41.6 and 41.2 square metres respectively. Per-capita living space will continue to increase. The main reason for this development is the trend towards smaller households due to demographic changes.

RESIDENTIAL RENTS: Slight rise in rents continues

According to the 2009/2010 rent index issued by Immobilienverband Deutschland IVD, rents for residential properties in German cities continued to rise in 2009. On a national average, tenants had to pay roughly 0.9 % more when they moved than in 2008. However, the price rise has slowed somewhat in comparison to 2008. From 2007 to 2008, rents increased in the 390 German cities surveyed by 1.1 %.

Development of new buildings completed in Germany between 2004 and 2009
(2009: building permits granted up to September)

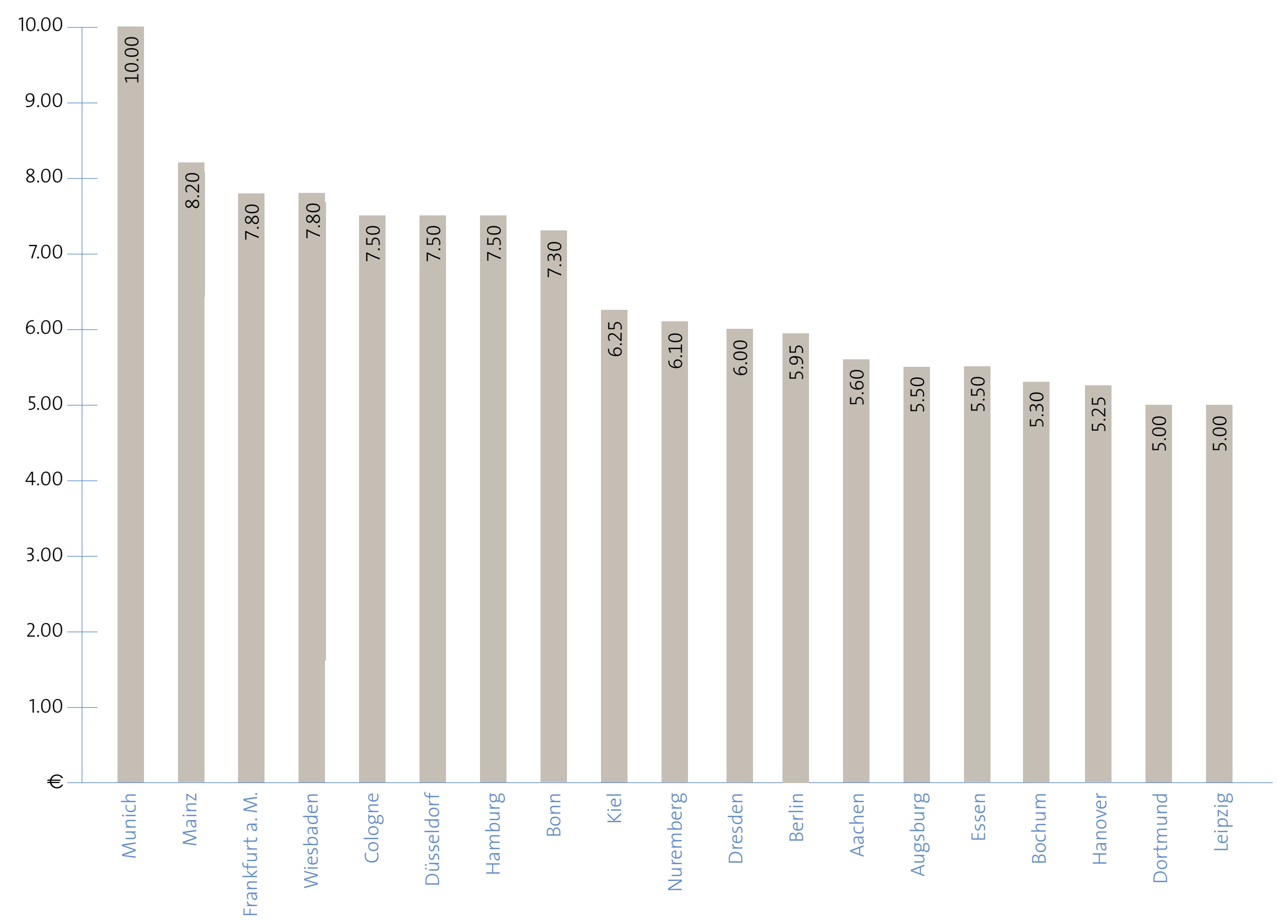


The reason for this development is the low number of new builds in recent years. In contrast to older apartments, the increase in rents for newly built apartments has remained high. The gap between supply and demand for newly built apartments is widening. As a result, IVD is recording significant rises in rents. This can also be seen in medium-sized to small towns where rents for new builds have risen just as sharply. However, in a ten-year comparison, the rent increases are rather moderate. For example, the net rents for an average apartment are only between 6 and 12% higher than ten years ago. Due to the falling number of new apartments completed, the Deutsche Annington Real Estate Group is expecting the demand for apartments in existing buildings to continue rising due to the shortage of newly built apartments.

Prices of existing residential buildings fall slightly

The prices of existing residential buildings are continuing to fall on a national average. According to the figures last published by the Federal Statistical Office, prices for used single and two-family houses as well as owner-occupier apartments fell overall in Germany between 2000 and 2007. In this segment, the price index showed an overall fall of 5.0% during this period. By contrast, prices for residential property in German cities continued rising in the last two years according to IVD. This shows that well appointed owner-occupier apartments in good to very good locations in German cities are still in demand.

Average rents in new rental contracts for apartments of average standard in selected cities
(Source: IVD rent index 2009/2010)



Stable prices and sustained value make German residential properties attractive

Institutional investors are now turning their sights more to residential real estate again. These were the findings of a survey conducted by Feri EuroRating. The main reason for the growing number of real estate funds that are focusing on residential properties is that many investors now wish to play safer since the financial market crisis. Residential properties are less dependent on business cycles than office real estate and generate largely stable earnings.

The Feri EuroRating survey shows that closed-end residential real estate funds for institutional and private investors set up in 2009 invested some € 1.5 billion in residential real estate: further investments of € 6.7 billion are planned, including some 40% (€ 2.7 billion) earmarked for the acquisition of apartments in Germany. 19% of those interviewed stated that they planned to invest in France and an equal number in Scandinavia. 13% want to invest their funds in Central Europe or Asia. Germany is the market of choice for nearly one quarter of the investors surveyed who want to invest in residential properties. This again shows how highly the investors rate the German residential real estate market.

When deciding what to buy, investors mainly go by the stable prices and the sustainable value of a property. The most important factors as regards sustainable value are a positive demographic development, the growing number of households and the increasing living space per person. At the same time, alongside stability and sustainable value, it is also the attractive growth potential which favours this class of asset. The growing gap between demand and the amount of accommodation on offer is a decisive investment criterion as this should lead to prices rising in the medium term.

According to the Federal Office for Regional Planning (BBR), the number of transactions involving more than 800 apartments fell, however, in the first half of 2009. By contrast, transactions involving smaller residential real estate portfolios of between 100 and 800 units continued to increase in importance in the last two years: Whereas only 8 to 12% of all apartments sold were in this segment in 2006/2007, the share had already increased by 30% and 40% in the first six months of 2008 and 2009 respectively. This trend towards the purchase of smaller packages of apartments is probably also a result of the tougher financing conditions in the wake of the credit crunch.

Real estate gaining significance as a provision for retirement and as protection against inflation

According to a representative Forsa survey, residential real estate is becoming increasingly important in people's provisions for retirement. More than half of those interviewed expect home ownership to play a greater role in future in people's plans for retirement. Roughly the same number believed that, compared with other forms of investment, real estate offers the best protection against inflation. Further important reasons mentioned for buying a property were the current low interest rates and the good general conditions.

Business Review

Overview of the key performance indicators of the Deutsche Annington Real Estate Group in 2009

€ million	2009	2008
Income from property management	1,033.6	1,029.1
Gross profit from property management	591.9	594.9
Income from disposal of properties	149.6	144.3
Gross profit on disposal of properties	46.8	50.8
Adjusted EBITDA	479.6	473.1
FFO	206.7	207.1
Economic investments	241.1	148.7
Number of employees (as at Dec. 31)	1,097	1,302
Number of units sold (recorded sales)	1,880	2,542
Sold individually	*1,620*	*1,417*
Other sales	*260*	*1,125*
Number of units acquired (title transferred)	4,566	1,364
Number of residential units in portfolio (as at Dec. 31)	191,952	189,218

Considerable sum invested in the reorganisation of the company
In the last two years, the Deutsche Annington Real Estate Group invested more than € 60 million in the reorganisation of the company. The aim was to further increase customer satisfaction and service quality and, at the same time, reduce process costs through the use of cutting-edge technology. Our investments were also designed to improve our employees' working environment through the new processes and thus create greater job satisfaction.

We introduced the new business process model step by step in 2009. Core elements are a customer centre with a nationwide service number for all tenant inquiries, a service centre for handling standard procedures such as the billing of ancillary costs as well as a new, powerful field service organisation that focuses on providing a local service for the tenants. With this new organisation we have considerably simplified our procedures and broken down bureaucratic structures. In future, we will be able to deal with tenants' inquiries more quickly and reliably than before. With the new organisation, we have been able to enhance the overall performance and efficiency of Deutsche Annington and set new standards in the German housing industry.

Tasks connected with the change-over of the business processes were successfully solved
The implementation of the new business organisation presented our Group with a number of operational challenges, particularly in the second half of the year. In July, we switched most of our organisation over to the new processes – virtually from one day to the next. The innovations ranged from digital tenant files and dynamic field staff management to the latest technology for our staff. This change-over also brought with it in some cases completely new tasks and roles for some 600 employees. More than 50 million pages of paper had to be digitised in advance so that our staff had all relevant documents available in electronic form to give our customers information quickly.

Whilst in the first few weeks after the change-over it was not possible to handle customer inquiries as quickly as before, we soon managed to significantly stabilise the new business processes and reap the first benefits from the transition. For example, we have distinctly improved telephone availability: in the repair and tenant centre, we have now achieved an average availability rate of over 80 %, with a waiting time of no more than two minutes. Before the change-over, availability was on average about 55 %. Now our field workers make up to 1,100 visits to our tenants at some 630 locations throughout Germany every day. We have thus achieved one of the most important goals of the new organisation.

Alongside the repair hotline, which is manned seven days a week, we now have central tenant and service centres, where we can be reached at a standard service number from all over Germany from 8 a.m. to 6 p.m. Mondays to Fridays and from 9 a.m. to 1 p.m. Saturdays. Thanks to the nationwide service number, we have increased our availability from around 35 hours to 54 hours a week. All in all, we have created the conditions to improve customer satisfaction and make us even easier to reach for our tenants and customers.

Robust business performance despite economic crisis and recession
In 2009, the Deutsche Annington Real Estate Group continued its successful course despite the persistent economic crisis and the comprehensive reorganisation of the company. Our two most important performance indicators, adjusted EBITDA (earnings before interest, taxes, depreciation and amortisation) and FFO (funds from operations) were either slightly up or at the high level of the previous year: adjusted EBITDA totalled € 479.6 million. Compared with the previous year's figure of € 473.1 million, that is an increase of 1.4 %. FFO amounted to € 206.7 million after € 207.1 million in the previous year. Overall, the Deutsche Annington Real Estate Group therefore managed to demonstrate its earning and financial power once again in 2009 in a generally very difficult business environment.

Property management: gross profit in core business on a par with previous year
Our core business segment, Property Management, covers our property letting and condominium administration activities. Our gross profit from property management in 2009 was on a par with the previous year at € 591.9 million (2008: € 594.9 million). We increased gross rental income in 2009 by raising rents within the statutory limits. The rental income from our newly acquired residential units had an additional positive effect.

In 2009, the cost of materials for property management was € 7.5 million higher than the 2008 figure. This is mainly due to the fact that we increased the amount spent on maintenance in 2009 to € 122.9 million.

Of the gross rental income in 2009, 71 % was income from net rents and 29 % from charges and costs passed on to the tenants in the ancillary cost bills. The main components of other income from property management are rent subsidies, income from condominium administration and income from property management activities for third parties.

Gross profit from property management
January 1 to December 31

€ million	2009	2008
Gross rental income	1,012.3	1,006.1
Other income from property management	21.3	23.0
Cost of materials for property management	–441.7	–434.2
Gross profit from property management	**591.9**	**594.9**

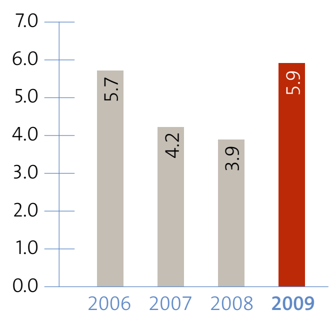
Vacancy rate rose temporarily due to change-over
At the end of 2009, our vacancy rate was 5.9% compared with 3.9% in 2008. The vacancy rate also includes the apartments earmarked for sale and therefore vacant (2009: 0.9%). We do not re-let apartments that we plan to sell as it is easier to sell empty apartments to owner-occupiers.

The increase in the vacancy rate was as expected and was mainly due to the temporary dip in performance in connection with the introduction of our new business process model. To correct this development, we redoubled our efforts to reduce voids in the second half of 2009. In addition to measures to upgrade unlet apartments, we above all used special marketing campaigns to target particular customer groups.

As the second half of the year progressed, our business processes largely returned to normal: with more than 15,000 prospective tenants a week, we managed, in some cases, to achieve a considerably higher letting rate than before the change-over. At the same time, the number of tenants terminating their rental contracts fell.

Rents rose slightly on average
In the 2009 financial year, we managed to raise our rents by 1.3% on average. The rent increases were partly a consequence of our modernisation measures since housing improvements allow landlords to pass on some of the costs to their tenants. The rent increases were above the inflation rate. According to the Federal Statistical Office, prices in Germany rose by an annual average of 0.4% in 2009. The German Federal Bank is expecting an inflation rate of not more than 1.4% in 2010.

Development of the DAIG vacancy rates from 2006 to 2009
in %



Considerable amounts again invested in energy-saving modernisation measures
We are continually upgrading our properties with targeted modernisation and maintenance programmes. In 2009, we invested € 155.5 million in our housing stocks throughout Germany. Thanks to our size, we can achieve price advantages over most of our competitors of up to 30% when buying in services and materials. Most of the investments went into energy-saving measures (thermal insulation of facades and roofs etc.) as well as into improving the quality of the housing (e.g. by adding balconies).

Energy consumption falls significantly in the modernised residential estates, which in turn reduces emissions of climate-damaging CO_2. This effect not only benefits the environment but also our tenants in the form of lower ancillary cost bills. At the same time, these investments increase the attractiveness of our residential units and therefore ultimately ensure sustained rental income.

Condominium administration increases service quality
The Deutsche Annington Real Estate Group offers its customers a condominium administration service. This service is provided by our subsidiary Deutsche Annington Service GmbH. It manages the common property for the apartment owners in accordance with the Condominium Act. The company offers capital investors a full management service for their separate property. In addition, it provides the owners with services such as the maintenance and modernisation of separate and common property in apartment buildings. The new business processes introduced in 2009 have further improved the quality of the services that our subsidiary offers. At the end of 2009, Deutsche Annington Service GmbH was looking after some 1,292 condominium owners' associations (2008: 1,430) with a total of 45,276 residential units and condominiums (2008: 47,959).

Sales: sale of apartments continued at lower level
Gross profit on disposal of properties fell from € 50.8 million in 2008 to € 46.8 million in 2009. We again continued our strategy of selective sales to complement our successful core business, property management. As rents are stable or rising slightly and demand for property to buy is stagnating, Deutsche Annington's clear focus is on keeping properties in the portfolio. As planned, fewer units were therefore sold in 2009 than in the previous year. In 2009, we sold a total of 1,880 residential units (2008: 2,542) throughout Germany, including 1,620 apartments (2008: 1,417) to individual buyers. Our sales primarily concentrate on the individual sale of selected housing stocks.

Income from disposal of properties increased in 2009 from € 144.3 million to € 149.6 million. This positive development is due to the fact that we managed to obtain a higher price per square metre on sales. The margin on the units sold as part of the privatisation programme was on a par with the previous year's high figure. In 2008, the average margin reflected the high increase in value of the undeveloped plots of land sold.

Gross profit from sales
January 1 to December 31

€ million	2009	2008
Income from disposal of properties	149.6	144.3
Carrying value of properties sold	-102.8	-93.5
Gross profit from sales	**46.8**	**50.8**
Margin	31.3 %	35.2 %

Market environment affects privatisation potential
The result of the revaluation of the investment properties and the review of the trading properties is shown under net valuation gain/loss on property. As in the year before, in 2009 we calculated the fair values of our entire real estate portfolio in a detailed internal valuation.

On the face of the balance sheet, we make a distinction between investment properties and trading properties. Properties primarily planned for sale are shown under trading properties and recognised at cost. Properties held as financial investments are shown under investment properties and recognised at their fair values. Further information on how the fair values were determined is to be found in the section Fair Values starting on page 34.

The valuation of the investment properties led in 2009 to a valuation gain of € 61.6 million. In 2009, the Deutsche Annington Real Estate Group allocated further residential units that we had classified as potential properties for privatisation in previous years to the property management portfolio and not to the privatisation portfolio. The change in value of the trading properties resulted in income of € 49.3 million; this income was largely attributable to the remeasurement at fair value of the trading properties reclassified to investment properties. Further details on this item can be found in the Notes to the consolidated financial statements, note 9. Overall, the net valuation gain on property increased Group earnings in the reporting period by € 110.9 million.

Changes in the value of the properties
January 1 to December 31

€ million	2009	2008
Income from fair value adjustments of investment properties	61.6	-479.9
Changes in value of trading properties	49.3	52.1
Net valuation gain/loss on property	**110.9**	**-427.8**

Adjusted EBITDA slightly up on previous year
In 2009, we improved adjusted EBITDA by € 6.5 million to € 479.6 million. We again reduced the balance of other operating income and expenses. In the reconciliation to adjusted EBITDA, the income and expense items are adjusted to eliminate non-operating components. As in the previous year, the non-operating result in 2009 of € 32.8 million (2008: € 51.3 million) mainly contained expenses and income as a result of the reorganisation of the company as well as effects from acquisition projects.

Reconciliation to adjusted EBITDA
January 1 to December 31

€ million	2009	2008
Gross profit from property management and sales	638.7	645.7
Other operating income	46.3	46.9
Income from investments and financial assets	2.2	1.9
Other cost of materials	-55.5	-56.8
Other operating expenses	-75.6	-69.7
Personnel expenses	-76.7	-94.9
Balance of other operating income and expenses	**-159.1**	**-172.6**
Adjusted EBITDA	**479.6**	**473.1**

FFO on a par with previous year despite implementation of new organisation
In 2009, the FFO was virtually on a par with the figure for 2008 at € 206.7 million. In addition to the improved adjusted EBITDA, a major factor contributing to the development of the FFO was higher income tax expense. It rose from € −11.5 million to € −16.2 million in 2009. FFO is a financial metric not determined in accordance with IFRS that Deutsche Annington uses to show the funds generated in continuing operations.

Reconciliation to FFO
January 1 to December 31

€ million	2009	2008
Adjusted EBITDA	**479.6**	**473.1**
Net interest expense in FFO	-256.7	-254.5
Income tax expense in FFO	-16.2	-11.5
FFO	**206.7**	**207.1**

Result from continuing operations considerably improved

The reconciliation from adjusted EBITDA to the result from continuing operations shows three main effects: the net valuation gain on property, the resultant effects on deferred taxes and the changes in income tax expense. The higher valuation of the investment properties led to deferred tax expense in 2009. The change in current income tax expense is mainly due to the changed restructuring expense and income from taxes for previous years.

Reconciliation to result from continuing operations
January 1 to December 31

€ million	2009	2008
Adjusted EBITDA	**479.6**	**473.1**
Non-operating result	–32.8	–51.3
Net valuation gain/loss on property	110.9	–427.8
Depreciation and amortisation	–7.8	–8.5
Other interest and similar income	7.0	19.7
Interest and similar expense	–362.0	–376.6
Current income tax	–8.1	16.8
Deferred tax expense/income	–45.9	91.0
Result from continuing operations	**140.9**	**–263.6**

Acquisition: growth strategy successfully continued

The Deutsche Annington Real Estate Group again successfully pushed ahead with its growth strategy in 2009. After already purchasing 1,364 residential units in 2008, in 2009 we managed to acquire the majority of the shares (94.5 %) in Prima Wohnbauten Privatisierungs-Management GmbH in Berlin-Lichtenberg with 4,458 residential units, 447 parking spaces and nine commercial units. The buildings were erected between 1960 and 1987 and completely modernised between 1995 and 2001. At 98 %, the houses are virtually fully let. This acquisition has increased the number of apartments we have in the growing real estate market of Berlin to some 13,500. The capital is therefore now our second-largest location after Dortmund.

We see the successful integration of the residential portfolios we acquire as proof of the sustainability of our growth strategy. Furthermore, we regard it as a positive sign that the banks providing the funds for the acquisition of the majority shareholding in Prima Wohnbauten Privatisierungs-Management GmbH did not make any special demands despite the credit crisis. It shows that the Deutsche Annington Real Estate Group is regarded as a reliable partner on the financial market.

Social involvement in a wide variety of ways

In 2009, we were again involved in many social projects in our housing estates. Furthermore, we donated some € 250,000 through our two foundations as well as through sponsoring. Our focus is on helping in cases of personal hardship and sponsoring projects and initiatives for children and young people.

Since 2009, Deutsche Annington has been supporting the media educational school project “Newspaper and School” (ZEUS) set up by the WAZ Media group. With it, we want to make a contribution towards children’s education and media competence through newspapers and the Internet. In the Zeus project, school children research and write on subjects that interest them. School children in the area in which the newspapers of the WAZ Media Group in North Rhine-Westphalia are circulated can apply and take part in the project.

In North Rhine-Westphalia, Deutsche Annington has entered into a special partnership: In order to improve the educational opportunities of the young people in our housing estates, together with the “Reading Foundation”, we offer our tenants material for developing language and reading skills in the family from a child’s first year of age. Interested families receive three different reading sets with books, painting and handicraft articles as well as information material for the parents. To make it easier for foreign families to help their children, the information material is also available in both Turkish and Russian. Through this initiative, Deutsche Annington would like to help all children to get off to a good start in kindergarten and school and have a successful education.

