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GROUP KEY FIGURES

Income statement		Q1 2019	Q1 2018	Change
Rental income	EUR m	204.7	192.9	6.1%
Earnings from Residential Property Management	EUR m	183.7	163.7	12.2%
Earnings from Disposals	EUR m	19.9	4.8	314.6%
Earnings from Nursing and Assisted Living	EUR m	21.3	11.6	83.6%
Corporate expenses	EUR m	-23.2	-20.0	16.0%
EBITDA	EUR m	201.5	160.6	25.5%
EBT (adjusted)	EUR m	159.3	134.6	18.4%
EBT (as reported)	EUR m	134.3	128.2	4.8%
Earnings after taxes	EUR m	111.0	103.4	7.4%
Earnings after taxes ¹	EUR per share	0.30	0.29	5.3%
FFO I	EUR m	144.2	123.8 ³	16.5%
FFO I (undiluted) ¹	EUR per share	0.40	0.35	14.3%
FFO I (diluted) ²	EUR per share	0.40	0.35	14.3%
FFO II	EUR m	163.3	127.9	27.7%
FFO II (undiluted) ¹	EUR per share	0.46	0.36	27.8%
FFO II (diluted) ²	EUR per share	0.46	0.36	27.8%
Balance sheet		31/03/2019	31/12/2018	Change
Investment properties	EUR m	23,894.3	23,781.7	112.6
Current assets	EUR m	1,148.0	984.0	164.0
Equity	EUR m	11,980.6	11,908.1	72.5
Net financial liabilities	EUR m	8,900.1	8,749.4	150.7
Loan-to-Value ratio (LTV)	in %	36.6	36.0	0.6
Total assets	EUR m	25,489.4	25,057.9	431.5
Share				
Share price (closing price)	EUR per share	43.23	40.00	8.1%
Number of shares	m	357.02	357.01	0.00
Market capitalisation	EUR bn	15.4	14.3	7.7%
Net asset value (NAV)				
EPRA NAV (undiluted)	EUR m	15,186.8	15,087.8	99.0
EPRA NAV (undiluted)	EUR per share	42.54	42.26	0.7%
EPRA NAV (diluted)	EUR per share	42.53	42.26	0.6%
Fair values				
Fair value properties ⁴	EUR m	22,233	22,190	43
Fair value per sqm living and usable space ⁴	EUR per sqm	2,160	2,157	0.1%

1 Based on an average of approximately 357.02 million issued shares in 2019 and approximately 354.67 million in 2018

2 Based on an average of approximately 357.02 million issued shares in 2019 and approximately 354.67 million in 2018, assuming conversion of in-the-money convertible bonds in each case

3 Calculation method changed: staff, general and administration expenses are no longer included in FFO I, the previous year's figures have been amended accordingly

4 Only includes residential and commercial buildings, without Nursing and Assisted Living

GROUP INTERIM MANAGEMENT REPORT

Deutsche Wohnen SE, including its subsidiaries, (known hereafter as 'Deutsche Wohnen' or 'Group') is currently the third-largest publicly listed property company in Europe by market capitalisation. The company is listed in the MDAX of the German stock exchange.

Its property portfolio comprises approximately 167,000 residential and commercial units and has a fair value of some EUR 22.2 billion¹. Our holdings also include nursing properties with a fair value of around EUR 1.3 billion, comprising approximately 12,100 beds and apartments for assisted living. The focus of our investment is on residential properties in metropolitan areas and conurbations in Germany. Economic growth, positive net immigration and insufficient new building activity in these regions form the basis for the further development of our portfolio value. We see the addition of nursing properties as another growth area, particularly in view of the demographic trends.

Successful start to the financial year 2019

Deutsche Wohnen can look back on a successful first quarter of 2019. We have continued our investment policy, putting approximately EUR 73 million into our holdings. In addition, our work on new builds in Leipzig and Elstal near Berlin continues to make good progress. Our preparatory work on the residential estates Marienhain in Berlin and Schützengarten in Dresden is underway, so it will be possible to start work on building a total of around 1,700 residential units in these two locations next year.

In the first three months of the financial year, Deutsche Wohnen continued to conduct an intensive dialogue with tenants, politicians and the general public and concluded further cooperation agreements with boroughs in Berlin.

Deutsche Wohnen on the capital market

German economy suffers from global slowdown in spring 2019

The German economy is suffering from slower global growth and is only expected to expand by a total of 1.0% in 2019, according to the DIW Berlin (German Institute for Economic Research). In December last year the DIW was still predicting growth of 1.6%. This is mainly due to global trade conflicts, economic weakness in China and political uncertainty concerning Brexit. Its growth forecast for 2020 remains unchanged at 1.8%. Altogether the DIW is forecasting global economic growth of 3.7% for the year 2019, with a lower figure of 1.3% for the euro area.²

DIW is forecasting inflation of 1.5% in 2019, a lower rate than last year (2018: 1.7%). Lower energy prices are one of the reasons for the decline. However, core inflation, which does not include changes in energy prices, is also expected to reach 1.7% due to pay increases and additional consumption, which is a lower rate than originally estimated. It is nonetheless 0.4 percentage points higher than last year.²

¹ Excluding deposits received, units under construction and undeveloped land

² DIW: baseline of economic development in spring 2019

Employment growth has been continuous in almost all areas of the economy in spring 2019, with leading indicators pointing to further high recruitment rates, which are at a record level. This is not only expected to reduce the unemployment rate for 2019 to 4.8% (2018: 5.2%), but also boost available incomes by 3.4%.³

Stock markets recover in spring 2019

The announcement of a new refinancing programme by the ECB, a temporary pause in interest rate increases by the US Fed and brisk M&A activity caused stock markets to recover strongly in spring 2019, offsetting the effects of weak purchasing manager indices in the euro area and the negative yield on German bunds.

The DAX also recovered, closing the first quarter of the year up 9.2%.

Deutsche Wohnen share gets off to a good start in 2019

The Deutsche Wohnen share finished the first quarter of 2019 up by 8.1% at a closing price of EUR 43.23, a similarly strong performance to the DAX. The MDAX stood out positively with a performance of 14.5%. The property indices EPRA Germany and EPRA Europe performed very well, up by 12.6% and 12.7% respectively.

In the first quarter of 2019 the market capitalisation of Deutsche Wohnen SE rose year on year by almost 15%, taking it to EUR 15.4 billion. Average daily turnover in Xetra trading declined by roughly 9% from EUR 30.6 million in the first three months of 2018 to EUR 27.8 million in the first nine months of 2019. In the first three months of 2019 the average Xetra trading volume for the Deutsche Wohnen share was 656,667 per day. An average of 837,408 shares a day were also traded on alternative platforms.

Share price performance, Q1 2019 (indexed)



Key figures for the share	Q1 2019	Q1 2018
Number of shares in m	approx. 357.02	approx. 354.67
Price at end of Q1 ¹ in EUR	43.23	37.90
Market capitalisation in EUR bn	approx. 15.4	approx. 13.4
Three-month high ¹ in EUR	44.45	37.96
Three-month low ¹ in EUR	40.00	32.72
Average daily Xetra trading volume ²	656,667	867,316

1 Closing price in Xetra trading

2 Shares traded

Source: Bloomberg, as of 15/04/2019

Broad analyst coverage

A total of 28 analysts are currently⁴ tracking the performance of Deutsche Wohnen SE. Current⁴ price targets range from EUR 39.40 to EUR 59.40 per share. A total of 24 analysts have set a target price equal to or above EUR 42.00 per share. The consensus of all analyst opinions is EUR 46.04⁴ per share, or some 7% above the closing price for the end of the first three months of 2019.

Rating	Number
Buy/Outperform/Overweight	12
Equal Weight/Hold/Neutral	14
Sell	0
No rating	2

Intensive dialogue with analysts and investors

Deutsche Wohnen continually pursues an intensive dialogue with its shareholders and investors. We make particular use of conferences and roadshows on the national and international stage. In the first three months of 2019 Deutsche Wohnen presented its business model at roadshows and investor conferences in New York, Miami, London, Frankfurt/Main and other locations. Further conferences and roadshows are planned over the course of the year.

An overview of these dates can be found in the financial calendar on page 26. It is updated regularly on our Investor Relations homepage.

Property portfolio

Deutsche Wohnen manages one of the largest property portfolios in Germany, comprising approximately 164,400 residential and 2,700 commercial units (approximately 3.9% of its overall floor space). Our focus is on fast-growing metropolitan areas and conurbations, known as Core⁺ markets, which account for nearly 90% of the portfolio.

At the end of the first quarter of 2019, the average in-place rent for the properties in Deutsche Wohnen's portfolio amounted to EUR 6.68 per sqm, with a consistently low vacancy rate of 2.2%.

31/03/2019					Residential		Commercial	
	Residential units	Area	Share of total portfolio	In-place rent ¹	Vacancy rate	Commercial units	Area	
	number	in sqm k	in %	EUR/sqm	in %	number	in sqm k	
Strategic core and growth regions	164,272	9,900	99.9	6.68	2.2	2,703	397	
Core⁺	145,170	8,719	88.3	6.78	2.2	2,506	365	
Greater Berlin	115,647	6,887	70.3	6.75	2.0	1,856	249	
Rhine-Main	9,721	583	5.9	8.12	1.7	124	26	
Dresden/Leipzig	8,739	562	5.3	5.95	5.1	434	63	
Rhineland	5,383	337	3.3	6.39	1.3	34	14	
Mannheim/Ludwigshafen	4,737	295	2.9	6.12	2.8	44	12	
Other Core ⁺	943	54	0.6	10.53	0.7	14	1	
Core	19,102	1,181	11.6	5.90	2.7	197	31	
Hanover/Brunswick	9,120	588	5.5	6.00	2.7	86	14	
Kiel/Lübeck	4,947	293	3.0	5.96	2.5	12	2	
Other Core	5,035	300	3.1	5.63	3.1	99	16	
Non-Core	144	9	0.1	5.11	2.4	0	0	
Total	164,416	9,909	100.0	6.68	2.2	2,703	397	