With the help of Deutsche Annington, the charity, Caritas, opened a disabled-friendly advice centre and a café-cum-meeting place for residents in the Hassel district of Gelsenkirchen. In one of its houses Deutsche Annington is providing the church charity with specially renovated rooms rent-free, initially for two years. Furthermore, we have donated the necessary furnishings and equipment for the kitchen and the café-cum-meeting place. With this project, we would like to help elderly people continue to live in their familiar surroundings for as long as possible.

Financial Position and Net Assets

Return on equity improved, investments up
In the last reporting period, we increased the return on equity of the Deutsche Annington Real Estate Group from 14.2% in 2008 to 15.5%. In 2009, Deutsche Annington invested € 241.1 million (2008: € 148.7 million). Our investments mainly went into the acquisition of the majority of the shares in Prima Wohnbauten Privatisierungs-Management GmbH and other properties as well as into modernisation projects.

Statement of investments

€ million	2009	2008
Actual investment expenditure	75.5	148.7
Liabilities assumed	165.6	0.0
Economic investments	**241.1**	**148.7**

To determine the economic investments, the financial liabilities taken over are added to actual investment expenditure recorded in the cash flow statement.

In 2009, non-current assets were significantly higher than in the previous year. As a result of the first-time consolidation of Prima Wohnbauten Privatisierungs-Management GmbH and further acquisitions, a total of 4,566 residential units with a value of € 227.1 million were shown for the first time in 2009 as investment properties under non-current assets. Furthermore, the capitalised modernisation measures and the transfer of trading properties in an amount of € 355.8 million are reflected in this development. The decrease in current assets is mainly due to the change in trading properties. Residential units with a value of € 71.7 million (2008: € 71.2 million) were sold in 2009. The first-time inclusion of Prima Wohnbauten Privatisierungs-Management GmbH in the consolidated financial statements led to an increase in non-current and current liabilities.

Group balance-sheet structure

€ million	Dec. 31, 2009	%	Dec. 31, 2008	%
Non-current assets	8,534.6	81.0	7,892.5	77.0
Current assets	2,006.1	19.0	2,357.1	23.0
TOTAL ASSETS	**10,540.7**	**100.0**	**10,249.6**	**100.0**
Equity	1,628.9	15.5	1,456.1	14.2
Non-current liabilities	8,036.6	76.2	7,939.7	77.5
Current liabilities	875.2	8.3	853.8	8.3
TOTAL EQUITY AND LIABILITIES	**10,540.7**	**100.0**	**10,249.6**	**100.0**

Operating cash flow remains high
Last year, the Deutsche Annington Real Estate Group recorded cash flow from operating activities of € 406.2 million (2008: € 483.3 million). This figure includes cash inflow from the property rental business and from the sale of trading properties. The decrease compared with the previous year is mainly a result of lower cash receipts from the sale of trading properties as well as higher spending in connection with the introduction of the new structures and processes. Furthermore, high tax refunds were received in 2008. The net tax payments in 2009 are well above the previous year's figure.

The cash flow used in investing activities fell compared with the previous year by € 92.7 million to € 24.5 million. This is due to lower expenditure on the purchase of apartments as well as lower capitalised modernisation costs. The financing activities led to a cash outflow of € 359.7 million (2008: € 479.0 million).

Statement of cash flow
January 1 to December 31

€ million	2009	2008
Cash flow from operating activities	406.2	483.3
Cash flow from investing activities	–24.5	–117.2
Cash flow from financing activities	–359.7	–479.0
Net changes in cash and cash equivalents	**22.0**	**–112.9**
Cash and cash equivalents at beginning of year	253.5	366.4
Cash and cash equivalents at year-end	**275.5**	**253.5**

Funding

In 2009, Deutsche Annington's financing strategy focused on two main goals: debt reduction through steady capital repayments and careful risk assessment of newly acquired portfolios. In view of the continuing credit crisis, we regard the prolongation of mortgages in 2009 and the take-over and continuation of an existing capital market loan negotiated with Eurohypo for the acquisition of the majority of the shares in Prima Wohnbauten Privatisierungs-Management GmbH from IMW AG as positive signs that it is still possible to raising further funds. We see all this as proof that the financial market considers the Deutsche Annington Real Estate Group to be a reliable partner.

Financing strategy based largely on long-term loans

The financing strategy of the Deutsche Annington Real Estate Group is based on long-term loans. In addition to the classic bank loans in the form of mortgages, the Deutsche Annington Real Estate Group uses structured financing. The mortgages have long terms in some cases and fixed interest rates.

One special form of mortgage is the loans granted by promotional banks (e.g. Wfa) under the social housing construction programme. These funds have lower interest rates than mortgages and much longer terms.

Loan terms of up to seven years are agreed under structured financing programmes. In the case of liabilities with variable interest rates, the Deutsche Annington Real Estate Group contracts interest hedges in the form of fixed payer swaps to hedge against short-term changes in interest rates. The term of these interest-hedging instruments depends on the term of the underlying loan, and the swap reduction on the loan repayment profile.

Long-term financing secured until 2013

In 2006, 31 companies of the Deutsche Annington Real Estate Group sold REF Notes to German Residential Asset Note Distributor P.L.C. (GRAND) as part of securitisation transactions. The 31 issuing companies involved in the securitisation transactions in 2006 provided securities in the form of land charges, account pledge agreements and assignments. Furthermore, company shares were pledged. The average weighted interest rate under the securitisation transactions is 3.37 % until July 2010. Under the contract terms, this interest rate will increase to 4.66 % from July 2010 to the end of the term in July 2013. Repayments on these transactions are made using the proceeds from the sale of residential units as well as from current cash flow from the property rental business.

New loans taken out for refinancing and acquisitions

In order to refinance a residential portfolio already acquired in 2008 initially with its own funds, a subsidiary of Deutsche Annington Immobilien GmbH took out a loan for € 15.0 million with Sparkasse Bochum. The interest rate on this annuity loan is 4.65 % and is fixed until January 30, 2016. Securities were provided in the form of land charges.

In November 2009, a subsidiary of Deutsche Annington Immobilien GmbH acquired the majority of the shares in Prima Wohnbauten Privatisierungs-Management GmbH with a portfolio of 4,458 residential units from IMW AG. In this connection, agreement was reached on the continuation of the existing financing against the background of the change of control due to the acquisition. The financing referred to is a securitisation transaction (senior loan facility) with a volume of € 146.0 million and a bank loan from Eurohypo AG (junior loan facility) with a remaining value of € 14.1 million at the end of 2009. Both facilities run until December 31, 2012 and have an average weighted interest rate of 4.38 % depending on the expiry of the swaps used for fixing interest rates. Securities were provided in the form of land charges, account pledge agreements and assignments. Furthermore, company shares were pledged.

Debt reduced again

The bearer bonds issued in two tranches in 2006 in connection with the securitisation transaction had a value of € 5,066.7 million at the end of the 2009 financial year (2008: € 5,153.4 million). Repayments of € 86.7 million and interest payments of € 174.2 million were made in 2009. As in the past, the contractually agreed covenants were observed.

Financial market crisis has so far had no effect on financing conditions

In 2009, the tight situation of the financial markets triggered in 2008 continued. For example, the banks continued to demand much higher margins and equity for acquisitions and refunding. Since none of the five major acquisition credit lines of the Deutsche Annington Real Estate Group is due for refinancing before October 2011, the current portfolio of loans will not be affected by this change in the market this year and in the next financial year. For further details on our liabilities, we refer to the Notes to the consolidated financial statements, note 29.

Desired growth to be funded according to time-tested principles

It remains part of the strategy of Deutsche Annington to continue growing through acquisitions. In 2009, we underscored this strategy by acquiring the Berlin residential portfolio from IMW AG. Deutsche Annington is planning to ensure that we have the financial framework for this growth in future as well by using bank loans, structured financing programmes and equity.

Fair Values

The fair values of the Deutsche Annington properties are determined every year and adjusted to bring them into line with the current market situation. Despite the international financial crisis, the residential real estate market in Germany proved to be extremely stable in 2009. Rents and selling prices for multi-family houses and owner-occupier apartments continued to develop positively, particularly in the metropolitan areas relevant for Deutsche Annington. Together with the rent and purchase price increases achieved in our own housing stocks, this led to a moderate positive development of the overall fair value of the Deutsche Annington portfolio.

Determining the fair values creates transparent valuation of our properties
Calculating and showing the fair values gives greater transparency both outside and inside the company. Fair values are an important instrument for the value-optimised control of the portfolio and provide a basis for strategic decisions.

The Deutsche Annington Real Estate Group performed an internal valuation to determine the fair values of its entire stock of residential buildings, small commercial units, garages and parking spaces as well as undeveloped land as at December 31, 2009.

As in the previous year, Deutsche Annington retained its sales strategy of not including any more properties in the privatisation programmes for conversion into owner-occupier apartments. Furthermore, some residential units were reclassified from trading properties to investment properties as the assessment of their marketability had changed. Consequently, the method of valuing these properties was changed and they were no longer valued using the comparative method, which generally leads to higher values, but using the income capitalisation method.

The following criteria were applied in the valuation of the different segments of real estate:

● **Residential real estate**
The value of the entire portfolio of residential properties was determined on the basis of the International Valuation Standard Committee's definition of market value. It is not permitted to take into account either portfolio premiums and discounts, which can be observed when portfolios are sold in market transactions, or time restrictions in the marketing of individual properties. The method used by Deutsche Annington to determine fair values thus complies with IFRS regulations.

In line with our business model, a distinction was made between properties to be managed and properties to be sold individually (privatisation portfolio):

We consider properties that are being sold individually to be part of the **privatisation portfolio.** Single-family houses in our portfolio that, in our opinion, are basically suitable for being sold individually are also included in the privatisation portfolio. First, all buildings were valued according to a rating system with regard to their quality, their market attractiveness and their macro-location. The aspects considered in assessing the quality of the buildings included their age and an assessment of the technical condition of the buildings. This assessment was based on maintenance reports compiled by external companies for which the properties were inspected on a regular basis. The attractiveness was assessed on the basis of various factors including in particular the micro-location of the buildings, how built-up the area is and the average size of the apartments (living area and the number of rooms). The quality of the macro-location was derived from the purchasing power index in the particular postal code district and validated using location ratings provided by Feri EuroRatings Services AG.

For the privatisation portfolio, the Deutsche Annington Real Estate Group assumed that there are a certain number of apartments which, depending on the attractiveness, quality and macro-location, cannot be sold directly to tenants, owner-occupiers and capital investors and that these remaining apartments can only be sold at a discounted price in small packages (remainder share). The value of the privatisation share per building was derived from comparable figures based on the company's own sales and extensive market research. The value of the remainder share was determined according to a method similar to the income capitalisation method and specially tailored to the product.

The **property management portfolio** was valued using the income capitalisation method. The basis of the valuation is the net annual income per building which results from the annual net rent minus non-allocable ancillary costs, maintenance expenses and administrative expenses in accordance with the II. Berechnungsverordnung (II. BV; German Regulation on Calculations for Residential Buildings in Accordance with the Second Housing Construction Law, which stipulates how economic viability calculations for living space are to be performed) as well as any ground rent.

The modernisation work performed on our portfolio of residential units in 2009 was included in the valuations by decreasing the current maintenance expenses and discounts on the capitalised interest rates. Void periods were taken into consideration on the basis of assumed vacancy and re-letting scenarios and by applying market rents.

The capitalised value of potential yield returns was determined by capitalising the annual net yield at building level. The capitalised interest rates applied were derived from the current German residential real estate market and allocated to the buildings with the aid of the previously determined ratings. Special considerations such as long-term restricted rents, expiring rent restrictions or mining subsidence damage were allowed for by means of premiums and discounts.

Commercial properties
The commercial properties in the portfolio are mainly small commercial units for the supply of the local residential area. They were also measured using the income capitalisation method. Different cost approaches were used to those for residential properties and the capitalised interest rates were adjusted to reflect the market specifics.

Undeveloped land
Undeveloped plots of land were measured according to their state of development, the likelihood of development and the local market situation on the basis of derived land guide prices.

Fair value amounts to € 10.0 billion
In accordance with their letter of engagement, the auditors of the consolidated financial statements included these fair values in their audit of the consolidated financial statements and the Group management report. Thus, the result of this audit is included in the auditors' report on the audit of the consolidated financial statements and Group management report of the Deutsche Annington Real Estate Group for the year ended December 31, 2009.

The fair value of the real estate portfolio of residential buildings, small commercial units, garages, parking spaces and undeveloped land of the Deutsche Annington Real Estate Group as at December 31, 2009 was approx. € 9,979.4 million (2008: € 9,819.8 million).

The fair values of the real estate portfolio by region are as follows:

Fair values of the real estate portfolio of the Deutsche Annington Real Estate Group

	Residential units		Other rental units		Fair values in € million	
German State	2009	2008	2009	2008	2009	2008
North Rhine-Westphalia	101,582	102,300	20,759	20,709	4,736.2	4,771.8
Hesse	22,760	23,038	4,285	4,336	1,497.2	1,506.3
Bavaria and Baden-Württemberg	21,491	21,798	10,358	10,531	1,426.1	1,410.6
Berlin	13,439	9,070	2,246	1,784	690.1	478.4
Schleswig-Holstein and Hamburg	12,924	12,994	3,592	3,643	632.2	633.7
Five new states	7,800	7,989	1,218	1,221	306.4	302.9
Lower Saxony and Bremen	6,382	6,405	1,195	1,196	325.6	333.9
Rhineland-Palatinate and Saarland	5,574	5,624	1,794	1,803	308.3	311.2
Undeveloped land					57.3	71.0
	191,952	**189,218**	**45,447**	**45,223**	**9,979.4**	**9,819.8**

Risk Management

Last year, the Deutsche Annington Real Estate Group continued to maintain its opportunity and risk management system and adapt it to the changed company processes. The newly introduced organisational structures and processes were subjected to a comprehensive risk analysis involving all managers. On the basis of the system, the management was in a position to identify risks within the company and in the company's environment in good time and respond adequately. The Deutsche Annington Real Estate Group sees no risks that might significantly impair the company or jeopardise its existence.

Framework and overall estimate

Opportunity and risk management system supports company decisions
The opportunity and risk management policy of the Deutsche Annington Real Estate Group is geared to maintaining and systematically increasing the company's value. It consists of a large number of elements and is firmly embedded in the company's structure and workflows. Thus the opportunity and risk management system is an integral part of the company's processes and decisions.

Modern information structures provide the basis for immediate Group-wide reporting
Last year, the Deutsche Annington Real Estate Group set new standards in the German residential real estate industry with its strategic initiative and, at the same time, comprehensively strengthened operational risk management. A nationwide, standard service number for all tenant inquiries, a central service centre to handle routine matters and a mobile field service organisation to look after the tenants locally are all supported by modern, networked information technologies that provide daily updates of performance figures and therefore relevant early warning indicators. In this way, operational mistakes can be recognised in good time and counteraction taken at an early stage.

We have subjected the organisational forms and processes introduced as part of the company's new organisation to a rigorous risk analysis involving all managers in the Group. The result of the analysis was that the opportunity and risk management system meets the requirements and can sensibly support the management in its decisions. The effectiveness of our risk management system is examined in regular internal and external audits.

Our early warning system is based on a differentiated reporting system. This includes detailed monthly controlling reports as well as monthly reports of the Chief Executive Officer and the Chief Financial Officer to the Supervisory Board of Deutsche Annington. The controlling reports are supplemented by weekly financial reports as well as qualitative reports by the managers to the managing directors of the company. The weekly reports also fulfil the function of ad-hoc risk reporting. The direct operational business is reflected in daily performance figure reports. This reporting system ensures that both managers and supervisory bodies are kept continually informed and have a reliable basis for decisions if new events occur.

The insurance management of our Group is organised centrally. Risks for our portfolio of properties and risks arising from business operations are covered by insurance policies that are as comprehensive and tailored as possible and which are continually reviewed by an external specialist company.

No risks jeopardising the company's existence identifiable
As things now stand, the Deutsche Annington Real Estate Group is not exposed to any risks that might directly or indirectly jeopardise the continued existence of the company.

Risk situation and individual risks

Major risk fields or risks have been identified in the following areas:

Risks from changes in the business environment
As the prospects for the German economy worsen, it is conceivable that demand for residential properties may also fall. However, the actual development in recent months shows no effect on the demand for residential real estate in our segment. The increase in our vacancy rate from 3.9 to 5.9% is mainly due to temporary drops in performance in connection with the change-over to our new organisational structure. Our property rental business has again proved to be stable both with regard to demand and cash flow.

The demand for owner-occupier properties depends to a high degree on the expected development of interest rates. In view of the continued low mortgage interest rates, we believe that demand will also remain stable at a low level in 2010. Should interest rates rise considerably in the next few years or the banks become more reluctant to give loans for the purchase of residential property, this may have an impact on demand for residential real estate. In addition, rival market players could begin to sell residential units individually on a larger scale and thus cause a fall in prices due to the greater supply of properties. We are keeping a close eye on the development of supply and demand and made our sales structures as flexible as possible in 2009.

As the financial crisis deepened in 2009, the financing conditions and funding options of the Deutsche Annington Real Estate Group deteriorated further. If this development continues, this may mean that the Deutsche Annington Real Estate Group may have to provide more equity when making acquisitions and/or refinancing which will negatively impact on the leverage effect and thus on our return on equity goals.

General changes in market prices may affect both demand for residential properties to buy and our acquisition strategy. We are currently seeing a slight fall in prices compared with the previous year.

Economic studies are forecasting that the demographic change (the shrinking and ageing of the population) will cause the demand for accommodation to fall in the long term. However, the number of households will still continue to increase until 2020 owing to the trend towards one and two-person households although the prospects for the German metropolitan areas will differ from region to region. We are responding to these forecasts with a regionally differentiated portfolio strategy and concentrating in our lobbying and our acquisition efforts on regions which people appear to be migrating to.

Risks from changes in the legal framework
Our business activities are above all subject to tenancy and building law. Any changes in these laws may have a negative impact on our business and the reliability of our planning. New or amended environmental laws or ordinances may also impact on our cost situation substantially. Therefore, we are closely following planned amendments to laws and supporting the relevant housing industry bodies through lobbying work.

In order to adequately meet the increasing requirements under environmental law, we work with medium-term scenarios. In 2009, for example, we set up a comprehensive project for testing the tightness of land drainage and sewage systems. We keep our costs at a reasonable level using the appropriate controlling instruments.

Risks from the development of fair values
Our valuation of the fair values of our real estate is based on assumptions that may develop differently than we currently expect. For example, the valuation included not only building-specific parameters but also the quality of the building location. Should the estimate of the micro-location of the buildings and the quality of the macro-location (purchasing power index) change adversely in the next few years, the fair value of our entire real estate portfolio would also decrease.

Changes in the value of our investment properties are recorded in the income statement as appreciation or depreciation in value and therefore have a direct impact on the earnings situation of our company.

Performance/operational risks
A major objective in our core business segment, Property Management, is to manage the vacancy risk. Last year, voids increased temporarily – due to the restructuring of the Group. We are combating this development by stepping up our efforts to let properties and by continually upgrading the properties we offer to suit the tenants' needs. Thanks to our new high-performance IT systems, we can analyse the success of our letting activities relative to each apartment and proactively steer the marketing campaigns. As part of our portfolio strategy, we are systematically increasing the quality of our accommodation through standardised repairs in vacant units and a centrally managed modernisation programme. To improve our vacancy rate in the commercial sector, we pooled responsibility for larger properties for the first time in 2009 and can now draw on the consolidated expertise to react to the challenges of the market.

As a property letting company, we also have to face a rent default risk. In order to counter this risk, we have the credit standing, the disposable income and the social structure of potential tenants examined by external agencies before renting out a property to them. The focus is on as long a tenancy as possible in order to reduce the costs that occur every time a tenant changes.

A further risk is that real estate acquisitions may subsequently turn out to be uneconomic. We counter this by applying complex, quality-assured investment models during the investment decision. They not only take the purchase price and the financing cost into consideration but also regional scenarios for regular maintenance and the development of rents. Newly acquired properties are integrated according to a standardised and time-tested procedure and the entire integration process is subject to tight operational and economic checks.

As far as acquisitions are concerned, there are various government requirements restricting our rent increases and our sales programme for some of our housing stocks. These tend to limit our commercial and strategic flexibility. These circumstances are also taken into account in our economic viability calculations.

As part of our restructuring, some of our business operations were grouped at the Bochum site in 2009. This centralisation involves the risk of tenant support being badly affected by a central fault. By working together with external service providers, we are reducing the risk of the central office not being available in emergencies.

We are combating the risks of rising purchase prices for minor repairs and maintenance work through central procurement, technical standardisation, outsourcing, long-term framework agreements and active cost controlling at project level. A centralised management system constantly monitors the quality of the services provided by the contractors who work for us.

Financial risks
The companies of the Deutsche Annington Real Estate Group are mainly financed by third-party loans, which take current tax law and tax regulations as well as the present interpretation of the law on deductibility of interest into account. Due to their size, the current securitisation transactions and structured bank loans are exposed to a considerable refinancing risk. In view of this, scenario analyses are regularly performed to determine to what extent fluctuations in operational business and changing conditions on the capital markets influence the company's ability to service debt and its refinancing options. If the availability of loans depends on the observance of certain financial covenants, such covenants are also closely monitored and projected into the future using scenario analyses.

In its financing activities for its operational business, the Deutsche Annington Real Estate Group is exposed to risks arising from changes in interest rates. The Deutsche Annington Real Estate Group operates a systematic finance management system to limit these risks. This is coordinated and operated by a central treasury department. Speculative financial instruments are not permitted. We refer to the Notes to the consolidated financial statements, note 35, for a description of the derivative financial instruments.

As part of the financial risks, we are also exposed to a liquidity risk. Our liquidity management is based on daily cash management, a weekly financial status and rolling liquidity planning on a monthly basis. The permanently positive cash flows of our core business do not indicate any liquidity risk in the forecast period. In total, the Deutsche Annington Real Estate Group had cash and cash equivalents of € 275.5 million on the reporting date as well as credit lines of € 100.0 million. Thus, the Deutsche Annington Real Estate Group's ability to service debt can be regarded as guaranteed at all times, even in the light of the economic and financial crisis.