1 Contractually owed rent for let apartments divided by let surface area

Portfolio development

Acquisitions

In the first quarter of 2019 we signed contracts for some 3,400 residential and commercial units for a total purchase price of some EUR 760 million, exclusively in Core⁺ markets (mostly Frankfurt/Main, Cologne and Düsseldorf). The acquisitions were primarily late nineteenth-century 'Altbau' and post-war buildings in central locations, which make a further contribution to improving the quality of our portfolio.

Disposals

In terms of disposals, we were able to exploit the ongoing high demand with sales of 146 residential units (108 as part of our privatisation activities, and 38 by way of disposals to institutional investors) with a transfer of risks and rewards in the first quarter of 2019.

For further details of the segment earnings from Disposals, please refer to pages 10 and 11.

Operating performance

The following overview shows the changes in in-place rent and vacancy rates in a like-for-like comparison, i.e. only for residential properties which were managed by our company on a consistent basis over the past 12 months.

Like-for-like	Residential units	31/03/2019	31/03/2018	Development	31/03/2019	31/03/2018
		In-place rent ¹	In-place rent ¹		Vacancy rate	Vacancy rate
	number	EUR/sqm	EUR/sqm	in %	in %	in %
Total	158,754	6.69	6.47	3.4	2.0	2.0
Letting portfolio ²	146,746	6.73	6.51	3.4	1.9	1.9
Core⁺	134,252	6.81	6.58	3.5	1.8	1.8
Greater Berlin	109,785	6.77	6.53	3.7	1.8	1.8
Rhine-Main	9,240	8.09	7.78	3.9	1.2	1.3
Dresden/ Leipzig	5,303	5.87	5.72	2.6	4.0	3.2
Rhineland	4,476	6.21	6.13	1.2	0.9	0.8
Mannheim/ Ludwigshafen	4,556	6.12	6.03	1.6	2.0	1.4
Other Core ⁺	892	10.59	10.40	1.8	0.4	0.4
Core	12,494	5.90	5.76	2.4	2.8	2.4
Hanover/ Brunswick	8,919	6.01	5.85	2.7	2.6	1.9
Other Core	3,575	5.63	5.54	1.7	3.2	3.6

1 Contractually owed rent for let apartments divided by let surface area

2 Without disposal and non-core properties

Like-for-like rental growth was 3.4% in the reporting period. Rent increases for existing tenants were moderate at 1.4%.

The vacancy rate in our like-for-like letting portfolio remained very low at 1.9% (previous year: 1.9%), of which 0.6% represents vacancies due to refurbishment in the course of our investment programme.

The Kiel/Lübeck region was allocated to the sales portfolio.

Portfolio investments

In the first quarter of 2019 we spent some EUR 73 million or around EUR 28 per sqm on maintenance and refurbishment. Of the total refurbishment costs of EUR 53.7 million, around EUR 30 million were for work completed between tenancies and EUR 24 million were for complex refurbishment projects. Around 70% of the total was capitalised as maintenance costs and some 30% will be charged to tenants as modernisation expenses.

The following table illustrates the maintenance expenses as well as the refurbishment measures for the past reporting period in comparison to the previous year.

EUR m	Q1 2019	Q1 2018
Maintenance	19.2	22.1
in EUR per sqm p.a.	7.45 ¹	8.82 ¹
Refurbishment	53.7	38.4
in EUR per sqm p.a.	20.84 ¹	15.33 ¹
Maintenance and refurbishment	72.9	60.5
in EUR per sqm p.a.	28.29 ¹	24.15 ¹

1 Based on average surface area on a quarterly basis in each period

Nursing properties

The Nursing and Assisted Living segment comprises 89 nursing properties with a total of approximately 12,200 beds. A total of 88 of these nursing properties are owned by Deutsche Wohnen. This makes us one of the largest owners of nursing properties in Germany.

We have two different business models for our nursing properties: 37 nursing facilities (with approximately 5,300 beds) are operated by KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH and its subsidiaries, in which we hold a 49% stake, and PFLEGEN & WOHNEN HAMBURG GmbH, which became a wholly owned subsidiary of Deutsche Wohnen on 2 January 2019. The other 52 facilities (approximately 6,900 beds) are managed by various external operators on long-term contracts.

As in the residential segment, we focus our nursing care activities on cities and regions with positive development forecasts, since the need for nursing care and assisted living is particularly high there. In this context we always ensure that we secure prime properties and high-quality nursing and residential care.

Nursing business: properties and operations

Nursing properties operated by KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG

Region	Facilities	Nursing	Assisted living	Beds	Occupancy 31/03/2019
				Total	
	number	number	number	number	in %
Hamburg region	17	3,140	157	3,297	94.3
Berlin region	12	1,071	371	1,442	99.2
Saxony region	8	523	57	580	98.4
Total in-house	37	4,734	585	5,319	96.1

Nursing properties with other operators

Federal state	Facilities	Nursing	Assisted living	Beds	WALT ¹
				Total	
	number	number	number	number	
Bavaria	14	1,704	46	1,750	10.4
North Rhine-Westphalia	10	1,185	242	1,427	13.2
Rhineland-Palatinate	6	669	208	877	12.2
Lower Saxony	5	771	0	771	9.2
Baden-Württemberg	6	662	16	678	10.7
Hesse	4	528	0	528	10.5
Other	7	788	48	836	9.2
Total external operators	52	6,307	560	6,867	11.0
Total nursing	89	11,041	1,145	12,186	

1 Weighted average lease term

Notes on the financial performance and financial position

Financial performance

The following overview shows the business performance of the individual segments, as well as other items of the consolidated income statement for the first three months of the financial year 2019 compared with the same period of the previous year.

EUR m	Q1 2019	Q1 2018
Earnings from Residential Property Management	183.7	163.7
Earnings from Disposals	19.9	4.8
Earnings from Nursing and Assisted Living	21.3	11.6
Corporate expenses	-23.2	-20.0
Other expenses/income	-0.2	0.5
Operating result (EBITDA)	201.5	160.6
Depreciation and amortisation	-12.4	-1.9
Gains/losses from companies valued at equity	1.7	0.7
Financial result	-56.5	-31.2
Earnings before taxes (EBT)	134.3	128.2
Current taxes	-10.1	-10.5
Deferred taxes	-13.2	-14.3
Profit/loss for the period	111.0	103.4

Profit for the period rose year on year by EUR 7.6 million to EUR 111.0 million.

Earnings before taxes, adjusted for one-off and valuation effects, shows the standardised earnings performance.

EUR m	Q1 2019	Q1 2018
Earnings before taxes	134.3	128.2
Gains/losses from fair value adjustments to derivative financial instruments and convertible bonds	22.1	3.8
Non-recurring expenses and revenues	2.9	2.6
Adjusted earnings before taxes	159.3	134.6

As in the previous year, one-off expenses and earnings for the first three months of the 2019 financial year consist primarily of project and transaction-related expenses.

Earnings from Residential Property Management

Earnings from Residential Property Management rose year on year by EUR 20.0 million or 12.2% to EUR 183.7 million.

EUR m	Q1 2019	Q1 2018
Contracted rental income	204.7	192.9
Income from operating costs	104.6	101.8
Rental income	309.3	294.7
Operating costs	-103.1 ²	-105.0
Rental loss	-2.2	-2.5
Maintenance	-19.2	-22.1
Other	-1.1 ²	-1.4
Earnings from Residential Property Management	183.7	163.7
Staff, general and administration expenses	-12.6 ²	-11.4
Operating result (NOI)	171.1	152.3
NOI margin in %	83.6	79.0
NOI in EUR per sqm and month ¹	5.53	5.07
Change in NOI in EUR per sqm and month in %	9.1	

1 Based on average surface area on a quarterly basis in each period (annualized)

2 Comparison with the same period last year is limited by the absence of lease expenses due to first-time application of IFRS 16 as of 01/01/2019

Acquisitions and rent increases in the portfolio resulted in an increase in in-place rent incomes of roughly 6% compared with the first three months of the previous year.

Income from operating costs was higher than expenses for operating costs because the application of IFRS 16 meant that various lease expenses are no longer included in operating costs. For the first three months of financial year 2019 these consisted of lease expenses of EUR 4.8 million for metering and heat contracting. This also contributed to the increase of around 5 percentage points in the NOI margin to 83.6%.

Earnings from Disposals

A total of 533 units were sold up to 31 March 2019. The transfer of risks and rewards is expected to take place in 2019. Of the total, 204 units were sold on the basis of contracts signed in 2018.

	Units	Transaction volume	IFRS carrying amount of assets sold	Gross margin	
	number	EUR m	EUR m	EUR m	in %
Privatisation	213	66.1	37.2	28.9	78
Institutional sales	320	33.7	29.4	4.3	15
	533	99.8	66.6	33.2	50

The gross margins remain high despite the valuation uplifts in recent years.

Of the 533 units sold, the transfer of risks and rewards for 146 took place in the first three months of the 2019 financial year (previous year period: 349) and so are recognised in earnings from Disposals.

EUR m	Q1 2019	Q1 2018
Sales proceeds	50.6	30.9
Cost of sales	-3.3	-1.7
Net sales proceeds	47.3	29.2
Carrying amount of assets sold	-27.4	-24.4
Earnings from Disposals	19.9	4.8

Sales prices for privatised apartments came to an average of EUR 4,056 per sqm in the first three months of 2019 (previous year period: EUR 2,423 per sqm). The higher average sales price per sqm was due to a privatisation in a central location of Berlin. For the full year we expect both the average sales price for privatisations and the gross margin to be lower.