Other risks
We cannot identify any other risks that might have a substantial negative impact on the economic situation of the Deutsche Annington Real Estate Group. Deutsche Annington Real Estate Group is involved in litigation resulting from operating activities, both as the plaintiff and the defendant. These legal disputes are routine resulting from the normal course of business. They are in particular disputes under the Law of Tenancy and sales disputes.

None of these legal disputes will have a material effect on the balance sheet, profits or liquidity of Deutsche Annington Immobilien GmbH.

Personnel risks mainly result from the turnover of staff in key positions. We limit these risks by training our own up-and-coming managers in emerging leader programmes as well as by offering performance-based pay. Furthermore, we have incentive programmes for managers in place that take the years of service into consideration.

The operational steering of our Group depends to a great extent on complex information technology. The stability and security of the IT systems is ensured through the support provided by qualified in-house and external experts as well as through continual organisational and technical back-ups.

In the south of the Ruhr area, the many years of coal mining have left disused mine workings near the surface, which present a risk of mining damage to Deutsche Annington's land and buildings. At present, it is difficult to exactly estimate the associated economic risk as there are no or very few records for many of the old mine workings. Moreover, the law is still not clear on the question of liability for any damage that might occur. The Deutsche Annington Real Estate Group is countering this risk by conducting a systematic inspection of properties to identify potential mining damage. These results provide the basis for the Deutsche Annington Real Estate Group to successively take suitable remedial action and clarify the legal situation in the relevant cases.

Start to 2010 and Outlook

The Deutsche Annington Real Estate Group is also expecting 2010 to be another successful year. We will stick to our course: that is to say, we will continue optimising the new processes, investing in our housing stock and, if the opportunity arises, integrating new portfolios. In the current business climate, the conditions for acquisitions are developing well for us. We are expecting to increase adjusted EBITDA in the current year while FFO will fall slightly.

START TO 2010: new organisation leads to much higher availability
The first months of this year were dominated by the new business processes introduced in 2009. On the basis of the status achieved by the end of the previous year, we got off to a good start and continued our positive course in the opening months of the year.

At the beginning of the year, we also extended our district management activities: After opening an advice centre in Gelsenkirchen last year in a joint project with the charity, Caritas, we are planning to launch a similar project in Dortmund in May 2010 together with Johanniter Unfallhilfe. We are currently looking for partners for further locations such as Duisburg or Essen.

OUTLOOK: new business processes will further strengthen our core business, Property Management
Deutsche Annington continues to focus primarily on the value-enhancing management of its residential properties. In our core business segment, Property Management, we wish to improve still further in the current year.

Furthermore, we will be redoubling our efforts to reduce voids. We believe that the tight economic situation is likely to have a positive impact on demand for reasonably priced rented accommodation and expect to be able to increase our letting rate again in 2010.

We will invest in our residential portfolio at the same high level as in 2009. A large proportion of the funds will go into energy-saving measures and action to improve the standard of quality of the units. We are expecting rents to increase slightly more than the forecast inflation rate for 2010 of 1.4%.

Selective sales of individual apartments to be continued
To complement the successful core business of Property Management, we will also be continuing our strategy of selective apartment sales in 2010. As rents are stable or rising slightly and the demand for residential property to buy is also stable, Deutsche Annington's clear focus is on keeping properties in the portfolio. Given the good rental income, letting properties is often more profitable than selling them. We are expecting a similar demand for the purchase of our units in 2010 as purchase prices remained stable overall in 2009. Against this background, we believe that we will sell roughly the same number of units in 2010 as last year.

Irrespective of our current strategy, our experience in selling residential properties in a socially acceptable manner and our comprehensive knowledge of the market enable us to adapt our selling activities at any time to any change in demand. The new business processes again help greatly to make us flexible.

Good chances for further acquisitions
In the last two years, we acquired some 6,000 residential units as part of our growth strategy and successfully integrated them into our company. In future, we will continue to expand our portfolio with economically sensible acquisitions. We have the financial scope to acquire even relatively large portfolios at any time.

In view of the current situation in the German residential real estate market, we see good chances to continue our course of growth through acquisitions in 2010. In the wake of the financial crisis, it can be assumed that the financial situation of local authorities will deteriorate and therefore there could be pressure on public-sector housing companies to sell properties. Furthermore, the first private-sector investors are starting to sell their housing portfolios. Overall, we are expecting a growing supply of residential portfolios in the next two to three years.

Result: adjusted EBITDA expected to rise in 2010
Our aim for the coming financial year is to continue our company's commercially successful course. As expected, our key performance figures were marred in 2009 by the change-over to our new organisational form but we are looking forward to a positive development of business in 2010. We are confident that our operating performance indicator, adjusted EBITDA, will be above the 2009 figure and believe that FFO will increase if financing conditions remain similar. However, given the changed interest rates for our securitisation transactions, the FFO is likely to remain below the previous year's level. Moreover, we want to further improve customer satisfaction and reduce our costs yet again. To achieve this, we will be refining our new business processes.

Given the likely development of rents and the assumption that efficiency measures taken as part of the restructuring will have their full effect, we are currently expecting adjusted EBITDA and FFO to be higher in 2011 than in 2010.

Unforeseen developments and events, particularly the development of the current economic and financial crisis, may force us to revise our expectations and may lead to deviations from our forecasts.

Consolidated Financial Statements

2009

Consolidated Income Statement

January 1 to December 31

€ million	Notes	2009	2008
Continuing operations			
Gross rental income		1,012.3	1,006.1
Other income from property management		21.3	23.0
Income from property management	6	**1,033.6**	**1,029.1**
Income from sale of trading properties		106.4	105.9
Carrying value of trading properties sold		–71.7	–71.2
Income from disposal of investment properties		43.2	38.4
Carrying value of investment properties sold		–31.1	–22.3
Profit on disposal of properties	7	**46.8**	**50.8**
Net income from fair value adjustments of investment properties	8	**61.6**	**–479.9**
Changes in value of trading properties	9	49.3	52.1
Cost of materials	10	–497.2	–491.0
Personnel expenses	11	–81.5	–134.8
Depreciation and amortisation	12	–7.8	–8.5
Other operating income	13	50.8	56.8
Other operating expenses	14	–107.9	–91.0
Financial income	15	9.2	21.6
Financial expenses	16	–362.0	–376.6
Profit (loss) before tax		**194.9**	**–371.4**
Income tax	17	–54.0	107.8
Profit (loss) from continuing operations		**140.9**	**–263.6**
Discontinued operation			
Profit from discontinued operation (net of income tax)	32	**0.0**	**5.9**
Profit (loss) for the period		**140.9**	**–257.7**
Attributable to:			
Equity holders of DAIG		140.9	–256.9
Minority interests		0.0	–0.8

Also see the corresponding explanations in the Notes.

Consolidated Balance Sheet

€ million	Notes	Dec. 31, 2009	Dec. 31, 2008
Assets			
Intangible assets	18	11.8	14.0
Property, plant and equipment	19	7.1	12.8
Investment properties	20	8,434.6	7,780.2
Financial assets	21	46.3	46.6
Other assets	22	25.5	25.5
Income tax receivables		0.2	0.2
Deferred tax assets		9.1	13.2
Total non-current assets		**8,534.6**	**7,892.5**
Inventories	23	1,571.3	1,919.5
Trade receivables	24	76.9	86.0
Other financial assets	21	1.9	1.7
Other assets	22	25.2	19.1
Income tax receivables		55.3	77.3
Cash and cash equivalents	25	275.5	253.5
Total current assets		**2,006.1**	**2,357.1**
Total assets		**10,540.7**	**10,249.6**
Equity and liabilities			
Subscribed capital		0.1	0.1
Capital reserves		718.2	682.2
Retained earnings		928.0	787.1
Other reserves		–29.0	–22.7
Total equity attributable to equity holders of DAIG		**1,617.3**	**1,446.7**
Minority interests		11.6	9.4
Total equity	26	**1,628.9**	**1,456.1**
Provisions	27	321.6	334.9
Trade payables	28	0.4	1.0
Other financial liabilities	29	6,981.8	6,911.7
Income tax liabilities	30	141.7	158.5
Other liabilities	31	5.6	5.1
Deferred tax liabilities	17	585.5	528.5
Total non-current liabilities		**8,036.6**	**7,939.7**
Provisions	27	173.3	230.1
Trade payables	28	40.8	32.4
Other financial liabilities	29	232.6	194.5
Income tax liabilities	30	25.1	24.6
Other liabilities	31	403.4	372.2
Total current liabilities		**875.2**	**853.8**
Total liabilities		**8,911.8**	**8,793.5**
Total equity and liabilities		**10,540.7**	**10,249.6**

Also see the corresponding explanations in the Notes.

Consolidated Cash Flow Statement

January 1 to December 31

€ million	Notes	2009	2008
Profit for the period		140.9	–257.7
Depreciation and amortisation	12	7.8	8.5
Interest expenses/income		354.9	356.8
Results from disposals of investment properties		–12.1	–16.1
Result from sale of discontinued operation, net of income tax	32	0.0	–5.9
Net income from fair value adjustments of investment properties	8	–61.6	479.9
Changes in value of trading properties	9	–49.3	–52.1
Other earnings not affecting net income		–2.5	–1.9
Changes in inventories		49.1	62.4
Changes in receivables and other assets		–2.7	62.3
Changes in provisions		–51.4	–15.4
Changes in liabilities		19.9	–35.8
Changes in deferred taxes		45.9	–91.0
Income tax paid		–32.7	–10.7
Cash flow from operating activities		**406.2**	**483.3**
Proceeds from disposals of investment properties		46.2	30.5
Proceeds from disposals of intangible assets and property, plant and equipment		0.0	0.3
Disposal/proceeds of discontinued operation (net of cash disposed of)	32	–0.5	–20.8
Proceeds received from disposals of financial investments		0.1	0.1
Acquisition of investment properties	20	–38.8	–138.0
Acquisition of intangible assets and property, plant and equipment	18, 19	–5.1	–4.2
Acquisition of subsidiaries (net of cash acquired)	3	–31.1	–0.1
Acquisition of financial assets	21	–0.5	–6.4
Interest received		5.2	21.4
Cash flow from investing activities		**–24.5**	**–117.2**
Cash proceeds from issuing loans and notes	29	40.2	320.8
Cash repayments of financial liabilities	29	–176.8	–528.2
Transaction costs		–0.2	–4.6
Capital contributions from the shareholder	26	36.0	–
Interest paid		–258.9	–267.0
Cash flow from financing activities		**–359.7**	**–479.0**
Net changes in cash and cash equivalents		**22.0**	**–112.9**
Cash and cash equivalents at beginning of year	25	253.5	366.4
Cash and cash equivalents at year-end	25	**275.5**	**253.5**

Also see the corresponding explanations in the Notes.

Statement of Recognised Income and Expense

January 1 to December 31

€ million	2009	2008
Profit for the period	**140.9**	**–257.7**
Cash flow hedges		
Changes in the fair value of the period	–6.4	–30.3
Taxes on changes in the fair value	0.5	4.3
Reclassification affecting net income	–0.5	0.5
Taxes on reclassification affecting net income	0.1	–0.1
Other comprehensive income	**–6.3**	**–25.6**
Total comprehensive income	**134.6**	**–283.3**
Attributable to:		
Equity holders of DAIG	134.6	–282.5
Minority interests	0.0	–0.8

Consolidated Statement of Changes in Equity

€ million	Subscribed capital	Capital reserves	Retained earnings	Other reserves	Equity before minority interests	Minority interests in equity	Total equity
As of January 1, 2009	**0.1**	**682.2**	**787.1**	**–22.7**	**1,446.7**	**9.4**	**1,456.1**
Profit for the period			140.9		140.9	0.0	140.9
Other comprehensive income				–6.3	–6.3	0.0	–6.3
Total comprehensive income			140.9	–6.3	134.6	0.0	134.6
Capital increase		36.0			36.0		36.0
Changes in scope of consolidation						2.2	2.2
As of Dec. 31, 2009	**0.1**	**718.2**	**928.0**	**–29.0**	**1,617.3**	**11.6**	**1,628.9**
As of January 1, 2008	**0.1**	**682.2**	**1,044.0**	**2.9**	**1,729.2**	**10.2**	**1,739.4**
Profit for the period			–256.9		–256.9	–0.8	–257.7
Other comprehensive income				–25.6	–25.6		–25.6
Total comprehensive income			–256.9	–25.6	–282.5	–0.8	–283.3
As of Dec. 31, 2008	**0.1**	**682.2**	**787.1**	**–22.7**	**1,446.7**	**9.4**	**1,456.1**

Also see note [26] in the Notes

Accounting Policies

1 Basis of presentation

As an integrated real estate company, the Deutsche Annington Real Estate Group (referred to in the following as DAIG) pursues three core activities: the long-term, value-enhancing management of its nationwide residential real estate portfolio, the selective sale of units in a socially acceptable manner, primarily to tenants, as well as the strategic acquisition of housing portfolios to achieve a sustained increase in the company's value. The parent company of DAIG is Monterey Holdings I S.à.r.l., Luxembourg. Deutsche Annington Immobilien GmbH is incorporated and domiciled in Germany; its registered office is located in Düsseldorf. The head office (principal place of business) is located at Philippstrasse 3, Bochum.

Deutsche Annington Immobilien GmbH has made use of the option under Section 315a, para. 3 of the German Commercial Code (HGB) and is thus not obliged to prepare consolidated financial statements in accordance with German commercial law.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the EU. Allowance has also been made for the supplementary provisions in accordance with Section 315a, para. 1 HGB.

The consolidated financial statements have been prepared on the cost basis except for investment properties, derivative financial instruments, available-for-sale financial assets and financial liabilities arising from binding share purchase offers to minority shareholders, which are measured at fair value. The income statement has been prepared using the nature of expense method and follows the recommendations of the European Public Real Estate Association (EPRA).

These consolidated financial statements are presented in euro, which is the Group's functional currency. Unless stated otherwise, all figures are shown in million euros (€ million).

On March 22, 2010, the Management approved the consolidated financial statements of Deutsche Annington Immobilien GmbH for submission to the shareholders' meeting. It is the responsibility of the shareholders' meeting to examine the consolidated financial statements and declare whether it approves them.

2 Consolidation principles

Entities that are under the control of Deutsche Annington Immobilien GmbH are included in the consolidated financial statements as subsidiaries. Control is exercised when Deutsche Annington Immobilien GmbH is able to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. Any potential voting rights are taken into account when assessing control. Subsidiaries are included in the consolidated financial statements from the date on which Deutsche Annington Immobilien GmbH obtains control until the day control ceases.

Business combinations are accounted for using the purchase method, the cost of acquisition being offset against the equity attributable to the parent company at the date of acquisition. Regardless of the share of the minority interest, the identifiable assets, liabilities and contingent liabilities of the acquiree are recognised in the consolidated financial statements at fair value, except for non-current assets (or disposal groups) classified as held for sale, which are recognised at fair value less costs to sell. Any excess of the cost of a business combination over DAIG's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

If DAIG's interest in the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the values of the assets, liabilities and contingent liabilities as well as the costs of acquisition are reassessed and any remaining excess is recognised as income in the income statement.

The shares in the net assets of subsidiaries that are not attributable to DAIG are shown as a separate component of equity under minority interests.

Further share purchases after control has been obtained, i.e. the acquisition of minority interests, are accounted for as equity transactions. Any premiums or discounts on those purchases are recognised directly in equity.

For the term during which DAIG has granted put options to minority shareholders to purchase their shares in subsidiaries, such minority interests are recognised as financial liabilities and not as a separate component of equity.

Entities over which Deutsche Annington Immobilien GmbH has significant influence but not control are accounted for as associates. This is generally the case when 20% to 50% of the voting rights are held. Investments in associates are of minor significance to the Group's net assets, financial position and results of operations and therefore are accounted for at amortised cost.

A special purpose entity (SPE) is consolidated if, based on an evaluation of the substance and taking into consideration all relevant factors of its relationship with Deutsche Annington Immobilien GmbH and the SPE's risks and rewards, Deutsche Annington Immobilien GmbH concludes that it controls the SPE.

The effects of the business transactions between the entities included in the DAIG consolidated financial statements are eliminated. The financial statements of Deutsche Annington Immobilien GmbH and all subsidiaries are prepared according to uniform accounting policies.

3 Scope of consolidation

In addition to Deutsche Annington Immobilien GmbH, 128 (2008: 122) domestic companies and 2 foreign companies (2008: 1) have been included in the consolidated financial statements of DAIG as at and for the year ended December 31, 2009.

The list of DAIG shareholdings is appended to these notes to the consolidated financial statements.

With effect from December 1, 2009, 94.54% of the shares of Prima Wohnbauten Privatisierungs-Management GmbH, Berlin, were acquired.

Through the acquisition of Prima Wohnbauten Privatisierungs-Management GmbH, Berlin, its wholly owned subsidiaries, Prima Immobilien GmbH & Co. KG, Berlin, and Prima Beteiligungsgesellschaft mbH, Berlin, were also included in the scope of consolidation for the first time.

The net assets of the acquired Prima companies are as follows:

€ million	Carrying amount	Fair value
Property, plant and equipment	0.1	0.1
Investment properties	186.3	219.1
Inventories	6.8	6.8
Trade receivables	0.1	0.1
Other assets	0.2	0.2
Cash and cash equivalents	5.0	5.0
Provisions	0.5	0.5
Trade payables	0.1	0.1
Other financial liabilities	165.6	165.6
Other liabilities	9.4	10.9
Deferred tax liabilities	10.5	15.7
Net assets acquired	**12.4**	**38.5**
Purchase price		**38.5**
thereof paid in 2009		**36.3**
Operating profit before tax since date of acquisition		**0.5**

The stated fair values of the net assets acquired contain qualified estimates and are thus provisional. If the actual values differ from the provisional values, an adjustment will be made in the 2010 consolidated financial statements of DAIG in accordance with the requirements of IFRS 3 paragraph 62.

The sales revenue of the Prima companies since the date of their acquisition totals € 1.5 million. If the company acquisition had already taken place on January 1, 2009, Group sales would have been € 23.6 million higher than the sales revenue actually recorded. The consolidated profit before tax would have increased by € 7.7 million if the business combination had already been completed on January 1, 2009.

In the 2009 financial year, 3 companies (2008: 7) were acquired, which were not business operations at the time of acquisition. Furthermore, 7 newly established companies (2008: 0) were included in the consolidated financial statements for the first time.

The disposals in 2009 were the result of 3 liquidations (2008: 0), and 3 intra-Group legal reorganisations (2008: 0). No mergers (2008: 2) or sales (2008: 0) took place in the reporting year.

4 Currency translation

In the separate financial statements of Deutsche Annington Immobilien GmbH and the subsidiaries included in the consolidated financial statements, foreign currency transactions are translated into the functional currency at the exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rate prevailing on the balance-sheet date. Non-monetary items that are measured in terms of historical cost are recorded on the balance-sheet date at the exchange rate on the date when they were first recognised. Non-monetary items that are measured at fair value are translated using the exchange rate on the date when the fair value was determined. Any resulting translation gains and losses are recorded in the income statement.

5 Accounting policies

a) Recognition of income and expenses

Income from property management includes income from the letting of investment properties and trading properties which is recognised, net of discounts, sales incentives, customer bonuses and rebates granted, on a straight-line basis over the duration of the contracts when the remuneration is contractually fixed or can be reliably determined and collection of the related receivable is probable.

Furthermore, the income from property management includes payments for ancillary costs made by DAIG in the current and prior years which are billed to tenants in the current year when the cost and the amount of revenue can be measured reliably. Ancillary costs which have yet to be billed are shown under inventories. Any advance payments made by tenants on these ancillary costs are shown under other liabilities.

Income from property sales is recognised as soon as the material risks and rewards of ownership have been transferred to the buyer and DAIG has no substantive further obligations. If DAIG only retains insignificant risks of ownership, the proceeds are recognised at the time of sale and a provision is recognised for the probable risk.

Expenses are recognised when they arise or at the time they are incurred. Interest is recognised as income or expense in the period in which it is incurred using the effective interest method.

b) Intangible assets

Acquired intangible assets are capitalised at amortised cost and internally generated intangible assets at cost provided that the requirements of IAS 38 for the capitalisation of internally generated intangible assets are met. All intangible assets of DAIG have definite useful lives and are amortised on a straight-line basis over their estimated useful lives. Software and licences are amortised on the basis of a useful life of three years. Customer bases are amortised on a straight-line basis over ten years.

c) Property, plant and equipment

Items of property, plant and equipment are carried at amortised cost less accumulated depreciation and impairment losses and are depreciated over their respective estimated useful lives on a straight-line basis.

Subsequent costs of replacing part of an item of property, plant and equipment are capitalised provided it is probable that future economic benefits associated with the item will flow to DAIG and the cost can be measured reliably.

Real estate used by the company itself is depreciated over 50 years; equipment, fixtures, furniture and office equipment are depreciated over periods of between three and thirteen years.

d) Investment properties

When DAIG acquires real estate properties, whether through a business combination or separately, the intended use determines whether those properties are classified as investment properties, trading properties or as owner-occupied properties.

Investment properties are properties that are held for the purpose of earning rental income or for capital appreciation or both and are not owner-occupied or held for sale in the ordinary course of business. Investment properties include undeveloped land, land and land rights including buildings and land with inheritable rights of third parties. Properties which are capitalised under a finance lease in accordance with IAS 17 “Leases” and are covered by the definition of investment properties are also classified as investment properties. Property interests held under operating leases are not classified and accounted for as investment properties.

Investment properties are measured initially at cost. Related transaction costs, such as fees for legal services or real estate transfer taxes, are included in the initial measurement. Property held under a finance lease is recognised at the lower of the fair value of the property and the present value of the minimum lease payments upon initial recognition.

After initial recognition, investment properties are measured at fair value with any change therein recognised in profit or loss.

The fair value of investment properties is calculated using internationally recognised measurement methods. The main method used is the income capitalisation method, which is based on actual or market rents and a risk-adjusted capitalised interest rate. For a more detailed description of the determination of the fair values of investment properties, see note [20] Investment properties.

In line with the real estate trading strategy of DAIG, investment properties which are to be sold within the normal six-year business cycle and which are being prepared for sale, e. g. condominium declaration obtained after initial classification, are transferred to inventories. Should these properties classified as trading properties not have been sold within the six-year business cycle as intended, they are, at the latest at this date, retransferred to the investment properties category in accordance with the provisions of IAS 8 “Changes in Accounting Estimates”.

Investment properties are transferred to property, plant and equipment when there is a change in use evidenced by the commencement of owner-occupation. The properties’ deemed cost for subsequent accounting corresponds to the fair value at the date of reclassification.

e) Leases

Finance leases

Leases are either classified as finance leases or operating leases. Leases where substantially all risks and rewards incidental to ownership are transferred to the lessee are accounted for as finance leases.

DAIG as a lessee under a finance lease

The leased asset and a corresponding liability are recognised at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. Subsequently, the leased asset is accounted for in accordance with the standards applicable to that asset. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

Operating leases

All leases where not substantially all risks and rewards incidental to ownership are transferred are accounted for as operating leases.

DAIG as a lessor under an operating lease

Lease payments are recognised in income on a straight-line basis over the lease term. The assets subject to operating leases are presented in the balance sheet according to their nature.

DAIG as a lessee under an operating lease

Lease payments are recognised as an expense on a straight-line basis over the lease term.

f) Impairment of intangible assets and property, plant and equipment

In accordance with IAS 36 “Impairment of Assets”, intangible assets as well as property, plant and equipment are tested for impairment whenever there is an indication of an impairment. An impairment loss is recognised when an asset’s recoverable amount is less than its carrying amount. If the recoverable amount cannot be determined for the individual asset, the impairment test is conducted on the cash-generating unit to which the asset belongs. Impairment losses are recorded as expenses in the income statement.

An impairment loss recognised for prior periods is reversed if there has been a change in the estimates used to determine the asset’s (or the cash-generating unit’s) recoverable amount since the last impairment loss was recognised. The carrying amount of the asset (or the cash-generating unit) is increased to the newly estimated recoverable amount. The carrying amount is limited to the amount that would have been determined if no impairment loss had been recorded in prior years for the asset (or the cash-generating unit).

g) Non-derivative financial assets

Contractually acquired financial assets are recognised in the balance sheet if the resulting rewards will flow to DAIG. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred and DAIG neither retains control nor retains substantially all the risks and rewards of ownership of the financial asset.

Financial investments
Shares in associates not accounted for using the equity method are measured at cost as there is no price quoted on an active market and the fair value cannot be determined reliably.

Available-for-sale financial assets
Available-for-sale financial assets are initially measured at fair value and any changes therein – other than impairment losses – are recognised in equity. The fair value of available-for-sale financial assets is based on quoted market prices at the reporting date. When an available-for-sale financial asset is derecognised, the cumulative gain or loss recognised in equity is transferred to profit or loss. Regular way purchases or sales are accounted for at the date of the economic transfer of the asset to the purchaser.

Loans and receivables
Loans and receivables are stated at amortised cost using the effective interest method. Allowance is made for all discernible risks by appropriate deductions. An appropriate valuation allowance is made when it is estimated that certain receivables will be uncollectible.

h) Inventories
Trading properties are measured at the lower of cost and net realisable value. The net realisable value is the estimated selling price less the estimated costs to sell. The estimated selling price is calculated on the basis of current market prices of comparable real estate.

Trading properties are residential properties which are to be sold within the normal six-year business cycle and for which a condominium declaration has been obtained. Should these properties have not been sold within the six-year business cycle, they are, at the latest at this date, transferred to the investment properties category in accordance with the provisions of IAS 8 “Changes in Accounting Estimates”. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

The ancillary costs not yet charged are accounted for at cost; all discernible risks are allowed for by write-downs.

i) Borrowing costs
Borrowing costs are capitalised as part of the acquisition or production costs if they can be directly attributed to the acquisition, construction or production of a qualifying asset.

j) Cash and cash equivalents
Cash and cash equivalents include cash on hand, cheques, deposits on bank accounts with an original term of up to three months as well as marketable securities.

k) Income and expense recognised directly in equity
This equity line item includes changes in equity not affecting net income except those resulting from capital transactions with equity holders (e.g. capital increases or dividend distributions). DAIG includes unrealised gains and losses from the fair value measurement of available-for-sale assets and derivative financial instruments under this item.

l) Taxes
Income tax
Income taxes for the current and prior periods are recognised as income tax liabilities to the extent that they have not yet been paid.

Obligations to pay lump-sum tax on the previously untaxed EK 02 amounts (see note [30] Income tax liabilities) are measured at their present value to make appropriate allowance for the interest-free nature of the obligation.

Deferred taxes
Deferred tax assets and liabilities are recognised using the liability method, providing for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. A deferred tax asset is recognised on loss carryforwards to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance-sheet date. If necessary, the carrying amount of the deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available.

Deferred taxes are measured at tax rates that have been enacted or substantially enacted and that are expected to apply to the period when the tax asset is realised or the liability is settled. The combined tax rate of corporate income tax and trade tax of 31.6% for 2009 was used to calculate domestic deferred taxes.

Deferred tax assets and liabilities are offset against each other only if DAIG has a legally enforceable right to set off the recognised amounts, when the same tax authority is involved and when the realisation period is the same. In accordance with the regulations of IAS 12 “Income Taxes”, deferred tax assets and liabilities are not discounted.

m) Provisions

Provisions for pensions and similar obligations
The values of the pension obligations and the expenses necessary to cover these obligations are determined using the projected unit credit method according to IAS 19 “Employee Benefits” whereby current pensions and vested pension rights at the balance-sheet date as well as future increases in salaries and pensions are included in the valuation. An actuarial valuation is performed at every balance-sheet date.

The amount shown in the balance sheet is the present value of the defined benefit obligation after elimination of unrecognised actuarial gains and losses and unrecognised past service cost and after offsetting against the fair value of the plan assets.

Actuarial gains and losses arising are recognised using the corridor method. They are only recorded to income or expense when the balance of the accumulated unrecognised actuarial gains and losses determined per employer at the beginning of the financial year exceeds the corridor of 10% of the greater of defined benefit obligation (DBO) and the fair value of plan assets. The excess is recognised in future periods over the expected average remaining working lives of the participating employees. If the obligations are obligations for employees who have already left the company’s service, the excess is recognised in the financial year in the income statement.

Service cost is shown in personnel expenses. The service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the reporting period. The interest expense on the annual costs is recorded in the financial result. Interest expense is the increase during a period in the present value of a defined benefit obligation which arises due to the fact that the benefit obligation is one period closer to being discharged.

Reinsurance policies that qualify as plan assets have been taken out to cover the pension obligations towards particular persons. Where the value of those reinsurance policies exceeds the related pension obligations, the excess is recognised as an asset and shown under other assets.

Other provisions

Other provisions are recognised when there is a present obligation, either legal or constructive, as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Non-current provisions are discounted if the resulting effect is material. The carrying amount of discounted provisions increases in each period to reflect the passage of time and the unwinding of the discount is recognised within interest expense. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions for environmental remediation are recognised when it is probable that an outflow of resources will be required to settle the obligation and the amount of the liability can be reliably estimated.

Provisions for restructuring are recognised when the Group has set up a detailed formal plan for restructuring and has no realistic possibility of withdrawing from these obligations.

Provisions for onerous contracts are recognised when the expected benefits from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is stated at the lower of the net cost of continuing with the contract and the cost of terminating the contract, i.e. a possible indemnity or fine for breach or non-fulfilment of contract.

Provisions for warranties are recognised when the related goods or services are sold. The amount recognised is based on historical warranty data.

Provisions are reviewed regularly and adjusted to reflect new information or changed circumstances.

n) Financial liabilities

Financial liabilities under contracts are recognised if a resulting claim can be made against DAIG. Financial liabilities are derecognised when DAIG's obligations specified in the contract expire or are discharged or cancelled.

Loans bearing no interest or interest below market rates in return for occupancy rights at rents below the prevailing market rates are recorded at present value.

Liabilities from finance leases are initially recognised at the fair value of the leased object or the lower present value of the minimum lease payments.

With the exception of derivative financial instruments and financial liabilities arising from binding share purchase offers to minority shareholders, financial liabilities are shown at amortised cost using the effective interest method.

Financial liabilities arising from binding share purchase offers to minority shareholders are measured at fair value. Fair value is determined using mathematical financial models, e.g. the income capitalisation method; if the purchase price offered for the shares is higher than the fair value, the purchase price is recognised.

Debt discounts and debt issue costs are directly allocated to financial liabilities.

o) Derivative financial instruments and hedge accounting

All derivative financial instruments, irrespective of the purpose or the intended use, are initially accounted for at their fair values as assets or liabilities in the balance sheet. The fair values of the derivative financial instruments are calculated using standard market valuation methods for such instruments on the basis of the market data available on the valuation date. The fair values of instruments which are used to hedge interest rate risks are determined by discounting future cash flows using market interest rates over the remaining term of the instruments.

With derivatives that are not designated as a hedging instrument, changes in the fair value are recorded in profit or loss.

With derivatives designated as hedging instruments, the recording of changes in the fair value depends on the type of hedge:

With a fair value hedge, the changes in the fair value of the derivative financial instruments and of the underlying hedged items attributable to the hedged risk are recognised in the income statement.

With a cash flow hedge, the changes in fair value of the derivative hedging instrument are recognised in equity to the extent that the hedge is effective. Amounts accumulated in equity are recycled in the income statement at the same time the underlying hedged item affects net income. To the extent that the hedge is ineffective, the change in fair value is immediately recognised in profit or loss.

p) Government grants

The companies of DAIG receive grants from public authorities in the form of construction subsidies, expenses subsidies, expenses loans and low-interest loans.

Government grants are regularly recorded as income over the periods necessary to match them with the related costs which they are intended to compensate.

Construction cost subsidies are, where they relate to construction measures, deducted from the construction costs and amortised as income over the useful life of the relevant assets. Construction cost subsidies relating to maintenance work which cannot be capitalised are immediately recognised in income.

Expenses subsidies granted in the form of rent, interest and other expenses subsidies are recorded as income and shown within other income from property management.

The low-interest loans are grants from public authorities, which are recorded at net present value. The difference between nominal value and net present value is recognised in income over the maturity term of the corresponding loans.

q) Contingent liabilities

A contingent liability is a possible obligation towards third parties that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events for which an outflow of resources is not probable or the amount of which cannot be estimated with sufficient reliability. According to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", contingent liabilities are not recognised.

r) Assets and disposal groups classified as held for sale and discontinued operations

If the carrying amount of a non-current asset or a disposal group is expected to be recovered primarily through a sale transaction rather than through continuing use, the non-current asset or disposal group is classified as held for sale. The non-current asset or the disposal group must be available for immediate sale and the sale must be highly probable.

Immediately before classification as held for sale, the carrying amounts of the non-current assets (and all assets and liabilities of a disposal group) are measured in accordance with applicable IFRSs. Upon initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Non-current assets that are classified as held for sale or are part of a disposal group held for sale are not depreciated; however, interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised.

A discontinued operation is a component of an entity which represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, is part of a single, coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

The comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

s) Estimates, assumptions and management judgment

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and contingent liabilities at the balance-sheet date as well as reported amounts of income and expenses during the reporting period. These estimates and assumptions mainly relate to the uniform definition of useful lives, the assumptions made on the value of land and buildings, the recognition and measurement of provisions as well as the realisation of future tax benefits. The actual amounts may differ from the estimates as the business environment may develop differently than assumed. In this case, the assumptions and, where necessary, the carrying amounts of the assets or liabilities affected are adjusted accordingly.

Assumptions and estimates are reviewed on an ongoing basis and are based on experience and other factors, including expectations regarding future events which appear reasonable under the given circumstances.

The estimates and assumptions which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities mainly relate to the determination of the fair value of investment properties.

The best evidence of fair value of investment properties is current prices in an active market for comparable properties. If, however, such information is not available, DAIG uses standard valuation techniques such as the income capitalisation method. In determining the fair value by using the income capitalisation method, DAIG takes, among others, the following estimates and assumptions into consideration: the annual net rent, future anticipated rental income, void periods and administrative and maintenance expenses. The interest rate to determine the capitalised value is derived by using a rating system. DAIG regularly compares its valuations to actual market data as well as to actual transactions.

Furthermore, in preparing consolidated financial statements, DAIG needs to estimate its income tax obligations. This involves estimating the actual tax exposure as well as assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. Judgments are required in determining the consolidated provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each balance-sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Judgment is required in determining the amounts of deferred tax assets and whether those assets can be utilised.

At the time when the consolidated financial statements were prepared, there was no reason to assume that the assumptions and best possible estimates made on the basis of the circumstances at the balance-sheet date would change materially.

Other judgments that DAIG's management has made in the process of applying the entity's accounting policies and that may have a significant effect on the amounts recognised in the consolidated financial statements include the following:

- Upon initial recognition, the management must determine whether real estate properties are classified as investment properties, trading properties or owner-occupied properties. The classification determines the subsequent measurement of those assets.

- DAIG measures investment properties at fair value. If management had opted to use the cost model as permitted under IAS 40, the carrying amounts of the investment properties as well as the corresponding figures in the income statement would differ significantly.

- DAIG recognises actuarial gains and losses according to the corridor method. The application of a different option to recognise actuarial gains and losses, as permitted under IAS 19, would lead to a significantly different carrying amount of the recognised provision for pensions and might also have a significant effect on the income statement and/or on changes in equity not affecting net income.

- IFRSs do not regulate the accounting treatment of further share purchases after control has been obtained, e.g. the acquisition of minority interests. In accordance with IAS 8.10, management has decided to treat such purchases as equity transactions. Increases or decreases in the ownership interest in subsidiaries without a change in control as well as any premiums or discounts are recognised directly in the parent shareholder's equity.

t) Changes in accounting policies due to new Standards and Interpretations

The application of numerous new Standards, Interpretations and Amendments to existing Standards became mandatory for the 2009 financial year.

The following Amendments were adopted by DAIG for the 2009 financial year:

Amendments to IFRS 7 "Financial Instruments: Disclosures"

The amendments to IFRS 7 relate to disclosures on fair value determination as well as on liquidity risks. The disclosures on fair value determination are to be specified by including a table for each class of financial instrument in a fair value hierarchy. Furthermore, the disclosure requirements on liquidity risks have been clarified and expanded. The first-time application of the amended IFRS 7 has led to expanded disclosures in the Notes to the DAIG consolidated financial statements.

Application of the following amended Standards and Interpretations became mandatory for the 2009 financial year but they are not relevant to DAIG's operations at present:

- Amendments to IAS 23 "Borrowing Costs": comprehensive revision to prohibit their immediate recognition as expense
- Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements": amendments regarding information on puttable financial instruments and obligations arising on liquidation
- Amendments to IAS 39/IFRS 7 "Financial Instruments: Recognition and Measurement" and "Financial Instruments: Disclosures": reclassification of financial assets – effective date and transitional arrangements
- Amendments to IAS 39/IFRIC 9 "Financial Instruments: Recognition and Measurement" and "Reassessment of Embedded Derivatives": assessment and recognition of the embedded derivatives if a financial instrument is reclassified out of "the fair value through profit or loss" category
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

u) New Standards and Interpretations not yet adopted

Application of the following Standards, Interpretations and Amendments to existing Standards was not yet mandatory for the 2009 financial year. DAIG did not choose to apply them in advance, either. Their application will be mandatory for the financial years following the dates stated in the following table:

New Standards, Interpretations and Amendments to Existing Standards and Interpretations		Effective date for DAIG
Amendments to Standards		
IAS 24	"Related Party Disclosures"	Jan. 1, 2011*
IAS 27	"Consolidated and Separate Financial Statements"	Jan. 1, 2010
IAS 32	"Financial Instruments: Presentation" (Classification of Rights Issues)	Jan. 1, 2011
IAS 39	"Financial Instruments: Recognition and Measurement"	Jan. 1, 2010
IFRS 1	"First Time Adoption of IFRS: Restructuring"	Jan. 1, 2010
IFRS 2	"Share-Based Payment"	Jan. 1, 2010*
IFRS 3	"Business Combinations"	Jan. 1, 2010
New Standards		
IFRS 9	"Financial Instruments: Classification and Measurement"	Jan. 1, 2013*
Amendments to Interpretations		
IFRIC 14	"IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"	Jan. 1, 2011*
New Interpretations		
IFRIC 12	"Service Concession Arrangements"	Jan. 1, 2010
IFRIC 15	"Agreements for the Construction of Real Estate"	Jan. 1, 2010
IFRIC 16	"Hedges of a Net Investment in a Foreign Operation"	Jan. 1, 2010
IFRIC 17	"Distributions of Non-Cash Assets to Owners"	Jan. 1, 2010
IFRIC 18	"Transfers of Assets from Customers"	Jan. 1, 2010
IFRIC 19	"Extinguishing Financial Liabilities with Equity Instruments"	Jan. 1, 2011*

* not yet endorsed

Amendments to IAS 27 "Consolidated and Separate Financial Statements"

Material amendments to IAS 27 relate to the requirements for accounting for transactions between controlling and non-controlling shareholders of an entity as well as accounting in the event of the loss of control over a subsidiary. Transactions that do not lead to the loss of control are to be recorded directly within equity as equity transactions. Furthermore, the Standard regulates how a deconsolidation gain is to be calculated and how the remaining investment in the former subsidiary is to be measured. The Amendments to IAS 27 are to be applied to financial years beginning on or after July 1, 2009; earlier application is permitted. The changes to IAS 27 are not expected to have any effect on the consolidated financial statements of DAIG.

Amendments to IFRS 3 "Business Combinations"
The main changes include the accounting treatment of minority interests and the remeasurement, through profit or loss, of already existing shares at the time control was gained for successive company acquisitions as well as rules on the recognition of acquisition costs and acquisition-related costs. According to the revised IFRS 3, minority interests may be measured at fair value or as a proportionate share of net assets. The revised Standard is to be applied to financial years beginning on or after July 1, 2009. The amendments to IFRS 3 will correspondingly impact on accounting for future business combinations.

IFRS 9 "Financial Instruments: Classification and Measurement"
This new Standard is part of the project to replace IAS 39. The Standard deals with the classification and measurement of financial assets. Through IFRS 9, the previous four measurement categories are to be replaced by the categories: amortised cost and fair value. IFRS 9 contains no regulations on the measurement of financial liabilities. The Standard is mandatory for financial years beginning on or after January 1, 2013 with early adoption permitted starting in 2009. DAIG is examining the effects of the new Standard.

IFRIC 15 "Agreements for the Construction of Real Estate"
The aim of the Interpretation IFRIC 15 is to standardise accounting practice for the recognition of revenue among real estate developers for sales of units, such as apartments or houses, before construction is complete. IFRIC 15 defines criteria according to which accounting is to be performed either in accordance with IAS 11 "Construction Contracts" or in accordance with IAS 18 "Revenue". The Interpretation is to be applied to financial years beginning on or after January 1, 2010. IFRIC 15 will probably not have any effect on the consolidated financial statements of DAIG.

Standards and interpretations not described in detail are not expected to have any effect on the consolidated financial statements of DAIG.

Notes to the Consolidated Income Statement

6 Income from property management

€ million	2009	2008
Rental income	716.0	711.1
Ancillary costs (charged)	296.3	295.0
Gross rental income	**1,012.3**	**1,006.1**
Other income from property management	21.3	23.0
Income from property management	**1,033.6**	**1,029.1**

7 Profit on disposal of properties

In 2009, a book gain of € 34.7 million (2008: € 34.7 million) was recorded from the sale of trading properties.

A book gain of € 12.1 million (2008: € 16.1 million) was realised from the disposal of investment properties.

8 Net income from fair value adjustments of investment properties

Investment properties are measured according to the fair value model. That means that the carrying amount of investment properties is the fair value of those properties. Any gains or losses from a change in fair value are recognised in the income statement. The measurement of the investment properties led to a net valuation gain as at December 31, 2009 of € 61.6 million (2008: net loss of € 479.9 million). Further explanations on the measurement of investment properties are given under note [20] Investment properties.

9 Change in value of trading properties

Properties that are held for sale in the ordinary course of business are classified as trading properties and are shown within inventories. If the carrying amount exceeds the net realisable value, trading properties are written down to net realisable value item by item. In the financial year, impairment losses totalling € 7.8 million (2008: € 29.8 million) for several properties were recognised as an expense. Impairment losses of € 14.5 million (2008: € 9.0 million) performed in prior periods were reversed. Before the retransfer of trading properties to investment properties, a fair value adjustment on these properties is performed to affect net income. The fair value adjustment on trading properties transferred to investment properties amounted to € 42.6 million in 2009 (2008: € 72.9 million).

10 Cost of materials

€ million	2009	2008
Expenses for ancillary costs	318.8	316.2
Expenses for maintenance and modernisation	122.9	118.0
Other cost of purchased goods and services	55.5	56.8
	497.2	**491.0**

11 Personnel expenses

€ million	2009	2008
Wages and salaries	65.4	119.0
Social security, pensions and other employee benefits	16.1	15.8
	81.5	**134.8**

Personnel expenses contain the reversal of provisions for restructuring measures amounting to € 8.1 million (2008: addition of € 33.7 million) as well as the cost of pre-retirement part-time work arrangements and other severance payments totalling € 7.8 million (2008: € 1.5 million).

In 2008, the personnel expenses included € 2.4 million for the Long-Term Incentive Plan (LTIP) (see note [27] Provisions). The obligations towards members of the management for benefits under LTIP were assumed by Monterey Holdings I S.à.r.l., Luxembourg, (see note [40] Related party transactions).

In the year under review, employers' contributions to the statutory pension insurances totalling € 6.8 million (2008: € 7.2 million) were paid.

As at December 31, 2009, 1,097 people (2008: 1,302) were employed at DAIG. On an annual average, 1,173 people (2008: 1,322) were employed. The figures do not include apprentices and trainees.

12 Depreciation and amortisation

Amortisation and impairments of intangible assets totalled € 3.5 million (2008: € 3.2 million). Of this figure, capitalised customer bases accounted for € 1.6 million (2008: € 1.6 million) and self-developed software for € 1.2 million (2008: € 0.3 million). In 2008, impairments of concessions, industrial rights, licenses and similar rights had amounted to € 0.6 million. Depreciation and impairments of property, plant and equipment amounted to € 4.3 million in 2009 (2008: € 5.3 million) (see note [19] Property, plant and equipment). Of this figure, impairments of real estate used by the company itself accounted for € 0.5 million (2008: € 4.0 million) and impairments of other equipment, fixtures, furniture and office equipment for € 2.0 million (2008: € 0).