Earnings from Nursing and Assisted Living

The following overview shows income and costs for the Nursing and Assisted Living segment.

EUR m	Q1 2019	Q1 2018
Income		
Nursing care	36.5	13.1
Rental income	14.7	7.4
Lease income	11.0	6.9
Internal lease income	6.5	3.7
Other	4.5	3.0
	73.2	34.1
Costs		
Nursing and corporate expenses	-10.8 ¹	-5.6
Staff expenses	-34.3	-13.1
Leased assets	-0.3	-0.1
Internal lease expenses	-6.5	-3.7
	-51.9	-22.5
Earnings from Nursing and Assisted Living	21.3	11.6

¹ Comparison with the same period last year is limited by the absence of lease expenses due to first-time application of IFRS 16 as of 01/01/2019

A total of 37 nursing facilities are managed by the KATHARINENHOF Group, in which we hold a 49% stake, and the PFLEGEN&WOHNEN HAMBURG Group, which has been a wholly owned subsidiary of Deutsche Wohnen since 2 January 2019. Earnings in the Nursing and Assisted Living segment from the properties managed by the two operating groups came to EUR 11.2 million before rental expenses (EBITDAR) for the first three months of financial year 2019 (previous year period: EUR 5.1 million). This represents an EBITDAR margin of 20.1%. Operating EBITDA after lease expenses stood at EUR 4.5 million (previous year period: EUR 1.3 million).

A further 52 nursing facilities were owned by Deutsche Wohnen (previous year: 28 nursing facilities) and are let to well-known operators on long leases. EBITDA from properties totalled EUR 16.8 million (previous year: EUR 10.3 million).

Corporate expenses

Corporate expenses include staff, general and administration expenses, without the Nursing and Assisted Living segment.

EUR m	Q1 2019	Q1 2018
Staff expenses	-15.0	-12.9
General and administration expenses	-8.2	-7.1
Total corporate expenses	-23.2	-20.0

Corporate expenses, not including staff, general and administration expenses, accounted for about 10.9% of rental income (previous year period: 10.0%).

Financial result

The financial result is made up as follows.

EUR m	Q1 2019	Q1 2018
Current interest expenses	-30.9	-23.6
Accrued interest on liabilities and pensions	-3.3	-3.4
Transaction-related interest expenses	-0.8	-1.2
Fair value adjustment of derivative financial instruments	-13.2	1.3
Fair value adjustment of convertible bonds	-8.9	-5.1
	-57.1	-32.0
Interest income	0.6	0.8
Financial result	-56.5	-31.2

Current interest expenses were higher, mainly due to higher financing volumes for financial liabilities and corporate bonds (31 March 2019: EUR 7.6 billion; 31 March 2018: EUR 5.6 billion).

Transaction-related interest expense consists of early repayment penalties for loans refinanced ahead of schedule.

The year-on-year changes in the financial result are principally due to the decline in expenses from the fair value adjustment of derivative financial instruments and convertible bonds. The price of the convertible bonds follows the share price of Deutsche Wohnen SE. The convertible bonds are held at fair value in the consolidated balance sheet. As a consequence, a fair value loss was recognised due to the positive share price performance.

The ratio of current interest expenses less interest income to EBITDA (adjusted) before disposals is as follows.

EUR m	Q1 2019	Q1 2018
EBITDA (adjusted) before disposals	184.5 ¹	157.9 ¹
Current interest expenses and interest income	30.7 ²	22.8
Interest cover ratio (ICR)	6.0	6.9

1 Calculation method changed: staff, general and administration expenses are no longer included in EBITDA (adjusted) before disposals, the previous year's figures have been amended accordingly

2 Current interest expenses and interest income do not include interest income from finance leases for broadband cable networks

Depreciation and amortization

Depreciation and amortization rose from EUR 1.9 million in the first quarter of 2018 to EUR 12.4 million in the first quarter of 2019. The increase of EUR 4.9 million is due to the application of IFRS 16 and the right-of-use assets recognised in connection with leases, which are depreciated. Other additional depreciation and amortization mainly related to acquisitions, specifically the purchase of last-mile broadband cable and customer contracts acquired as part of the business combination with the PFLEGEN & WOHNEN HAMBURG Group.

Income taxes

Income taxes of EUR 23.3 million (previous year period: EUR 24.8 million) comprise EUR 13.2 million (previous year period: EUR 14.3 million) in deferred taxes along with current income taxes of EUR 10.1 million (previous year period: EUR 10.5 million).

Assets and financial position

Here are some selected figures from the consolidated balance sheet.