13 Other operating income

€ million	2009	2008
Income from compensation paid and cost reimbursements	18.2	19.4
Income from the reversal of provisions	15.5	14.9
Income from the reversal of impairment losses	0.8	1.0
Other	16.3	21.5
	50.8	**56.8**

Income from compensation paid and cost reimbursements includes € 9.0 million in compensation paid by insurance companies (2008: € 9.7 million).

14 Other operating expenses

€ million	2009	2008
IT and administrative services	24.7	4.8
Auditors' and consultants' fees	16.5	27.4
Impairment losses on receivables	14.2	11.0
Rents, leases, ground rents	9.7	9.7
Advertising costs	2.5	1.9
Legal and notary costs	1.7	2.1
Surveying costs	0.8	2.3
Sales incidentals	0.5	1.4
Other	37.3	30.4
	107.9	**91.0**

Costs in connection with the introduction of the new business organisation led in 2009 to a sharp increase in IT and administrative expenses. The figure for auditors' and consultants' fees in 2008 reflected the consultancy services provided in connection with the comprehensive reorganisation of the company.

15 Financial income

€ million	2009	2008
Income from other investments	2.2	1.9
Income from non-current securities and non-current loans	1.9	1.9
Other interest and similar income	5.1	17.8
	9.2	**21.6**

Due to a considerably lower level of interest rates, other interest and similar income declined to € 5.1 million.

16 Financial expenses

The financial expenses of € 362.0 million (2008: € 376.6 million) mainly relate to interest expense on financial liabilities measured at amortised cost.

Interest expense contains interest accretion to provisions, thereof € 12.7 million (2008: € 12.2 million) relating to provisions for pensions and € 2.3 million (2008: € 3.8 million) relating to miscellaneous other provisions.

Furthermore, an € 8.1 million (2008: € 9.2 million) addition of accrued interest concerning the obligation to pay lump-sum tax on the previously untaxed so-called EK 02 amounts is included in financial expenses.

Derivatives were measured at their fair value. To the extent that the hedge was ineffective, the change in the fair value of € 0.4 million was recognised as interest expense (2008: € 6.5 million).

A reconciliation of net interest to net interest from non-derivative financial instruments is shown in the table below:

€ million	2009	2008
Interest income	5.1	17.8
Interest expense	–362.0	–376.6
Net interest	**–356.9**	**–358.8**
less		
Interest expense from provisions for pensions in acc. with IAS 19*	12.7	12.2
Interest income from other provisions in acc. with IAS 37	2.3	3.1
Interest income from the measurement of derivatives in acc. with IAS 39	0.4	6.5
Net interest from non-derivative financial instruments	**–341.5**	**–337.0**

* including return on plan assets of € 0.8 million (2008: € 0.8 million)

The net interest from non-derivative financial instruments breaks down into the measurement categories in accordance with IAS 39 as follows:

€ million	Measurement category in acc. with IAS 39*	2009	2008
Loans and receivables	LaR	5.0	17.1
Available-for-sale financial assets	AfS	0.1	0.1
Financial liabilities measured at amortised cost	FLAC	–346.6	–354.2
		–341.5	**–337.0**

* See note [33] Additional disclosures on financial instruments.

17 Income tax

€ million	2009	2008
Current income tax	16.2	7.8
Lump-sum taxation of the previously untaxed so-called EK 02 amounts	–	0.5
Aperiodical current income tax	–8.1	–25.1
Deferred income tax	45.9	–91.0
	54.0	**–107.8**

The current tax expense is determined on the basis of the taxable income for the reporting period. For the 2009 financial year, the combined tax rate of corporate income tax and solidarity surcharge is 15.8% of earnings (2008: 15.8%). Including German municipal trade tax at nearly 15.8% (2008: 15.8%), the combined tax rate is 31.6% in 2009 (2008: 31.6%).

Deferred taxes are the expected tax charges or benefits arising from the difference between the carrying amounts of assets and liabilities in the consolidated financial statements and the tax bases used to calculate the taxable income (tax balance sheet).

Deferred tax liabilities are generally recorded for all taxable temporary differences. Deferred tax assets are recognised only to the extent that based on the profits of the past and the expected profits in the foreseeable future the realisation is probable.

Therefore, no deferred tax assets were recognised in the balance sheet for deductible temporary differences (excluding loss carryforwards) totalling € 30.6 million (2008: € 43.3 million) and no deferred trade tax for deductible temporary differences of € 103.8 million (2008: € 103.9 million) as their future utilisation is unlikely.

Such deferred tax assets and liabilities are not recognised where the temporary difference arises from initial recognition of goodwill in connection with a business combination or the initial recognition (other than a business combination) of other assets and liabilities in a transaction which neither affects taxable income nor net income.

Deferred taxes are determined using the combined tax rate of corporate income tax and trade tax of 31.6% (2008: 31.6%). The effects of the extended trade tax exemption in accordance with the German Trade Tax Act were taken into consideration in the measurement of deferred taxes.

In Germany, according to the rules on loss carryforwards, unutilised loss carryforwards may be partly or completely lost – depending on the extent of share transfers. Furthermore, tax loss carryforwards for corporate income tax and trade tax purposes may only be offset against taxable income of € 1.0 million and 60% of taxable income exceeding € 1.0 million.

Deferred taxes on loss carryforwards are recognised as assets provided that it is likely that there will be sufficient income in the following years for those loss carryforwards to be utilised and loss carryforwards have not lapsed as a result of share transfers.

As at December 31, 2009, the unutilised corporate income tax loss carryforwards totalled € 953.4 million (2008: € 978.0 million) and the unutilised trade tax loss carryforwards amounted to € 538.4 million (2008: € 495.3 million), for which deferred tax assets have been recognised since their realisation is probable.

The measurement of deferred tax assets on tax loss carryforwards and temporary differences in 2009 led to tax income of € 23.1 million (2008: € 1.1 million).

Tax reductions due to the utilisation of tax loss carryforwards for which no deferred tax assets existed led in the 2009 financial year to a reduction in the tax burden of € 5.6 million (2008: € 2.0 million).

No deferred taxes were recognised in the balance sheet for unutilised corporate income tax loss carryforwards of € 830.9 million (2008: € 941.3 million). These loss carryforwards relate exclusively to German companies and, under current tax law, there are no restrictions either with regard to time or the amount of the loss carryforward. In addition, there are further trade tax loss carryforwards of € 514.9 million (2008: € 467.7 million) which have an unlimited carryforward and which have not led to deferred tax assets.

No deferred tax assets were recognised for interest carryforwards totalling € 63.8 million (2008: € 16.3 million) because we do not anticipate their realisation in the foreseeable future.

A reconciliation between actual income taxes and expected tax expense which is the product of the accounting profit from continuing operations multiplied by the average tax rate applicable in Germany is shown in the table below. The combined tax rate for 2009 of 31.6% (2008: 31.6%) results from corporate income tax of 15.0% (2008: 15.0%) plus a solidarity surcharge of 5.5% and the average trade tax.

€ million	2009	2008
Operating profit before income taxes	**194.9**	**–371.4**
Income tax rate of the company in %	31.6	31.6
Expected tax expense	**61.5**	**–117.4**
Trade tax effects	–3.9	–0.2
Non-deductible operating expenses	2.4	3.4
Tax-free income	–0.8	–0.1
Lump-sum taxation of the untaxed so-called EK 02 amounts	–	0.5
Change in the deferred tax assets on loss carryforwards and temporary differences	–23.1	–1.1
Additional loss and interest carryforwards for which no deferred tax asset is recognised	30.1	32.9
Utilisation of loss carryforwards without deferred tax assets	–5.6	–2.0
Effects of taxes from prior years	–8.1	–25.1
Other tax effects (net)	1.5	1.3
Actual income taxes	**54.0**	**–107.8**
Actual tax rate in %	27.7	29.0

The deferred taxes refer to temporary differences in balance sheet items and unutilised loss carryforwards as follows:

€ million	Dec. 31, 2009	Dec. 31, 2008
Investment properties	4.5	23.1
Property, plant and equipment	0.1	0.6
Inventories	19.4	28.0
Other assets	8.1	8.8
Provisions for pensions	17.8	18.2
Other provisions	10.0	11.7
Liabilities	24.8	23.4
Unutilised loss carryforwards	23.1	10.1
Deferred tax assets	**107.8**	**123.9**

€ million	Dec. 31, 2009	Dec. 31, 2008
Intangible assets	2.6	3.1
Investment properties	543.8	465.9
Property, plant and equipment	0.0	0.3
Inventories	68.1	80.0
Financial assets	0.2	0.2
Other assets	–	0.2
Other provisions	9.3	8.4
Liabilities	60.2	81.1
Deferred tax liabilities	**684.2**	**639.2**
Net deferred tax liabilities	**576.4**	**515.3**

Deferred tax assets and liabilities are netted against each other when the same company and the same tax authority are involved and the realisation period is the same. As a result, the following deferred tax assets and liabilities are stated:

€ million	Dec. 31, 2009	Dec. 31, 2008
Deferred tax assets	9.1	13.2
Deferred tax liabilities	585.5	528.5
Net deferred tax liabilities	**576.4**	**515.3**

The change in taxes in the reporting period recognised directly in equity amounts to –€ 0.6 million (2008: –€ 4.2 million).

Regarding temporary differences related to shares in subsidiaries no deferred tax liabilities will be recognised as they are not expected to be realisable in the foreseeable future or are not subject to taxation (outside basis differences).

Notes to the Consolidated Balance Sheet

18 Intangible assets

€ million	Concessions, industrial rights, licenses and similar rights	Self-developed software	Customer relationships and similar rights	Total
Cost				
Balance on Jan. 1, 2009	7.4	4.0	15.8	**27.2**
Additions due to changes in scope of consolidation	0.1	–	–	**0.1**
Additions	0.9	0.4	–	**1.3**
Disposals	–2.7	–	–	**–2.7**
Other transfers	–	–0.1	–	**–0.1**
Balance on Dec. 31, 2009	5.7	4.3	15.8	**25.8**
Accumulated amortisation				
Balance on Jan. 1, 2009	6.4	0.5	6.3	**13.2**
Additions due to changes in scope of consolidation	0.1	–	–	**0.1**
Amortisation in 2009	0.7	1.2	1.6	**3.5**
Disposals	–2.7	–	–	**–2.7**
Other transfers	–	–0.1	–	**–0.1**
Balance on Dec. 31, 2009	4.5	1.6	7.9	**14.0**
Carrying amounts				
Balance on Dec. 31, 2009	1.2	2.7	7.9	**11.8**
Cost				
Balance on Jan. 1, 2008	7.5	1.2	15.8	**24.5**
Additions	0.8	2.8	–	**3.6**
Disposals	–0.9	–	–	**–0.9**
Balance on Dec. 31, 2008	7.4	4.0	15.8	**27.2**
Accumulated amortisation				
Balance on Jan. 1, 2008	5.9	0.2	4.7	**10.8**
Amortisation in 2008	0.7	0.3	1.6	**2.6**
Impairment	0.6	–	–	**0.6**
Disposals	–0.8	–	–	**–0.8**
Balance on Dec. 31, 2008	6.4	0.5	6.3	**13.2**
Carrying amounts				
Balance on Dec. 31, 2008	1.0	3.5	9.5	**14.0**

19 Property, plant and equipment

€ million	Owner-occupied properties	Technical equipment, plant and machinery	Other equipment, fixtures, furniture and office equipment	Total
Cost				
Balance on Jan. 1, 2009	14.0	0.9	18.8	**33.7**
Additions due to changes in scope of consolidation	–	0.1	0.2	**0.3**
Additions	–	–	3.8	**3.8**
Disposals	–	0.0	–13.6	**–13.6**
Transfer to investment properties	–9.8	–	–	**–9.8**
Balance on Dec. 31, 2009	4.2	1.0	9.2	**14.4**
Accumulated depreciation				
Balance on Jan. 1, 2009	4.5	0.9	15.5	**20.9**
Additions due to changes in scope of consolidation	–	0.0	0.2	**0.2**
Depreciation in 2009	0.1	0.0	1.7	**1.8**
Impairment	0.5	–	2.0	**2.5**
Reversal of impairment	–2.8	–	–	**–2.8**
Disposals	–	0.0	–13.6	**–13.6**
Transfer to investment properties	–1.7	–	–	**–1.7**
Balance on Dec. 31, 2009	0.6	0.9	5.8	**7.3**
Carrying amounts				
Balance on Dec. 31, 2009	3.6	0.1	3.4	**7.1**
Cost				
Balance on Jan. 1, 2008	13.5	0.9	23.3	**37.7**
Additions	–	–	0.7	**0.7**
Disposals	–	–	–5.1	**–5.1**
Transfers	0.5	–	–0.1	**0.4**
Balance on Dec. 31, 2008	14.0	0.9	18.8	**33.7**
Accumulated depreciation				
Balance on Jan. 1, 2008	0.4	0.8	19.4	**20.6**
Depreciation in 2008	0.2	0.0	1.1	**1.3**
Impairment	4.0	–	–	**4.0**
Disposals	–	0.0	–5.0	**–5.0**
Transfers	–0.1	0.1	0.0	**0.0**
Balance on Dec. 31, 2008	4.5	0.9	15.5	**20.9**
Carrying amounts				
Balance on Dec. 31, 2008	9.5	0.0	3.3	**12.8**

As at December 31, 2009, carrying amounts of owner-occupied properties amounting to € 1.7 million (2008: € 6.7 million) are encumbered with land charges in favour of different lenders.

20 Investment properties

€ million	
Balance on Jan. 1, 2009	**7,780.2**
Additions due to changes in scope of consolidation	219.1
Additions	8.0
Capitalised modernisation costs	32.5
Transfer from trading properties	355.8
Transfer from property, plant and equipment	8.1
Transfer from advance payments	0.4
Disposals	–31.1
Fair value adjustment	61.6
Balance on Dec. 31, 2009	**8,434.6**
Balance on Jan. 1, 2008	**7,870.6**
Additions	75.9
Capitalised modernisation costs	66.6
Transfer from advance payments	1.0
Transfer to trading properties	–43.2
Transfer from trading properties	312.1
Transfer to property, plant and equipment	–0.6
Disposals	–22.3
Fair value adjustment	–479.9
Balance on Dec. 31, 2008	**7,780.2**

The additions due to changes in scope of consolidation relate to the first-time consolidation of the Prima Group with effect from December 1, 2009. As a result of this first-time consolidation, 4,458 residential units, 447 parking spaces and 9 commercial units were included in the DAIG real estate portfolio for the first time.

The additions of € 8.0 million (2008: € 75.9 million) relate to the acquisition of a total of 108 residential units (2008: 1,364) and 5 commercial properties (2008: 11).

Due to a change in the assessment of their marketability, properties totalling € 355.8 million (2008: € 312.1 million) were transferred from trading properties to investment properties.

The investment properties include leased assets which are defined as finance leases according to IAS 17 and are treated as if they were the Group's economic property. They amount to € 32.2 million (2008: € 32.2 million) and relate to the Spree-Bellevue (Spree-Schlange) property in Berlin. The property has been leased from DB Immobilienfonds 11 Spree Schlange von Quistorp KG until 2044. The leasing agreement includes an obligation to pay compensation for loss of use as agreed by contract. At the end of 2028, each fund subscriber is entitled to return his share to the property fund at a fixed redemption price. If all of the fund investors make use of this option, DAIG is obliged to acquire the property at a fixed purchase price after deduction of borrowings. If more than 75 % of the shares are returned in this way, DAIG has a call option for the purchase of all fund shares. Details of minimum lease payments are given under note [29] Other financial liabilities.

The carrying amounts of the investment properties are predominantly encumbered with land charges in favour of different lenders; see note [29] Other financial liabilities.

Long-term leases

The long-term leases on commercial properties are non-cancellable operating leases. The minimum future leasing receipts from these leases are due as follows:

€ million	Dec. 31, 2009	Dec. 31, 2008
Total minimum lease payments	**17.3**	**22.7**
Due within one year	4.1	3.8
Due in 1 to 5 years	9.2	11.4
Due after 5 years	4.0	7.5

The fair values of the real estate portfolios were determined in accordance with IAS 40.

Fair values

DAIG performed an internal valuation to determine the fair values of its entire stock of residential buildings, small commercial units, garages and parking spaces as well as undeveloped land as at December 31, 2009.

As in the previous year, DAIG retained its sales strategy of not including any more properties in the privatisation programmes for conversion into owner-occupier apartments. Furthermore, some residential units were reclassified from trading properties to investment properties as the assessment of their marketability had changed. Consequently, the method of valuing these properties was changed and they were no longer valued using the comparative method, which generally leads to higher values, but using the income capitalisation method.

The following criteria were applied in the valuation of the different segments of real estate:

Residential real estate

The value of the entire portfolio of residential properties was determined on the basis of the International Valuation Standard Committee's definition of market value. It is not permitted to take into account either portfolio premiums and discounts, which can be observed when portfolios are sold in market transactions, or time restrictions in the marketing of individual properties. The method used by DAIG to determine fair values thus complies with IFRS regulations.

In line with the DAIG business model, a distinction was made between properties to be managed and properties to be sold individually:

DAIG considers properties that are being sold individually to be part of the privatisation portfolio. Single-family houses in the portfolio that, in DAIG's opinion, are basically suitable for being sold individually are also included in the privatisation portfolio. First, all buildings were valued according to a rating system with regard to their quality, their market attractiveness and their macrolocation. The aspects considered in assessing the quality of the buildings included their age and an assessment of the technical condition of the buildings. This assessment was based on maintenance reports compiled by external companies for which the properties were inspected on a regular basis. The attractiveness was assessed on the basis of various factors including in particular the microlocation of the buildings, how built-up the area is and the average size of the apartments (living area and the number of rooms). The quality of the macro-location was derived from the purchasing power index in the particular postal code district and validated using location ratings provided by Feri EuroRatings Services AG.

For the privatisation portfolio, the DAIG assumed that there are a certain number of apartments which, depending on the attractiveness, quality and macro-location, cannot be sold directly to tenants, owner-occupiers and capital investors and that these remaining apartments can only be sold at a discounted price in small packages (remainder share). The value of the privatisation share per building was derived from comparable figures based on the company's own sales and extensive market research. The value of the remainder share was determined according to a method similar to the income capitalisation method and specially tailored to the product.

The property management portfolio was valued using the income capitalisation method. The basis of the valuation is the net annual income per building which results from the annual net rent minus non-allocable ancillary costs, maintenance expenses and administrative expenses in accordance with the II. Berechnungsverordnung (II. BV; German Regulation on Calculations for Residential Buildings in Accordance with the Second Housing Construction Law, which stipulates how economic viability calculations for living space are to be performed) as well as any ground rent.

The modernisation work performed on our portfolio of residential units in 2009 was included in the valuations by decreasing the current maintenance expenses and discounts on the capitalised interest rates.

Void periods were taken into consideration on the basis of assumed vacancy and reletting scenarios and by applying market rents.

The capitalised value of potential yield returns was determined by capitalising the annual net yield at building level. The capitalised interest rates applied were derived from the current German residential real estate market and allocated to the buildings with the aid of the previously determined ratings. Special considerations such as long-term restricted rents, expiring rent restrictions or mining subsidence damage were allowed for by means of premiums and discounts.

Commercial properties

The commercial properties in the portfolio are mainly small commercial units for the supply of the local residential area. They were also measured using the income capitalisation method. Different cost approaches were used to those for residential properties and the capitalised interest rates were adjusted to reflect the market specifics.

Undeveloped land

Undeveloped plots of land were measured according to their state of development, the likelihood of development and the local market situation on the basis of derived land guide prices.

Results of the valuation

The fair value of the real estate portfolio of residential buildings, small commercial units, garages, parking spaces and undeveloped land of DAIG as at December 31, 2009 was approx. € 9,979.4 million (2008: € 9,819.8 million).

The fair values of the real estate portfolio by region are as follows:

	Residential units		Other rental units		Fair values in € million	
	2009	2008	2009	2008	2009	2008
Federal state						
North Rhine-Westphalia	101,582	102,300	20,759	20,709	4,736.2	4,771.8
Hesse	22,760	23,038	4,285	4,336	1,497.2	1,506.3
Bavaria and Baden-Württemberg	21,491	21,798	10,358	10,531	1,426.1	1,410.6
Berlin	13,439	9,070	2,246	1,784	690.1	478.4
Schleswig-Holstein and Hamburg	12,924	12,994	3,592	3,643	632.2	633.7
Five new states	7,800	7,989	1,218	1,221	306.4	302.9
Lower Saxony and Bremen	6,382	6,405	1,195	1,196	325.6	333.9
Rhineland-Palatinate and Saarland	5,574	5,624	1,794	1,803	308.3	311.2
Undeveloped land					57.3	71.0
	191,952	**189,218**	**45,447**	**45,223**	**9,979.4**	**9,819.8**
thereof						
Investment properties					8,434.6	7,780.2
Trading properties					1,541.1	2,028.3
Owner-occupied properties					3.7	11.3

Contractual obligations

When acquiring 13,895 WohnBau Rhein-Main AG apartments in 1999, a number of commitments to Deutsche Post and Deutsche Post Wohnen were made, including an undertaking by the then Viterra that it would serve no notice to vacate for personal use until 2009. Tenants and their spouses may not be served notice to vacate for personal use if they are aged 60 or over. Furthermore, when residential units are converted into owner-occupier apartments, there is an obligation to give tenants first right of refusal. Of the 13,895 residential units originally acquired, 9,988 (2008: 10,106) were still in the residential portfolio of DAIG as at December 31, 2009.

The 63,626 residential units which DAIG acquired from Bundeseisenbahnvermögen in 2000 are subject to the following restrictions on sale: Not more than 50 % may be sold within the first ten years with the exception of housing stock in the new German states. If residential units in the new German states are sold, 25 % of the proceeds must be paid to Bundeseisenbahnvermögen and a further 25 % (less sales costs) must be invested in the modernisation and maintenance of the remaining housing stocks in the new German states. Furthermore, residential property used as such by a specified category of people may only be sold to them or to people named by them. Multi-family houses and owner-occupier apartments may only be sold to parties other than the specified category of people if more than half of the apartments in a block are already rented by tenants who do not fall under the specified category. Of the 63,626 residential units originally acquired, 44,393 (2008: 44,970) were still in the residential portfolio of DAIG as at December 31, 2009.

The 10,413 Frankfurter Siedlungsgesellschaft mbH residential units acquired from the German federal government in 2001 and 2002 are subject to the restriction on sale that an annual sales programme must be agreed with the government. In addition, until November 2011, residential units must first be offered for sale to the tenant. Residential units may only be sold to persons other than the tenant if 50 % of the residential units in a building have previously been sold to tenants or owner-occupiers (vacant residential units). Tenants aged 65 or over whose residential unit is sold have a right to live in it for life. Of the 10,413 residential units originally acquired, 7,574 (2008: 7,662) were still in the residential portfolio of DAIG as at December 31, 2009.

In 2006/2007, DAIG acquired various housing stocks (2,773 residential units) from Corpus Immobiliengruppe and in particular entered into the following social obligations: Tenants and their spouses who have rented an apartment in the past may not be served notice to vacate for personal use if they are aged 60 or over. No notice to vacate for personal use may be served to other tenants and if the apartments are sold, the tenants are to be given first right of refusal. The above contractual provisions apply until October 31, 2014. Of the 2,773 residential units originally acquired, 2,757 (2008: 2,757) were still in the residential portfolio of DAIG as at December 31, 2009.

In connection with the issuing of REF notes to German Residential Asset Note Distributor plc. (GRAND) in 2006, DAIG is obliged to use a certain part of the proceeds from the disposal of properties for the repayment of these REF notes. Overall, DAIG has to ensure that the aggregated disposal proceeds less any sales costs cover these fixed repayments. If DAIG does not meet this requirement, it has to fund the difference out of its own cash. If DAIG is not able to fund this shortfall, it is not allowed to sell any further properties.

For some of the properties in the acquired portfolio, DAIG also entered into an obligation to spend a certain average amount per square metre on maintenance and improvements.

21 Financial assets

	Dec. 31, 2009		Dec. 31, 2008	
€ million	non-current	current	non-current	current
Other investments	1.7	–	1.7	–
Loans to related companies	33.7	–	34.7	–
Long-term securities	3.4	–	2.7	–
Other long-term loans	5.4	–	5.4	–
Restricted cash	2.1	–	2.1	–
Dividends from other investments	–	1.9	–	1.7
	46.3	**1.9**	**46.6**	**1.7**

The carrying amount of financial assets is the maximum risk of loss.

The loans to related companies not yet due relate to a loan to the property fund DB Immobilienfonds 11 Spree Schlange von Quistorp KG.

The other long-term loans to employees are deducted from the salary pro rata temporis on the due date as part of payroll accounting.

As part of financing, cash restrictions were imposed on DAIG in respect of credit balances with banks totalling € 2.1 million (2008: € 2.1 million). Bank deposits to which cash restrictions apply for at least twelve months after the balance-sheet date are reported as non-current financial assets.

22 Other assets

	Dec. 31, 2009		Dec. 31, 2008	
€ million	non-current	current	non-current	current
Advance payments	–	0.8	–	0.5
Insurance claims	13.5	3.8	11.1	2.9
Miscellaneous other assets	12.0	20.6	14.4	15.7
	25.5	**25.2**	**25.5**	**19.1**

While the indirect obligation arising from pension obligations transferred to former affiliated companies of the Viterra Group is shown under provisions for pensions, a corresponding asset of € 9.8 million (2008: € 11.3 million) is shown under non-current miscellaneous other assets.

Furthermore, in 2009 non-current miscellaneous other assets included an amount of € 1.1 million (2008: € 1.9 million) owed by Monterey Holdings I S.à.r.l., Luxembourg; see also note [40] Related party transactions.

23 Inventories

€ million	Dec. 31, 2009	Dec. 31, 2008
Trading properties	1,247.7	1,625.2
Ancillary costs	323.6	294.3
	1,571.3	**1,919.5**

The trading properties of DAIG developed as follows:

€ million	
Balance on Jan. 1, 2009	**1,625.2**
Additions	0.7
Value adjustment	49.3
Transfer to investment properties	−355.8
Disposals	−71.7
Balance on Dec. 31, 2009	**1,247.7**
Balance on Jan. 1, 2008	**1,910.3**
Additions	2.9
Value adjustment	52.1
Transfer from investment properties	43.2
Transfer to investment properties	−312.1
Disposals	−71.2
Balance on Dec. 31, 2008	**1,625.2**

The carrying amounts of the trading properties are predominantly encumbered with land charges in favour of different lenders; see note [29] Other financial liabilities.

For information on restraints on disposal of trading properties, see note [20] Investment properties.

24 Trade receivables

The trade receivables break down as follows:

	Impaired		Not impaired						Carrying amount
				past due by					
€ million	Gross amount	Impairment losses	neither impaired nor past due	less than 30 days	between 30 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days	Maximum risk of loss
Receivables from the sale of properties	5.9	−4.2	45.9	1.4	0.4	0.2	0.3	1.5	51.4*
Receivables from property letting	41.3	−16.9							24.4
Receivables from property management			1.1						1.1
Receivables from other supplies and services	0.1	−0.1							0.0
Balance on Dec. 31, 2009	**47.3**	**−21.2**	**47.0**	**1.4**	**0.4**	**0.2**	**0.3**	**1.5**	**76.9**
Receivables from the sale of properties	4.3	−2.3	42.3	5.8	1.3	0.0	6.7	8.5	66.6*
Receivables from property letting	31.3	−13.1							18.2
Receivables from property management			1.2						1.2
Balance on Dec. 31, 2008	**35.6**	**−15.4**	**43.5**	**5.8**	**1.3**	**0.0**	**6.7**	**8.5**	**86.0**

* The maximum risk of loss on the receivables from the sale of properties is limited to the margin and the transaction unwinding costs as the title to the properties remains with DAIG as security until receipt of payment.

The carrying amounts of current trade receivables correspond to their fair values.

As regards the trade receivables which are neither impaired nor past due, there was no indication on the balance-sheet date that the debtors would not meet their payment obligations.

The sharp decrease in total trade receivables, which are all short-term, to € 76.9 million (2008: € 86.0 million) is in particular due to the fall of € 15.2 million in receivables from the sale of properties. By contrast, receivables from property letting increased by € 6.2 million.

Receivables from the sale of properties arise in most cases on economic transfer of title. The due date of the receivable may, however, depend on the fulfilment of contractual obligations. Some purchase contracts provide for the purchase price to be deposited in an escrow account. Impairment losses up to the amount of the posted proceeds from sales are recorded for doubtful debts.

Receivables from property letting generally arise at the beginning of a month. Whilst an impairment loss was recognised on 18% of both rent receivables and receivables from ancillary cost bills under existing rental contracts outstanding at December 31, 2009, impairment losses of 87% are recognised on corresponding receivables due under rental contracts which had ended by the balance-sheet date.

After considering the benefits and cost, no further breakdown of the receivables from property management and the receivables from other supplies and services by due dates has been made as this information is neither material nor relevant to the assessment of the credit risk.

Impairment losses on trade receivables developed as follows:

€ million	Trade receivables
Impairment losses as at January 1, 2009	**15.4**
Addition	12.8
Utilisation	–6.9
Reversal	–0.1
Impairment losses as at December 31, 2009	**21.2**
Impairment losses as at January 1, 2008	**18.8**
Addition	7.9
Utilisation	–11.2
Reversal	–0.1
Impairment losses as at December 31, 2008	**15.4**

No impairment losses were made on other financial receivables either in the reporting year or in the prior period.

The following table shows the expenses for the full derecognition of receivables as well as income from the receipt of derecognised receivables:

€ million	2009	2008
Expenses for the derecognition of receivables	0.4	1.3
Income from the receipt of derecognised receivables	0.3	0.5

25 Cash and cash equivalents

Cash and cash equivalents include cash on hand, cheques and deposits at banking institutions with an original term of up to three months totalling € 274.0 million (2008: € 251.1 million). Furthermore, the item contains marketable securities of € 1.5 million (2008: € 2.4 million).

The deposits at banking institutions include an amount of € 79.1 million (2008: € 84.7 million), which was pledged in connection with borrowings. Of these accounts, € 27.5 million (2008: € 38.4 million) are restricted. The marketable securities are also restricted with regard to their use.

Bank deposits to which cash restrictions apply for at least twelve months after the balance-sheet date are stated as non-current financial assets.

26 Equity

The subscribed capital of Deutsche Annington Immobilien GmbH is unchanged at € 75,000 and has been fully paid in. Monterey Holdings I S.à.r.l., Luxembourg, is the parent company of DAIG. The subscribed capital is split into shares in the nominal amounts of € 25,000, € 26,000, € 23,250 and € 750.

The capital reserve amounts to € 718.2 million (2008: € 682.2 million). In the reporting year, the shareholder paid a contribution of € 36.0 million into the capital reserve.

The other reserves contain cumulative changes in equity not affecting income. The hedge effective portion of the cumulative net change in the fair value of cash flow hedging instruments is shown within this reserve until the underlying hedged item affects net income. Furthermore, the other reserves include the cumulative net change in the fair value of available-for-sale financial assets until the asset is derecognised.

The development of the Group's equity is shown in the consolidated statement of changes in equity.

Shares of third parties in Group companies are shown under minority interests.

Capital management

The aims of the DAIG capital management system are to:

- ensure an adequate return for investors, taking the relevant risk situation into consideration,
- ensure that the company can service its debts at all times and
- give the company enough flexibility to implement its growth and portfolio optimisation strategy.

As part of the opportunities and risk management of DAIG, the members of the management are given monthly reports on the development of results and the development of the Group's equity.

The equity situation of the subsidiaries is regularly examined.

27 Provisions

€ million	Dec. 31, 2009 non-current	Dec. 31, 2009 current	Dec. 31, 2008 non-current	Dec. 31, 2008 current
Provisions for pensions and similar obligations	**258.3**	**–**	**263.4**	**–**
Provisions for taxes (current income taxes excl. deferred taxes)	**–**	**74.2**	**–**	**97.1**
Other provisions				
Environmental remediation	31.1	0.8	32.2	1.3
Personnel costs (excluding restructuring)	20.9	35.4	23.1	37.2
Restructuring	–	8.2	–	33.7
Contractually agreed guarantees	1.0	0.7	1.8	2.6
Outstanding trade invoices	–	18.5	–	17.3
Follow-up costs from property sales	–	1.2	–	2.4
Miscellaneous other provisions	10.3	34.3	14.4	38.5
	63.3	**99.1**	**71.5**	**133.0**
	321.6	**173.3**	**334.9**	**230.1**

Development of other provisions

€ million	Jan. 1, 2009	Additions	Reversals	Change in scope of consolidation	Transfer carryover	Interest portion	Utilisation	Dec. 31, 2009
Other provisions								
Environmental remediation	33.5	1.4	–1.2	–	0.1	0.8	–2.7	31.9
Personnel costs (excluding restructuring)	60.3	17.3	–6.0	0.0	–	1.5	–16.8	56.3
Restructuring	33.7	–	–8.1	–	–	–	–17.4	8.2
Contractually agreed guarantees	4.4	–	–2.2	–	–	–	–0.5	1.7
Outstanding trade invoices	17.3	15.6	–4.3	0.0	–2.5	–	–7.6	18.5
Follow-up costs from property sales	2.4	0.2	–0.3	–	–0.7	–	–0.4	1.2
Miscellaneous other provisions	52.9	8.7	–14.7	0.3	3.1	–	–5.7	44.6
	204.5	**43.2**	**–36.8**	**0.3**	**0.0**	**2.3**	**–51.1**	**162.4**

Provisions for pensions and similar obligations

DAIG has pension obligations towards various employees which are based on the length of service. Defined benefit and defined contribution obligations – for which DAIG guarantees a certain level of benefit – are provided for through provisions for pensions. DAIG has taken out reinsurance contracts for individual people against payment of a one-off contribution. The conclusion of further reinsurance policies is not planned.

Pension plan obligations and the expenses necessary to cover these obligations are determined using the projected unit credit method prescribed by IAS 19, whereby current pensions and vested rights as well as expected future increases in salaries and pensions are included in the measurement. The following actuarial assumptions were made at the reporting date – in each case related to the end of the year and with economic effect for the following year. The expected return on plan assets has, on the other hand, already been taken into account in the interest cost in the respective current financial year.

Actuarial assumptions:

in %	2009	2008
Discount rate	5.25	5.85
Projected salary increases	2.75	2.75
Projected pension payment increases	2.00	2.00
Expected return on plan assets	4.50	4.50

Plan assets comprise solely reinsurance contracts. The value of the reinsurance contracts for certain people is higher than the related pension obligations. The amount by which the fair values of the assets exceed the obligation is shown under non-current other assets.

The defined benefit obligation (DBO) has developed as follows:

€ million	2009	2008
Defined benefit obligation as at Jan. 1	**249.5**	**255.0**
Interest cost	14.0	13.5
Current service cost	2.0	2.1
Actuarial gains	13.0	–2.7
Benefits paid	–18.9	–18.4
Defined benefit obligation as at Dec. 31	**259.6**	**249.5**

The following table shows a reconciliation of the defined benefit obligation to the provision for pensions recognised in the balance sheet:

€ million	Dec. 31, 2009	Dec. 31, 2008
Present value of funded obligations	20.1	18.5
Present value of unfunded obligations	239.5	231.0
Total present value of obligations (DBO)	**259.6**	**249.5**
Fair value of plan assets	–19.1	–18.8
Unrecognised actuarial gains	16.7	32.2
Net liability recognised in the balance sheet	**257.2**	**262.9**
Asset to be recognised	1.1	0.5
Provisions for pensions recognised in the balance sheet	**258.3**	**263.4**

The total net periodic pension cost comprises the following:

€ million	2009	2008
Interest cost	14.0	13.5
Current service cost	2.0	2.1
Expected return on plan assets	–0.8	–0.8
Amortisation to be allowed for	–2.7	–1.9
	12.5	**12.9**

The actual return on plan assets amounted to € 0.9 million in 2009 (2008: € 0.9 million).

The change in the fair value of plan assets is as follows:

€ million	2009	2008
Fair value of plan assets as at Jan. 1	**18.8**	**18.4**
Expected return on plan assets	0.8	0.8
Actuarial gains	0.1	0.1
Benefits paid	–0.6	–0.5
Fair value of plan assets as at Dec. 31	**19.1**	**18.8**

The present value of the defined benefit obligation, the fair value of plan assets and the corresponding funded status developed in the past five years as follows:

€ million	2009	2008	2007	2006	2005
Present value of the defined benefit obligation	259.6	249.5	255.0	291.1	309.9
Fair value of plan assets	–19.1	–18.8	–17.9	–17.6	–17.1
Deficit in the plan	**240.5**	**230.7**	**237.1**	**273.5**	**292.8**

The following table shows the experience adjustments arising on the plan liability during the respective period and the difference between the actual and expected return on plan assets:

	2009	2008	2007	2006
Experience adjustments arising on plan liability (in %)	–0.6	2.6	2.1	–2.9
Experience adjustments arising on plan assets (in %)	0.4	0.6	0.7	1.7
Difference between actual and expected return on plan assets (in € million)	0.1	0.1	0.1	0.1

The provisions for pensions contain liabilities of € 9.8 million (2008: € 11.3 million) for pension obligations transferred to former affiliated companies of the Viterra Group relating to vested rights and the payment of current pensions. A corresponding non-current receivable is shown under miscellaneous other assets.

Other provisions
Reversals of provisions are generally offset against the expense items for which they were originally established.

The provisions for environmental remediation refer to site remediation of locations of the former Raab Karcher companies. Remediation has either already begun or an agreement has been reached with the authorities as to how the damage is to be remedied. The cost estimates are based on expert opinions detailing the anticipated duration of the remediation work and the anticipated cost.

The personnel obligations are provisions for pre-retirement part-time work arrangements, bonuses, severance payments beyond restructuring and other personnel expenses. The other personnel expenses include a provision for the Long Term Incentive Plan (LTIP). The DAIG compensation system for the key management and the senior managers includes not only a basic salary and variable salary components but also a long-term component, the LTIP. The compensation under LTIP is in part linked to the occurrence of certain events (e.g. IPO, trade sale) or to certain retention periods. The amount of compensation to be paid to the key management largely depends on DAIG's performance in the period up to the occurrence of the event(s) triggering payment. The other provisions as at December 31, 2009 include a provision of € 8.8 million (2008: € 9.2 million) for the LTIP.

The restructuring provisions relate to personnel expenses incurred as a result of staff cuts in connection with the reorganisation of the company.

Outstanding trade invoices and follow-up costs from property sales relate to unbilled goods and services as well as contractually agreed completion work.

The miscellaneous other provisions include, among others, future costs connected with heat contracting which cannot be passed on to tenants as well as costs for entering transfers of title, unbilled acquisition incidentals and litigation costs.

28 Trade payables

€ million	Dec. 31, 2009 non-current	Dec. 31, 2009 current	Dec. 31, 2008 non-current	Dec. 31, 2008 current
Liabilities				
from property letting	–	21.2	–	22.4
from other goods and services	0.4	19.6	1.0	10.0
	0.4	**40.8**	**1.0**	**32.4**

29 Other financial liabilities

€ million	Dec. 31, 2009 non-current	Dec. 31, 2009 current	Dec. 31, 2008 non-current	Dec. 31, 2008 current
Other financial liabilities				
Banks	1,366.3	102.9	1,360.2	125.0
Other creditors	5,575.8	123.0	5,523.4	61.7
Derivatives	39.7	–	28.1	–
Miscellaneous other financial liabilities	–	6.7	–	7.8
	6,981.8	**232.6**	**6,911.7**	**194.5**

The maturities and average interest rates of the nominal values of the liabilities to banks and the liabilities to other creditors are as follows:

€ million	Nominal obligation Dec. 31, 2009	Maturity	Average interest rate	Maturity of the nominal values is as follows: 2010	2011	2012	2013	2014	from 2015
Securitisation transactions									
GRAND plc.	5,066.7	2013	3.37 %	131.8	231.1	146.1	4,557.7	–	–
Hallam Finance plc.	187.9	2011	3.89 %	8.0	179.9	–	–	–	–
Opera Germany (No. 1) GmbH	146.0	2012	4.36 %	0.0	0.0	146.0	–	–	–
Acquisition loans									
Acquisition financing I	229.8	2013	4.73 %	2.0	2.0	2.0	223.8	–	–
Acquisition financing II	267.6	2015	5.45 %	8.2	4.4	4.6	4.7	4.9	240.8
Acquisition financing III	14.1	2012	4.58 %	4.9	4.9	4.3	–	–	–
Mortgages	1,382.6	2032	3.28 %	96.7	88.2	103.1	68.4	62.1	964.1
(thereof prolongations)				(53.3)	(44.1)	(62.4)	(30.8)	(26.5)	(306.7)
	7,294.7			**251.6**	**510.5**	**406.1**	**4,854.6**	**67.0**	**1,204.9**

Of the nominal obligations to creditors, € 7,291.5 million (2008: € 7,266.4 million) are secured by land charges and other collateral (account pledge agreements, assignments, pledges of company shares and guarantees).

The nominal interest rates on the financial liabilities to banks and other creditors are between 0.0 % and 8.0 % (average weighted approx. 3.51 %). None of the financial liabilities contain any short-term interest rate risks as they relate either to loans with long-term fixed interest rates or, in the cases of loans with variable interest rates, they are loans which are interest rate-hedged by fixed payer swaps.

Loans bearing no interest or interest below market rates in return for occupancy rights at rents below the prevailing market rates are stated at their present values in the balance sheet.

In 2009, scheduled repayments of € 146.0 million and unscheduled repayments of € 30.8 million were made. New loans of € 40.2 million were taken out. As part of the acquisition of the shares in Prima Wohnbauten Privatisierungs-Management GmbH, Berlin, and its subsidiaries, liabilities of € 165.5 million – thereof derivatives of € 4.1 million – were taken over.

The bearer bonds issued in two tranches in 2006 in connection with the securitisation transaction (GRAND plc.) had a value of € 5,066.7 million at the end of the 2009 financial year (2008: € 5,153.4 million). The average weighted interest rate is 3.37 % up to July 2010 and, on the basis of contractual agreements, rises to 4.66 % from July 2010 until the end of the term in July 2013. In 2009, capital repayments of € 86.7 million and interest payments of € 174.2 million were made. The contractually agreed debt-equity ratio was therefore clearly undercut. As part of the loan agreement, the borrowers provided securities in the form of land charges, account pledge agreements and assignments. These securities can only be realised by the secured parties if the borrowers substantially infringe the loan agreement (e. g. fail to fulfil the financial covenants).

The loans taken out in 2004 in connection with the securitisation transaction (Hallam Finance plc.) had a value of € 187.9 million at the end of the 2009 financial year (2008: € 200.0 million). The average weighted interest rate is 3.89 % until the end of the term in October 2011. In 2009, capital repayments of € 12.0 million and interest payments of € 7.8 million were made. The contractually agreed debt-equity ratio was therefore clearly undercut. As part of the loan agreement, the borrowers provided securities in the form of land charges, account pledge agreements and assignments. These securities can only be realised by the secured parties if the borrowers substantially infringe the loan agreement (e. g. fail to fulfil the financial covenants).

In November 2009, a subsidiary of Deutsche Annington Immobilien GmbH acquired 94.54 % of the shares in Prima Wohnbauten Privatisierungs-Management GmbH, Berlin, with a portfolio of 4,458 residential units from IMW AG. In this connection, agreement was reached on the continuation of the existing financing against the background of the change of control due to the acquisition. The financing referred to is a securitisation transaction (senior loan facility) with a volume of € 146.0 million and a bank loan from Eurohypo AG (junior loan facility) with a remaining value of € 14.1 million at the end of 2009. Both facilities run until December 31, 2012 and have an average weighted interest rate of 4.38 % depending on the expiry of the swaps used for fixing interest rates. Securities were provided in the form of land charges, account pledge agreements and assignments. Furthermore, company shares were pledged.

In 2007, a loan agreement was concluded with Barclays Capital for the financing of acquisitions. The agreement running until the end of 2013 was originally for an amount of € 250.0 million. At December 31, 2009, the value of the loan was € 229.8 million (2008: € 232.2 million). As part of this loan agreement, the borrowers provided securities in the form of land charges, account pledge agreements and assignments. Furthermore, company shares were pledged. These securities can only be realised by the secured parties if the borrowers substantially infringe the loan agreement (e.g. fail to fulfil the financial covenants). Interest on the utilisations is based on the 3-month Euribor rate. In order to hedge the interest rate risk over the entire term of the loan agreement, the borrowers contracted fixed payer swaps. The average interest rate for this financing is, after allowing for the interest hedges, 4.73% (incl. margin). Capital repayments are obligatory when residential units are sold and to maintain the contractually agreed debt-equity ratio.