	31/03/2019		31/12/2018	
	EUR m	in %	EUR m	in %
Investment properties	23,894.3	93	23,781.7	95
Other non-current assets	447.1	2	292.2	1
Total non-current assets	24,341.4	95	24,073.9	96
Current assets	694.7	3	651.2	3
Cash and cash equivalents	453.3	2	332.8	1
Total current assets	1,148.0	5	984.0	4
Total assets	25,489.4	100	25,057.9	100
Equity	11,980.6	47	11,908.1	48
Financial liabilities	6,216.8	24	6,184.6	25
Convertible bonds	1,741.0	7	1,697.2	7
Corporate bonds	1,395.6	6	1,200.4	5
Tax liabilities	45.0	0	36.0	0
Employee benefit liabilities	96.7	0	63.4	0
Deferred tax liabilities	3,246.3	13	3,244.7	12
Other liabilities	767.4	3	723.5	3
Total liabilities	13,508.8	53	13,149.8	52
Total assets	25,489.4	100	25,057.9	100

Investment properties remain the largest balance sheet item. It was higher than as of 31 December 2018, mainly due to acquisitions and capitalised refurbishment expenses.

The application of IFRS 16 as of 1 January 2019 resulted in additional other non-current assets from the recognition of right-of-use assets.

Group equity went up by EUR 72.5 million in absolute terms in the first three months of 2019. The balance sheet extension of EUR 0.4 billion caused the equity ratio to fall to approximately 47%. In the first three months of 2019 around 2,200 bearer shares in Deutsche Wohnen SE were issued in exchange for some 900 bearer shares in GSW Immobilien AG. This share swap took place in accordance with the provisions of the control agreement between the two companies on the put options held by outside shareholders. In addition, a total comprehensive income of EUR 73.1 million in the first three months of 2019 also increased the capital of Deutsche Wohnen.

Liabilities from convertible bonds increased due to fluctuations in market value and accrued interest. The nominal amount of outstanding convertible bonds was EUR 1,600 million as of the reporting date.

Liabilities from corporate bonds increased due to the issue of registered and bearer bonds with long maturities.

Pension obligations went up due to the takeover of the PFLEGEN&WOHNEN HAMBURG Group.

Application of IFRS 16 as of 1 January 2019 resulted in additional other liabilities under finance leases.

EPRA NAV

EPRA NAV changed as follows.

EUR m	31/03/2019	31/12/2018
Equity (before non-controlling interests)	11,628.2	11,559.1
Market value of derivative financial instruments	37.7	14.6
Deferred taxes	3,520.9	3,514.1
EPRA NAV (undiluted)	15,186.8	15,087.8
Number of shares (undiluted) in m	357.0	357.0
EPRA NAV (undiluted) in EUR per share	42.54	42.26
Effects from the conversion of convertible bonds	0.0	0.0
EPRA NAV (diluted)	15,186.8	15,087.8
Number of shares (diluted) in m	357.1	357.0
EPRA NAV (diluted) in EUR per share	42.53	42.26

EPRA NAV (undiluted) rose in absolute terms by EUR 99.0 million and by EUR 0.28 per share, principally due to a consolidated comprehensive income of EUR 69.6 million attributable to shareholders of the parent company for the first three months of 2019.

Neither of the convertible bonds outstanding as of the reporting date is 'in the money', so EPRA NAV is not diluted. The slight dilution as of the reporting date stems from the outstanding share options for Management Board members.

Goodwill of EUR 150.8 million was carried as of the reporting date (31 December 2018: EUR 22.2 million). This goodwill did not result from business combinations with property holding companies, but from business combinations with service companies, mainly in the nursing care sector (EUR 140.0 million). Only goodwill relating to properties was deducted to calculate EPRA NAV adjusted for goodwill. The EPRA NAV adjusted for goodwill (Adjusted EPRA NAV) of Deutsche Wohnen as of the reporting date was therefore the same as EPRA NAV.

Loan-to-Value ratio

The debt ratio (Loan-to-Value ratio) changed as follows compared with 31 December 2018.

EUR m	31/03/2019	31/12/2018
Financial liabilities	6,216.8	6,184.6
Convertible bonds	1,741.0	1,697.2
Corporate bonds	1,395.6	1,200.4
	9,353.4	9,082.2
Cash and cash equivalents	-453.3	-332.8
Net financial liabilities	8,900.1	8,749.4
Investment properties	23,894.3	23,781.7
Less right-of-use assets held as investment properties from leases ¹	-68.9	0.0
Non-current assets held for sale	38.8	33.0
Land and buildings held for sale	473.2	477.1
	24,337.4	24,291.8
Loan-to-Value ratio in %	36.6	36.0

1 Right-of-use assets in connection with leases accounted for – according to IAS 40 – are eliminated in the course of first-time application of IFRS 16

The Loan-to-Value ratio was approximately 36.6% as of the reporting date. The average interest rate on the credit portfolio, including the convertible loans and corporate bonds, was approximately 1.3% as of 31 March 2019, with a hedging ratio⁵ of around 87%.