The loan agreement signed as part of a refinancing measure in 2008 with Landesbank Hessen-Thüringen and SEB AG originally for a maximum of € 300.0 million and running until April 2015 had a value of € 267.6 million as at December 31, 2009 (2008: € 275.0 million). As part of the loan agreement, the borrowers provided securities in the form of land charges, account pledge agreements and assignments. Furthermore, company shares were pledged. Interest on the loan is based on the 3-month Euribor. In order to hedge the interest rate risk over the entire term of the loan agreement, the borrowers contracted fixed payer swaps with an interest rate of 5.45% (incl. margin). This loan agreement provides for regular quarterly capital repayments as well as obligatory special capital repayments when residential units are sold.

In order to refinance a residential portfolio which it had already acquired in 2008, initially with its own funds, a subsidiary of Deutsche Annington Immobilien GmbH signed a loan agreement for € 15.0 million with Sparkasse Bochum. The interest rate of this annuity loan is 4.65% and is fixed until January 30, 2016. Securities were provided in the form of land charges.

Liabilities to other creditors include as at December 31, 2009 a liability of € 89.1 million from finance lease (2008: € 88.4 million) (Spree-Bellevue property). The following table shows the total minimum lease payments and reconciliation to their present value.

	Dec. 31, 2009			Dec. 31, 2008		
€ million	Total minimum lease payments	Interest portion	Present value	Total minimum lease payments	Interest portion	Present value
Due within one year	4.2	0.2	4.0	4.2	0.2	4.0
Due in 1 to 5 years	17.9	3.1	14.8	17.6	3.1	14.5
Due after 5 years	243.8	173.5	70.3	248.4	178.5	69.9
	265.9	**176.8**	**89.1**	**270.2**	**181.8**	**88.4**

30 Income tax liabilities

Income tax liabilities result from the lump-sum taxation of the previously untaxed so-called EK 02 amounts at a rate of 3% introduced under the 2008 Annual Tax Act (Jahressteuergesetz 2008). The tax is to be paid starting from 2008 in ten equal annual instalments.

31 Other liabilities

	Dec. 31, 2009		Dec. 31, 2008	
€ million	non-current	current	non-current	current
Advance payments	–	343.9	–	314.1
Liabilities from deferred interest	–	41.8	–	43.1
Miscellaneous other liabilities	5.6	17.7	5.1	15.0
	5.6	**403.4**	**5.1**	**372.2**

The advance payments are mainly payments made in instalments by tenants for ancillary costs.

The miscellaneous other liabilities mainly include other tax liabilities of € 3.2 million (2008: € 2.5 million).

32 Assets and disposal groups held for sale and discontinued operation

In 2006, DAIG decided to focus on its core business, the letting, buying and selling of housing units, and to sell the Development division. The entire Development division was sold in 2006 and 2007.

These transactions led subsequently to the following results of the discontinued operation:

€ million	2009	2008
Loss/profit on sale of discontinued operation before income tax	−0.5	6.5
Income tax on loss/profit on sale of discontinued operation	0.5	−0.6
Profit on sale of discontinued operation	**0.0**	**5.9**
Profit for the period	**0.0**	**5.9**

The cash flows from the discontinued operation are as follows:

€ million	2009	2008
Net cash used in operating activities	−9.1	−7.4
Net cash used in investing activities	−0.5	−20.8
Net cash used in financing activities	−0.5	–
Net cash used in discontinued operation	**−10.1**	**−28.2**

Of the negative cash flow from operating activities in 2009, € 9.1 million (2008: € 7.4 million) mainly result from payments of supplementary trade tax.

A subsequent adjustment of a purchase price and the utilisation of provisions established in connection with the sale of the business operation led to a negative net cash flow from investing activities of € 20.8 million in 2008.

Other notes and disclosures

33 Additional disclosures on financial instruments

Measurement categories and classes: € million	Measurement category in acc. with IAS 39	Carrying amounts Dec. 31, 2009	Amounts recognised in the balance sheet according to IAS 39: Face value	Amortised cost	Acquisition cost	Fair value affecting net income	Fair value recognised in equity	Amounts recognised in balance sheet in acc. with IAS 17	Fair value Dec. 31, 2009	Measurement category in acc. with IAS 39	Carrying amounts Dec. 31, 2008	Amounts recognised in the balance sheet according to IAS 39: Face value	Amortised cost	Acquisition cost	Fair value affecting net income	Fair value recog-nised in equity	Amounts recognised in balance sheet in acc. with IAS 17	Fair value Dec. 31, 2008
Assets																		
Cash and cash equivalents																		
Cash and cash equivalents	LaR	**275.5**	**275.5**						**275.5**	LaR	253.5	253.5						253.5
Restricted cash	LaR	**2.1**	**2.1**						**2.1**	LaR	2.1	2.1						2.1
Trade and other receivables																		
Receivables from the sale of properties	LaR	**51.4**		**51.4**					**51.4**	LaR	66.6		66.6					66.6
Receivables from property letting	LaR	**24.4**		**24.4**					**24.4**	LaR	18.2		18.2					18.2
Receivables from other management	LaR	**1.1**		**1.1**					**1.1**	LaR	1.2		1.2					1.2
Other financial receivables																		
Loans to related companies	LaR	**33.7**		**33.7**					**31.6**	LaR	34.7		34.7					41.3
Other long-term loans	LaR	**5.4**		**5.4**					**5.4**	LaR	5.4		5.4					5.4
Dividends from other investments	LaR	**1.9**		**1.9**					**1.9**	LaR	1.7		1.7					1.7
Other non-derivative financial assets																		
Long-term securities	AfS	**3.4**					**3.4**		**3.4**	AfS	2.7					2.7		2.7
Other investments	AfS	**1.7**			**1.7**				**1.7**	AfS	1.7			1.7				1.7
Liabilities																		
Trade and other payables																		
Liabilities from property letting	FLAC	**21.2**		**21.2**					**21.2**	FLAC	22.4		22.4					22.4
Liabilities from other goods and services	FLAC	**20.0**		**20.0**					**20.0**	FLAC	11.0		11.0					11.0
Other non-derivative financial liabilities																		
Liabilities to banks	FLAC	**1,469.2**		**1,469.2**					**1,438.1**	FLAC	1,485.2		1,485.2					1,567.0
Liabilities to other lenders	FLAC	**5,609.7**		**5,609.7**					**5,724.4**	FLAC	5,496.7		5,496.7					5,675.9
Miscellaneous other financial liabilities	n.a.	**6.7**				**6.7**			**6.7**	n.a.	7.8				7.8			7.8
Liabilities from finance leases	n.a.	**89.1**						**89.1**	**87.6**	n.a.	88.4						88.4	109.6
Hedged derivative financial liabilities																		
Cash flow hedges	n.a.	**39.7**				**5.0**	**34.7**		**39.7**	n.a.	28.1				5.5	22.6		28.1
therof aggregated by measurement categories in accordance with IAS 39:																		
Loans and receivables	LaR	**395.5**	**277.6**	**117.9**	**0.0**	**0.0**	**0.0**		**393.4**	LaR	383.4	255.6	127.8	0.0	0.0	0.0		390.0
Available-for-sale financial assets	AfS	**5.1**	**0.0**	**0.0**	**1.7**	**0.0**	**3.4**		**5.1**	AfS	4.4	0.0	0.0	1.7	0.0	2.7		4.4
Financial liabilities measured at amortised cost	FLAC	**7,120.1**	**0.0**	**7,120.1**	**0.0**	**0.0**	**0.0**	**0.0**	**7,203.7**	FLAC	7,015.3	0.0	7,015.3	0.0	0.0	0.0		7,276.3
Financial liabilities not covered by IAS 39																		
Employee benefits in accordance with IAS 19																		
Gross presentation: right to reimbursement corresponding to indirect obligation arising from transferred pension obligations		9.8									11.3							
Amount by which the fair value of plan assets exceeds the corresponding obligation		1.1									0.5							
Provisions for pensions and similar obligations		258.3									263.4							

Cash and cash equivalents, trade and other receivables and other financial receivables mainly have short maturities, therefore their carrying amounts at the balance-sheet date correspond to their fair values.

The fair values of the other non-current financial receivables correspond to the present values of the payments associated with the assets, taking into account the relevant current interest parameters.

Other investments are measured at cost as there is no price quoted on an active market and the fair market value cannot be determined reliably. Other investments are mainly VBW Bauen und Wohnen GmbH, Bochum, € 0.9 million (2008: € 0.9 million), Hellerhof GmbH, Frankfurt am Main, € 0.3 million (2008: € 0.3 million) as well as WoWi Media GmbH & Co. KG, Hamburg, € 0.3 million (2008: € 0.3 million).

The fair values of cash flow hedges shown under derivatives are determined by discounting the future cash flows using the current interest rate structure curve at the balance-sheet date.

Liabilities from property letting and liabilities from other goods and services usually have short maturities; the values accounted for approximate the fair values.

The fair values of the other non-derivative financial liabilities are also measured by discounting the future cash flows using the current risk-adjusted interest rate structure curve at the balance-sheet date.

Net result according to measurement categories:

€ million	Measurement category in acc. with IAS 39	from interest	Income from other long-term loans	from subsequent measurement: Impairment losses	Derecognised receivables	Derecognised liabilities	Income from other investments	Net result
2009								
Loans and receivables	LaR	5.0	1.9	–12.7	–0.1	–	–	–5.9
Available-for-sale financial assets	AfS	0.1	–	–	–	–	2.2	2.3
Financial liabilities measured at amortised cost	FLAC	–346.6	–	–	–	4.2	–	–342.4
		–341.5	**1.9**	**–12.7**	**–0.1**	**4.2**	**2.2**	**–346.0**
2008								
Loans and receivables	LaR	17.1	1.9	–7.8	–0.8	–	–	10.4
Available-for-sale financial assets	AfS	0.1	–	0.0	–	–	1.9	2.0
Financial liabilities measured at amortised cost	FLAC	–354.2	–	–	–	0.9	–	–353.3
		–337.0	**1.9**	**–7.8**	**–0.8**	**0.9**	**1.9**	**–340.9**

DAIG records the components of the net result under financial income and financial expenses.

Impairment losses which can be assigned to the measurement category "Loans and receivables" (LaR) as well as income and expenses in connection with derecognised receivables are shown under other operating income or other operating expenses.

The income from derecognised liabilities assigned to the measurement category "Financial liabilities measured at amortised cost"(FLAC) was shown under other operating income.

The following table shows the allocation of the financial instruments accounted for at fair value to the three levels in the fair value hierarchy. The individual hierarchy levels are defined in IFRS 7 as follows:

Level 1: measurement using quoted prices in active markets for identical financial instruments

Level 2: measurement using quoted prices in active markets for similar instruments or using measurement models with inputs that are based on observable market data

Level 3: measurement using measurement models with significant inputs that are not based on observable market data

Financial instruments measured at fair value

€ million	Level 1	Level 2	Level 3	Total
Assets				
Other non-derivative financial assets				
Long-term securities	3.4	–	–	3.4
Liabilities				
Miscellaneous other financial liabilities				
Purchase price liabilities from put options	–	–	6.7	6.7
Derivatives				
Cash flow hedges	–	39.7	–	39.7

The following table shows the development of the level 3 financial instruments accounted for at fair value:

€ million	Jan. 1, 2009	Change: affecting net income	Change: cash-effective	Dec. 31, 2009
Purchase price liabilities from put options	7.8	–0.9	–0.2	6.7

The changes affecting net income in the level 3 financial instruments only had an effect on net interest.

The fair value of the put options for shares held by minority shareholders is always determined by the value of the company; if a contractually agreed minimum purchase price is higher than this amount, this purchase price is recognised. The sensitivity analysis has shown that if the value of the company increases or decreases by 10%, the purchase price liability under put options granted at the reporting date would only differ by + € 0.2 million or – € 0.1 million.

34 Risk management

In the course of its business activities, DAIG is exposed to various financial risks. The Group-wide risk management system focuses on the unpredictability of developments on the financial markets and its aim is to minimise the potentially negative impact on the financial position of the Group and avoid risk concentrations. These risks and their management are described in detail as follows:

Interest rate risks

DAIG is exposed to interest rate risks in the course of its ordinary activities. Floating-rate debt exposes DAIG to a cash flow interest rate risk. DAIG uses derivative financial instruments to limit or eliminate these risks. These derivative financial instruments are used for hedging risks connected with operational business and never for speculative purposes.

The market is continually monitored as part of the management of interest rate risks. A continual analysis verifies whether any market changes have a negative influence on DAIG's interest rate situation. Where possible and sensible, derivative financial instruments are used in these cases. Furthermore, variable interest liabilities are directly interest rate-hedged on the day of their payout with a fixed payer swap in order to safeguard the company against future interest rate fluctuations.

DAIG's policies permit the use of derivatives only if they are associated with underlying assets or liabilities, contractual rights or obligations and planned operating transactions.

Credit risks

In the DAIG Group, there are no significant concentrations of potential credit risks. Contracts for derivative financial instruments and financial transactions are only concluded with banks of good standing. DAIG has a Group-wide policy to ensure that rental contracts are only made with tenants with a good credit history. Valuation allowances are provided for the risk of loss of financial assets.

Under the conditions of loan agreements, DAIG is obliged to fulfil certain financial covenants such as the debt service coverage ratio and debt-equity ratio. If financial covenants are violated, the breach is not rectified within so-called cure periods and no mutually acceptable agreement can be reached with the financing institute or the capital market, the financing may be restructured and the cost structure changed. Should all commonly practised solutions be unsuccessful, the financing institute or the capital market could call in the loan. As part of risk management, the fulfilment of these financial covenants is continually monitored on the basis of current extrapolations and budgetary accounting.

Market risks

(a) Currency risks
Owing to the limited internationality of DAIG's business, there are – as in 2008 – no substantive currency risks.

(b) Price risks
DAIG is – as in 2008 – exposed to property price and market rental risks.

Liquidity risks

DAIG uses a liquidity forecast and a liquidity plan to manage the liquidity risks.

The following table shows the forecast for (undiscounted) cash flows of the non-derivative financial liabilities and derivative financial instruments with negative fair values:

€ million	Carrying amount as at Dec. 31, 2009	2010 interest	2010 repayment	2011 interest	2011 repayment	2012 to 2016 interest	2012 to 2016 repayment
Other non-derivative financial liabilities:							
Banks	1,469.2	44.1	96.6	48.1	84.8	152.0	722.7
Other creditors	5,609.7	204.8	155.0	248.4	425.7	410.5	4,922.4
Miscellaneous other financial liabilities	6.7		0.0		0.0		2.5
Liabilities from finance leases	89.1	4.3		4.4		22.9	
Hedged derivative financial assets							
Cash flow hedges	39.7	19.8	0.0	11.8	0.0	14.8	0.0

In order to safeguard DAIG's solvency and financial flexibility at all times, a liquidity reserve is kept available in the form of credit lines and, where necessary, cash.

Breakdown of the credit line financing reserve:

€ million	Credit lines Dec. 31, 2009	Utilisation Dec. 31, 2009	Unutilised credit lines Dec. 31, 2009	Unutilised credit lines Dec. 31, 2008
Due within:				
< 1 year	100.0	0.0	100.0	100.0
> 1 year	0.0	0.0	0.0	0.0
	100.0	**0.0**	**100.0**	**100.0**

As a result of the economic and financial crisis, the financing conditions and financing options for DAIG are now not as good. In general, this may mean that DAIG will have to provide more equity when making acquisitions and/or refinancing funds in order to obtain economically acceptable conditions.

DAIG had cash on hand and deposits at banks totalling € 274.0 million as at the balance-sheet date. Given these cash and cash equivalents and the above-mentioned financing reserves from credit lines, DAIG's ability to service debt can be regarded as guaranteed at all times even in the light of the economic and financial crisis.

35 Derivative financial instruments

Ten fixed payer swaps have been contracted to hedge the interest rate risk of the acquisition lines of credit, which were taken out in particular to fund portfolio acquisitions by subsidiaries of Deutsche Annington Immobilien GmbH.

What is more, as part of the acquisition of the Prima companies completed with effect from December 1, 2009, it was possible to continue three fixed payer swaps totalling € 161.4 million already contracted in November and December 2005 to hedge future interest rate risks in connection with existing financing.

The nominal volume of the interest rate swaps increased to € 677.5 million as at December 31, 2009. Interest rates vary between 3.005 % and 4.400 % with swap periods of 5.17 to 7.17 years.

€ million	Nominal value	Beginning of term	End of term	Average interest rate
Securitisation Opera Germany (No. 1) GmbH				
Hedged items	146.0	Aug. 9, 2006	Dec. 31, 2012	3-m-EURIBOR
Interest rate swaps	146.0	Nov. 1, 2005	Dec. 30, 2012	3.127 %
Acquisition financing I				
Hedged items	229.8	Dec. 29, 2006	Dec. 31, 2013	3-m-EURIBOR
Interest rate swaps	231.0	Jul. 20, 2007	Oct. 20, 2013	4.205 %
Acquisition financing II				
Hedged items	267.6	Apr. 18, 2008	Apr. 20, 2015	3-m-EURIBOR
Interest rate swaps	285.9	Jul. 21, 2008	Apr. 20, 2015	4.400 %
Acquisition financing III				
Hedged items	14.1	Aug. 9, 2006	Dec. 31, 2012	3-m-EURIBOR
Interest rate swaps	14.6	Dec. 30, 2005	Sep. 28,2012	3.350 %

As part of the cash flow hedge accounting, the derivatives as at December 31, 2009 were shown at their negative clean present fair values totalling € 39.7 million under other financial liabilities.

As a result of the valuation, € 6.3 million was deducted from equity not affecting net income. A loss from ineffectiveness amounting to € 0.8 million in 2009, after deduction of deferred taxes, was recognised in the income statement.

On the basis of the valuation as at December 31, 2009 DAIG has used a sensitivity analysis to determine the change in equity given a hypothetical shift in the interest rate structure of 50 basis points in each case:

€ million	Change in equity Other reserves not affecting income	 Ineffective portions affecting net income	 Total
+ 50 basis points	+ 10.0	+ 0.4	+ 10.4
– 50 basis points	–10.3	–0.4	–10.7

All the derivative financial instruments used by DAIG are part of effective hedging as required by IAS 39.

36 Information on the consolidated cash flow statement

When determining the cash flow from operating activities using the indirect method, the profit for the period was adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, as well as items of income or expense associated with investing or financing cash flows. Therefore, direct comparison with the corresponding changes in the consolidated balance sheet items is not possible.

The income from the sale of trading properties is shown in cash flow from operating activities, the proceeds from the disposal of intangible assets, property, plant and equipment and investment properties are shown in cash flow from investing activities.

Exercising the IAS 7 option, interest received is shown under cash flow from investing activities and interest paid is shown under cash flow from financing activities.

Acquisition of investment properties shows the investments adjusted for non-cash debt assumptions. As part of the acquisition of various housing stocks, loan liabilities of € 3.8 million were assumed in 2008. The item "Cash proceeds from issuing loans and notes" was adjusted accordingly.

The acquisition of subsidiaries mainly shows the purchase price paid for the Prima companies included in the consolidated financial statements for the first time less the cash and cash equivalents taken over.

The cash proceeds from issuing loans and notes mainly include the loans taken out to fund newly acquired real estate. They do not include loan liabilities which already existed and were assumed as part of a real estate acquisition.

Cash repayments of financial liabilities refer to the loan liabilities repaid in the reporting year. In 2008, this item also included the repayment of the acquisition line of € 500.0 million which was provided by Barclays Capital and Citibank, of which € 287.2 million had been utilised at the time of repayment. The refinancing with Landesbank Hessen-Thüringen and SEB AG was shown in 2008 in the cash proceeds from issuing loans and notes.

Of the cash and cash equivalents, restraints on disposal apply to € 29.0 million (2008: € 40.8 million).

37 Contingent liabilities

Contingent liabilities exist for cases in which Deutsche Annington Immobilien GmbH and its subsidiaries give guarantees to various contractual counterparts.

Contingent liabilities to third parties are mainly guarantees for warranty claims and contract performance guarantees. The terms are in many cases limited to an agreed time. In some cases, the term is unlimited.

As part of the divestment of companies, the legal predecessor of the subsidiary Deutsche Annington Beteiligungsverwaltungs GmbH signed letters of indemnity with the buyers relating to tax, legal and other risks. The assurances agreed were normal for commitments given in such transactions. The terms of the agreements are generally two to three years, in a few cases also 10, 15 or max. 30 years.

38 Other financial obligations

The future minimum lease payment obligations arising from such agreements as a result of the fact that they are non-cancellable operating leases are due as follows:

€ million	Dec. 31, 2009	Dec. 31, 2008
Total minimum lease payments	**272.1**	**269.2**
Due within one year	11.6	12.6
Due in 1 to 5 years	38.2	38.4
Due after 5 years	222.3	218.2

Payments of € 11.8 million (2008: € 12.9 million) under rental, tenancy and leasing agreements were recognised as expenses in 2009.

The lease payments relate particularly to rented real estate and ground rent.

Furthermore, there are financial obligations from the commissioning of future services of € 114.7 million (2008: € 154.8 million).

39 Litigation and claims

DAIG is involved in litigation resulting from operating activities, both as the plaintiff and the defendant. These legal disputes and claims for damages are routine resulting from the normal course of business. They are in particular disputes under the Law of Tenancy and sales disputes.

None of these legal disputes and claims for damages will have a material effect on the balance sheet, profits or liquidity of DAIG.

40 Related party transactions

The members of the Management and the Supervisory Board and members of their immediate families do not personally have any business relations with DAIG companies other than in their capacity as members of the Management or Supervisory Board.

There are also no business relations between DAIG companies and affiliated and associated DAIG companies or with members of the management or supervisory bodies of consolidated DAIG companies or members of their immediate families.

Monterey Holdings I S.à.r.l., Luxembourg, has assumed the existing obligations towards the members of the management for the payments under the Long Term Incentive Plan (LTIP). DAIG discloses within Other assets (see note [22]) a receivable from Monterey Holdings I S.à.r.l., Luxembourg, of € 1.1 million (2008: € 1.9 million), which is the amount of the obligations assumed.