Cash flow

The Group's cash flow was as follows.

EUR m	Q1 2019	Q1 2018
Cash flow from operating activities	68.8	101.5
Cash flow from investing activities	-174.4	-151.5
Cash flow from financing activities	226.1	36.9
Net change in cash and cash equivalents	120.5	-13.1
Opening balance cash and cash equivalents	332.8	363.7
Closing balance cash and cash equivalents	453.3	350.6

⁵ The ratio between financial liabilities with fixed or hedged interest rates, convertible bonds and corporate bonds to the total nominal value of financial liabilities, convertible bonds and corporate bonds

Net cash flow from investing activities in the first three months of the 2019 financial year included payments for business combinations of EUR 83.2 million and for investments of EUR 141.3 million, of which EUR 76.2 million related to payments for acquisitions and EUR 53.6 million to refurbishment work. This was offset by sales proceeds for investment properties of EUR 49.9 million.

In the reporting period, the net cash flow from financing activities included new loans of EUR 65.6 million and loan repayments of EUR 33.6 million. The figure also comprised proceeds of EUR 200.0 million from the issue of registered and bearer bonds.

FFO

The Funds from Operations (FFO I) indicator, which is relevant for us, rose by approximately 16.5% in absolute terms and by approximately 14.3% on a per share basis.

EUR m	Q1 2019	Q1 2018
EBITDA	201.5	160.6
Other one-off expenses and income	1.4	1.4
Restructuring and reorganisation costs	0.7	0.0
EBITDA (adjusted)	203.6	162.0
Earnings from Disposals	-19.9	-4.8
Staff, general and administration expenses of disposals	0.8	0.7 ³
EBITDA (adjusted) before disposals	184.5	157.9³
Finance leasing broadband cable networks	0.7	0.1
At-equity valuation	1.7	0.7
Interest expense/income	-31.0	-22.8
Income taxes	-10.1	-10.5
Non-controlling interests	-1.6	-1.6
FFO I	144.2	123.8³
Earnings from Disposals	19.9	4.8
Staff, general and administration expenses of disposals	-0.8	-0.7
FFO II	163.3	127.9
FFO I per share in EUR (undiluted) ¹	0.40	0.35
FFO I per share in EUR (diluted) ²	0.40	0.35
FFO II per share in EUR (undiluted) ¹	0.46	0.36
FFO II per share in EUR (diluted) ²	0.46	0.36

1 Based on a weighted average of approximately 357.02 million shares outstanding in 2019 and approximately 354.67 million in 2018

2 Based on a weighted average of approximately 357.02 million shares outstanding in 2019 and approximately 354.67 million in 2018, assuming conversion of 'in-the-money' convertible bonds in each case

3 Calculation method changed: staff, general and administration expenses are no longer included in FFO I, the previous year's figures have been amended accordingly

All rental income from broadband cable networks is included in the calculation of FFO, regardless of whether the corresponding contracts are classified in the IFRS consolidated financial statements as finance leases or operating leases with Deutsche Wohnen as lessor. To this extent, the rental payments agreed under civil law and which impact cash flow are shown as rental income, although they are classified as interest and debt repayments in the consolidated financial statements.

Events after the reporting date

We are not aware of any material events after the reporting date.

Forecast

The first three months of the 2019 financial year went according to plan for Deutsche Wohnen. We therefore confirm the forecast made in March 2019 when the figures for 2018 were published and expect an FFO I of around EUR 535 million.

Berlin, 9 May 2019

Deutsche Wohnen SE
Management Board



Michael Zahn
Chairman of the
Management Board



Lars Wittan
Deputy Chairman of the
Management Board



Philip Grosse
Member of the
Management Board



Lars Urbansky
Member of the
Management Board

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEET

as of 31 March 2019

EUR m	31/03/2019	31/12/2018
Assets		
Investment properties	23,894.3	23,781.7
Property, plant and equipment	188.2	146.5
Intangible assets	196.7	31.4
Derivative financial instruments	0.7	0.9
Other non-current financial assets	61.4	113.3
Deferred tax assets	0.1	0.1
Non-current assets	24,341.4	24,073.9
Land and buildings held for sale	473.2	477.1
Other inventories	4.0	4.2
Trade receivables	44.0	22.4
Income tax receivables	95.6	83.1
Derivative financial instruments	0.1	0.1
Other financial assets	29.4	22.3
Other non-financial assets	9.6	9.0
Cash and cash equivalents	453.3	332.8
Subtotal of current assets	1,109.2	951.0
Non-current assets held for sale	38.8	33.0
Current assets	1,148.0	984.0
Total assets	25,489.4	25,057.9