In 2005, consultancy agreements were signed with Terra Firma Capital Partners Limited, London, and terrafirma GmbH, Frankfurt am Main. In 2009, services totalling € 0.2 million were provided (2008: € 1.1 million).

In 2006, Citibank and DAIG signed cooperation agreements on future projects. The agreements ended in March 2009.

41 Remuneration

The members of the Supervisory Board received € 90 k for their work in 2009 (2008: € 101.9 k).

The total remuneration of the Management amounted to € 2.3 million (2008: € 3.1 million). Of this figure, € 1.2 million (2008: € 1.7 million) was for fixed remuneration components including benefits in kind and other remuneration. The variable remuneration of € 1.1 million (2008: € 1.4 million) refers to bonuses.

The total remuneration of former managing directors and their surviving dependants amounting to € 2.2 million relates solely to benefits in accordance with IAS 24 paragraph 16 (d). The pension obligations (DBO) to former managing directors and their surviving dependants amount to € 1.3 million (2008: € 1.0 million) and the pension obligations to current managing directors and their surviving dependants amount to € 4.2 million (2008: € 3.1 million).

42 Auditors' fees

The following fees (including expenses) have been recorded as expenses for the services provided in the reporting year by the Group auditors, KPMG AG Wirtschaftsprüfungsgesellschaft:

€ million	Dec. 31, 2009
Audits	2.1
Other confirmation services	0.1
Tax consultancy services	0.2
Other services	0.6
	3.0

Supervisory Board

Guy Hands, Chairman
Chairman and Chief Investment Officer of Terra Firma Capital Partners Limited, London

Robbie Barr (since November 11, 2009)
Chief Financial Officer of Terra Firma Capital Partners Limited, London

Phillip Wesley Burns
Financial Managing Director of Terra Firma Capital Partners Limited, London

William T. Comfort
Chairman of Citigroup Venture Capital, New York

Fraser Duncan
Business Consultant, London

Wolfgang König
Business Consultant, Esslingen

Prof. Dr Klaus Rauscher
Business Consultant, Berlin

The Supervisory Board does not have the rights and obligations provided for in the German Stock Corporation Law (Aktiengesetz).

Management

Wijnand Donkers, Chairman

Klaus Freiberg (since February 1, 2010)

Dr Manfred Püschel

Düsseldorf, March 22, 2010

Wijnand Donkers | Klaus Freiberg | Dr Manfred Püschel

Auditors' Report*

We have audited the consolidated financial statements prepared by Deutsche Annington Immobilien GmbH, Düsseldorf, – comprising the consolidated balance sheet, consolidated income statement, statement of recognised income and expense, consolidated statement of changes in equity, consolidated cash flow statement and the notes – together with the group management report for the financial year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a, para. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB 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 misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the parent company's management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a, para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, March 22, 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Salzmann
Auditor

Dr. Hain
Auditor

*translation of the German Auditors' Report

INFORMATION

Further Information

2009

List of DAIG Shareholdings as at December 31, 2009

	Company	Seat	Interest %
	Deutsche Annington Immobilien GmbH	Düsseldorf	100.00
A.	**Consolidated companies**		
	Baugesellschaft Bayern mbH	Munich	94.90
	Bundesbahn Wohnungsbaugesellschaft Kassel Gesellschaft mit beschränkter Haftung	Kassel	94.90
	Bundesbahn-Wohnungsbaugesellschaft Regensburg mbH	Regensburg	94.90
	BWG Frankfurt am Main Bundesbahn-Wohnungsgesellschaft mbH	Frankfurt	94.90
	DA DMB Netherlands B.V.	Eindhoven/NL	100.00
	Deutsche Annington Bestands GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington Beteiligungsverwaltungs GmbH	Düsseldorf	100.00
	Deutsche Annington Bewirtschaftungs GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington Business Management GmbH	Bochum	100.00
	Deutsche Annington Consulting GmbH	Bochum	100.00
	Deutsche Annington DEWG GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington DEWG Verwaltungs GmbH	Düsseldorf	99.60
	Deutsche Annington DID Verwaltungs GmbH	Düsseldorf	99.60
	Deutsche Annington Dienstleistungs GmbH	Bochum	100.00
	Deutsche Annington DMB Eins GmbH	Bochum	100.00
	Deutsche Annington Dritte Beteiligungsgesellschaft mbH	Düsseldorf	100.00
	Deutsche Annington EisenbahnWG Karlsruhe Bestands GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington EisenbahnWG Karlsruhe Bewirtschaftungs GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington EisenbahnWG Karlsruhe Verwaltungs GmbH	Düsseldorf	99.60
	Deutsche Annington EWG Augsburg GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington EWG Augsburg Verwaltungs GmbH	Düsseldorf	99.60
	Deutsche Annington EWG Essen Bestands GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington EWG Essen Bewirtschaftungs GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington EWG Essen Verwaltungs GmbH	Düsseldorf	99.60
	Deutsche Annington EWG Frankfurt Bestands GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington EWG Frankfurt Bewirtschaftungs GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington EWG Frankfurt Verwaltungs GmbH	Düsseldorf	99.60
	Deutsche Annington EWG Kassel Bestands GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington EWG Kassel Bewirtschaftungs GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington EWG Kassel Verwaltungs GmbH	Düsseldorf	99.60
	Deutsche Annington EWG Köln Bestands GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington EWG Köln Bewirtschaftungs GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington EWG Köln Verwaltungs GmbH	Düsseldorf	99.60
	Deutsche Annington EWG Mainz GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington EWG Mainz Verwaltungs GmbH	Düsseldorf	99.60
	Deutsche Annington EWG München Bestands GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington EWG München Bewirtschaftungs GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington EWG München Verwaltungs GmbH	Düsseldorf	99.60
	Deutsche Annington EWG Nürnberg GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington EWG Nürnberg Verwaltungs GmbH	Düsseldorf	99.60
	Deutsche Annington EWG Regensburg GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington EWG Regensburg Verwaltungs GmbH	Düsseldorf	99.60
	Deutsche Annington Finance GmbH	Düsseldorf	100.00
	Deutsche Annington Fundus Immobiliengesellschaft mbH	Cologne	100.00
	Deutsche Annington Fünfte Beteiligungsgesellschaft mbH	Düsseldorf	100.00
	Deutsche Annington Haus GmbH	Kiel	100.00
	Deutsche Annington Heimbau Bestands GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington Heimbau Bewirtschaftungs GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington Heimbau GmbH	Kiel	100.00
	Deutsche Annington Heimbau Verwaltungs GmbH	Düsseldorf	99.60
	Deutsche Annington Holdings Drei GmbH	Bochum	100.00
	Deutsche Annington Holdings Eins GmbH	Düsseldorf	100.00
	Deutsche Annington Holdings Fünf GmbH	Düsseldorf	100.00
	Deutsche Annington Holdings Sechs GmbH	Bochum	100.00
	Deutsche Annington Holdings Vier GmbH	Düsseldorf	100.00
	Deutsche Annington Holdings Vier GmbH & Co.KG	Bochum	100.00
	Deutsche Annington Holdings Zwei GmbH	Düsseldorf	100.00
	Deutsche Annington Immobiliendienstleistung Bestands GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington Immobilien-Dienstleistungen GmbH	Düsseldorf	100.00
	Deutsche Annington Informationssysteme GmbH	Düsseldorf	100.00
	Deutsche Annington Interim DAMIRA GmbH	Düsseldorf	100.00
	Deutsche Annington Kundenservice GmbH	Bochum	100.00
	Deutsche Annington MIRA Bestands GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington MIRA Bewirtschaftungs GmbH & Co.KG	Düsseldorf	100.00
	Deutsche Annington MIRA Verwaltungs GmbH	Düsseldorf	99.60
	Deutsche Annington Nord GmbH	Kiel	100.00
	Deutsche Annington Ost GmbH	Berlin	100.00

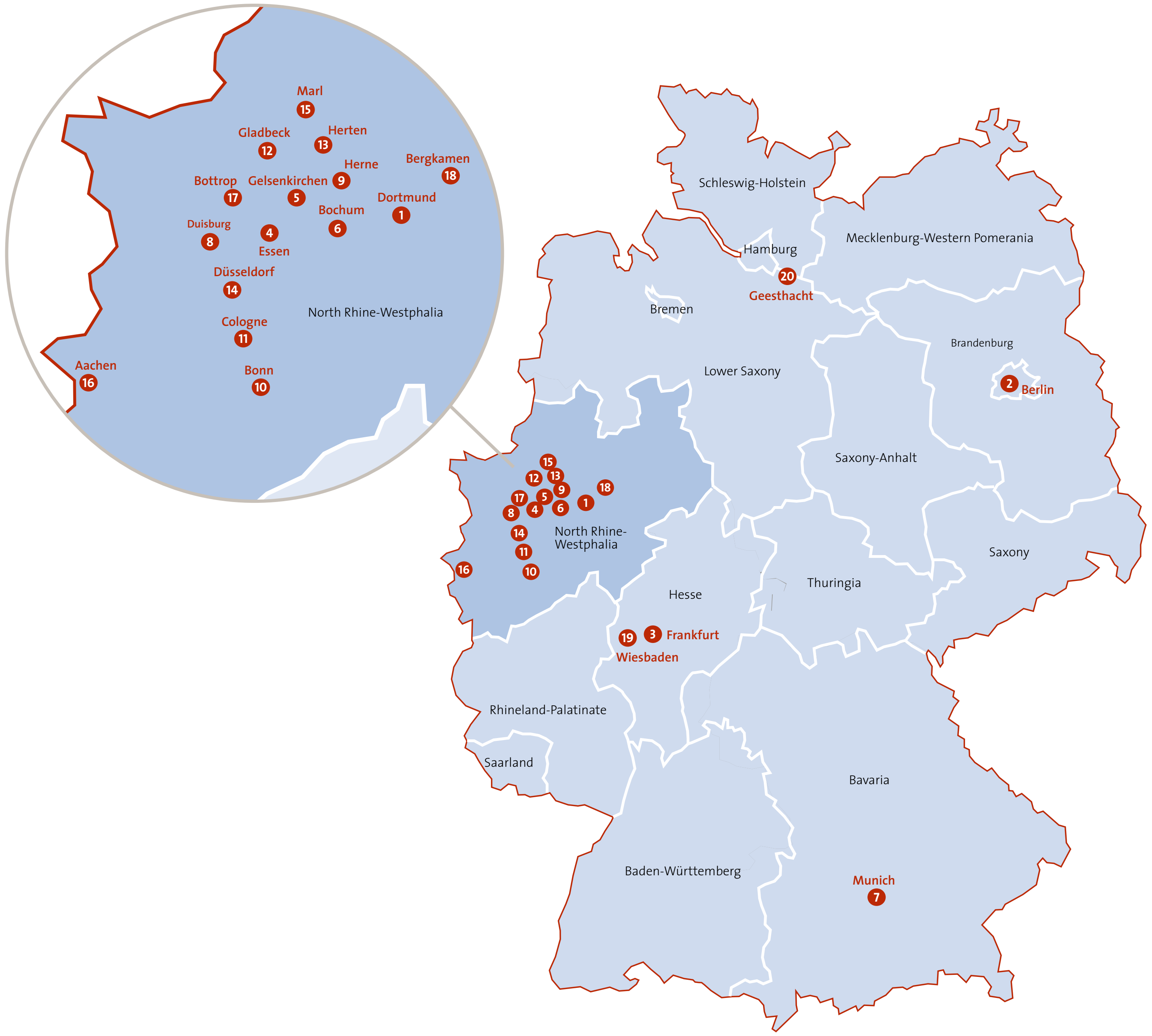
Company	Seat	Interest %
Deutsche Annington Regenerative Energien GmbH	Bochum	100.00
Deutsche Annington Revisionsgesellschaft mbH	Düsseldorf	100.00
Deutsche Annington Rheinland GmbH	Düsseldorf	100.00
Deutsche Annington Rheinland Immobiliengesellschaft mbH	Cologne	100.00
Deutsche Annington Rhein-Ruhr GmbH & Co.KG	Essen	100.00
Deutsche Annington Ruhr GmbH	Essen	100.00
Deutsche Annington Service GmbH	Frankfurt	100.00
Deutsche Annington Süd GmbH	Munich	100.00
Deutsche Annington Süd-West GmbH	Frankfurt	100.00
Deutsche Annington Vermögensgesellschaft mbH & Co.KG	Düsseldorf	100.00
Deutsche Annington Vertriebs GmbH	Bochum	100.00
Deutsche Annington Verwaltungs GmbH	Bochum	100.00
Deutsche Annington Vierte Beteiligungsgesellschaft mbH	Düsseldorf	99.60
Deutsche Annington Westfalen GmbH	Dortmund	100.00
Deutsche Annington WOGE Drei Verwaltungs GmbH	Düsseldorf	99.60
Deutsche Annington WOGE Eins Verwaltungs GmbH	Düsseldorf	99.60
Deutsche Annington WOGE Fünf Bestands GmbH & Co.KG	Düsseldorf	100.00
Deutsche Annington WOGE Fünf Bewirtschaftungs GmbH & Co.KG	Düsseldorf	100.00
Deutsche Annington WOGE Fünf Verwaltungs GmbH	Düsseldorf	100.00
Deutsche Annington WOGE Sechs Bestands GmbH & Co.KG	Bochum	100.00
Deutsche Annington WOGE Sechs Bewirtschaftungs GmbH & Co.KG	Bochum	100.00
Deutsche Annington WOGE Sechs Verwaltungs GmbH	Bochum	100.00
Deutsche Annington WOGE Sieben Verwaltungs GmbH	Düsseldorf	100.00
Deutsche Annington WOGE Vier Bestands GmbH & Co.KG	Düsseldorf	100.00
Deutsche Annington WOGE Vier GmbH & Co.KG	Düsseldorf	100.00
Deutsche Annington Wohnungsgesellschaft I Bestands GmbH & Co.KG	Düsseldorf	100.00
Deutsche Annington Wohnungsgesellschaft I mbH	Essen	100.00
Deutsche Annington Wohnungsgesellschaft III Bestands GmbH & Co.KG	Düsseldorf	100.00
Deutsche Annington Wohnungsgesellschaft III mbH	Bochum	100.00
Deutsche Annington Zweite Beteiligungsgesellschaft mbH	Essen	100.00
Deutsche Eisenbahn-Wohnungs-Gesellschaft mbH	Leipzig	100.00
Eisenbahn-Siedlungsgesellschaft Augsburg mbH (Siegau)	Augsburg	94.90
Eisenbahn-Wohnungsbau-Gesellschaft Karlsruhe GmbH	Karlsruhe	94.90
Eisenbahn-Wohnungsbaugesellschaft Köln mbH	Cologne	94.90
Eisenbahn-Wohnungsbaugesellschaft Nürnberg GmbH	Nuremberg	94.90
Frankfurter Siedlungsgesellschaft mbH	Düsseldorf	100.00
FSG Immobilien GmbH & Co.KG	Düsseldorf	100.00
FSG Immobilien Verwaltungs GmbH	Düsseldorf	99.60
FSG-Holding GmbH	Düsseldorf	94.80
Grundstücksgesellschaft Eins Stauffenbergstraße mbH	Berlin	100.00
Immobilienfonds Koblenz-Karthause Wolfgang Hober KG	Düsseldorf	92.54
JANANA Grundstücksgesellschaft mbH & Co.KG	Grünwald	94.90
KADURA Grundstücksgesellschaft mbH & Co.KG	Grünwald	92.51
LEMONDAS Grundstücksgesellschaft mbH & Co.KG	Grünwald	94.90
LEVON Grundstücksgesellschaft mbH & Co.KG	Grünwald	94.90
MAKAB Beteiligungs Eins GmbH	Düsseldorf	100.00
MAKAB Grundstücksgesellschaft mbH & Co.KG	Grünwald	100.00
MAKANA Beteiligungsgesellschaft Eins GmbH	Düsseldorf	100.00
MAKANA Beteiligungsgesellschaft Zwei GmbH	Düsseldorf	100.00
MAKANA Grundstücksgesellschaft mbH & Co.KG	Grünwald	94.90
MANGANA Grundstücksgesellschaft mbH & Co.KG	Grünwald	94.90
MELCART Grundstücks-Verwaltungsgesellschaft mbH	Grünwald	94.80
MIRA Grundstücksgesellschaft mbH	Düsseldorf	94.90
MIRIS Beteiligungs Eins GmbH	Düsseldorf	100.00
MIRIS Grundstücksgesellschaft mbH & Co.KG	Grünwald	94.90
Monterey Capital I Sàrl	Luxembourg/L	100.00
Prima Beteiligungsgesellschaft mbH	Berlin	100.00
Prima Immobilien GmbH & Co.KG	Berlin	100.00
Prima Wohnbauten Privatisierungs-Management GmbH	Berlin	94.54
"Siege" Siedlungsgesellschaft für das Verkehrspersonal mbH Mainz	Mainz	94.90
Viterra Holdings Eins GmbH	Düsseldorf	100.00
Viterra Holdings Zwei GmbH	Düsseldorf	100.00
Wohnungsgesellschaft Ruhr-Niederrhein mbH Essen	Essen	94.90

	Company	Seat	Interest %	Equity € '000	Net income for the year € '000
B.	**Other investments > 20 % interest**				
	FEA Verwaltungs GmbH	Düsseldorf	25.00	21	0

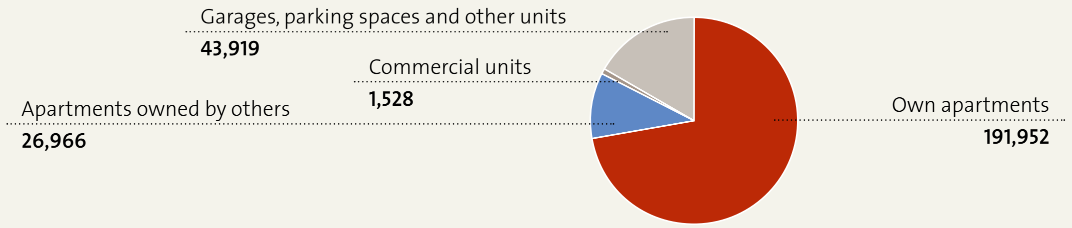
Overview of the Residential Portfolio Data of the Deutsche Annington Real Estate Group

	Portfolio as at Dec. 31, 2009	Units	Share in %	Living area in m²	Average living area per unit in m²	Annualised net rent* in € million	Share in %	Monthly net rent per m²* in €	Vacancy rate* in %
	Top 20 cities and towns								
1	Dortmund	18,029	9.4	1,100,220	61	58.7	7.9	4.44	5.0
2	Berlin	13,439	7.0	866,538	64	56.0	7.6	5.37	3.4
3	Frankfurt	10,657	5.6	663,291	62	51.3	6.9	6.42	2.3
4	Essen	10,656	5.6	659,773	62	39.0	5.3	4.91	7.3
5	Gelsenkirchen	8,970	4.7	542,322	60	28.3	3.8	4.34	5.9
6	Bochum	7,848	4.1	455,720	58	26.1	3.5	4.77	5.2
7	Munich	5,284	2.8	351,098	66	25.2	3.4	5.95	2.0
8	Duisburg	5,040	2.6	300,804	60	16.8	2.3	4.63	6.4
9	Herne	4,715	2.5	289,063	61	15.2	2.1	4.38	5.5
10	Bonn	4,663	2.4	327,631	70	22.7	3.1	5.72	4.6
11	Cologne	4,645	2.4	303,186	65	21.2	2.9	5.80	5.3
12	Gladbeck	3,692	1.9	225,701	61	12.7	1.7	4.67	8.6
13	Herten	2,969	1.5	192,479	65	9.9	1.3	4.27	5.7
14	Düsseldorf	2,684	1.4	175,427	65	13.1	1.8	6.18	3.2
15	Marl	2,599	1.4	174,923	67	10.7	1.4	5.08	7.9
16	Aachen	2,259	1.2	150,312	67	8.8	1.2	4.88	2.0
17	Bottrop	2,187	1.1	137,881	63	7.9	1.1	4.74	4.1
18	Bergkamen	2,027	1.1	134,185	66	7.2	1.0	4.44	9.5
19	Wiesbaden	2,022	1.1	131,439	65	10.7	1.5	6.65	6.6
20	Geesthacht	2,007	1.0	114,577	57	7.3	1.0	5.30	6.2
	Subtotal for top 20 cities and towns	**116,392**	**60.6**	**7,296,571**	**63**	**448.9**	**60.7**	**5.10**	**5.0**
	Other locations	75,560	39.4	4,988,999	66	290.8	39.3	4.86	7.3
	Total	**191,952**	**100.0**	**12,285,570**	**64**	**739.7**	**100.0**	**5.00**	**5.9**

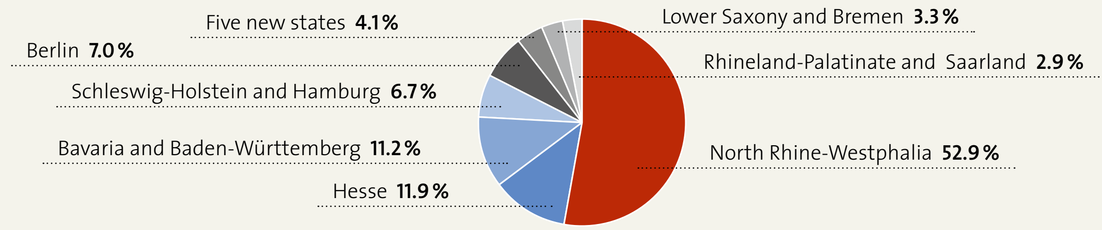
* as at beginning of December



Units managed by the Deutsche Annington Real Estate Group
(as at December 31, 2009)



Structure of the Deutsche Annington residential portfolio by German states



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Note

This Annual Report is published in German and English. The German version is always the authoritative text. Further information on the company can be found on the website at www.deutsche-annington.com.

Forward-looking statements

This present Annual Report for Deutsche Annington Immobilien GmbH contains statements on future developments. They reflect the current view of the Management and are based on appropriate evaluations and expectations. These statements are not intended as guarantees that these expectations will be fulfilled. The Annual Report has also been generated using references. These references have been carefully selected and have been taken from credible sources. We nevertheless point out that Deutsche Annington has not examined the veracity of the sources.

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