EUR m	31/03/2019	31/12/2018
Equity and liabilities		
Equity attributable to shareholders of the parent company		
Issued share capital	357.0	357.0
Capital reserve	2,918.2	2,918.1
Other reserves	-30.7	7.1
Retained earnings	8,383.7	8,276.9
Total equity attributable to the shareholders of the parent company	11,628.2	11,559.1
Non-controlling interests	352.4	349.0
Total equity	11,980.6	11,908.1
Non-current financial liabilities	6,144.1	6,112.3
Convertible bonds	1,738.1	1,691.3
Corporate bonds	1,383.2	1,130.3
Employee benefit liabilities	96.7	63.4
Derivative financial instruments	30.0	7.3
Other provisions	15.5	15.2
Other financial liabilities	330.2	296.7
Deferred tax liabilities	3,246.3	3,244.7
Total non-current liabilities	12,984.1	12,561.2
Current financial liabilities	72.7	72.3
Convertible bonds	2.9	5.9
Corporate bonds	12.4	70.1
Trade payables	288.0	302.4
Other provisions	9.9	9.4
Derivative financial instruments	8.5	8.3
Tax liabilities	45.0	36.0
Other financial liabilities	54.9	54.9
Other non-financial liabilities	30.4	29.3
Total current liabilities	524.7	588.6
Total equity and liabilities	25,489.4	25,057.9

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the period from 1 January to 31 March 2019

EUR m	Q1 2019	Q1 2018
Contracted rental income	204.7	192.9
Income from operating costs	104.6	101.8
Expenses from Residential Property Management	-125.6	-131.0
Earnings from Residential Property Management	183.7	163.7
Sales proceeds	50.6	30.9
Of which revenues from property holdings	5.9	2.6
Cost of sales	-3.3	-1.7
Carrying amount of assets sold	-27.4	-24.4
Of which for revenues from property holdings	-4.1	-2.2
Earnings from Disposals	19.9	4.8
Income from nursing	41.0	16.1
Rental and lease income	25.7	14.3
Expenses for Nursing and Assisted Living	-45.4	-18.8
Earnings from Nursing and Assisted Living	21.3	11.6
Corporate expenses	-23.2	-20.0
Other expenses	-6.2	-2.2
Other income	6.0	2.7
Subtotal (EBITDA before result of fair value adjustment) of investment properties	201.5	160.6
Depreciation and amortisation	-12.4	-1.9
Earnings before interest and taxes (EBIT)	189.1	158.7
Financial income	0.6	0.8
Gains/losses from fair value adjustments to derivative financial instruments and convertible bonds	-22.1	-3.8
Gains/losses from companies valued at equity	1.7	0.7
Financial expenses	-35.0	-28.2
Earnings before taxes (EBT)	134.3	128.2
Income taxes	-23.3	-24.8
Profit/loss for the period	111.0	103.4
Of which attributable to:		
Shareholders of the parent company	107.4	101.3
Non-controlling interests	3.6	2.1
	111.0	103.4
Earnings per share		
Undiluted in EUR	0.30	0.29
Diluted in EUR	0.29	0.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 March 2019

EUR m	Q1 2019	Q1 2018
Profit/loss for the period	111.0	103.4
Other comprehensive income		
Items subsequently reclassified to profit or loss		
Net gain/loss from derivative financial instruments	-9.8	0.6
Income tax effects	2.5	-0.2
	-7.3	0.4
Items not subsequently reclassified to profit or loss		
Actuarial gains/losses on pensions and impact of caps for assets in pension plans	-5.4	0.0
Income tax effects	1.3	0.5
Net gains/losses from convertible bonds	-37.9	1.7
Income tax effects	11.4	-0.5
	-30.6	1.7
Other comprehensive income after taxes	-37.9	2.1
Total comprehensive income after taxes	73.1	105.5
Of which attributable to:		
Shareholders of the parent company	69.6	103.4
Non-controlling interests	3.5	2.1

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 January to 31 March 2019

EUR m	Q1 2019	Q1 2018
Operating activities		
Profit/loss for the period	111.0	103.4
Financial income	-0.6	-0.8
Adjustment to derivative financial instruments and convertible bonds	22.1	3.8
Financial expenses	35.0	28.2
Gains/losses from companies valued at equity	-1.7	-0.7
Income taxes	23.3	24.8
Profit/loss for the period before interest and taxes	189.1	158.7
Non-cash expenses/income		
Depreciation and amortisation	12.4	1.9
Other non-cash expenses/income	-14.3	-2.8
Changes in net current assets		
Changes in receivables, inventories and other current assets	-42.2	-30.2
Changes in operating liabilities	-28.9	7.2
Net operating cash flow	116.1	134.8
Proceeds from the disposal of properties held for sale	5.9	2.6
Investment in properties held for sale	-0.2	-2.3
Interest paid	-40.2	-25.4
Interest received	0.6	0.9
Taxes paid	-13.6	-11.6
Taxes received	0.2	2.5
Net cash flow from operating activities	68.8	101.5
Investing activities		
Sales proceeds	49.9	43.0
Purchases of property, plant and equipment	-141.3	-195.2
Payments for business combinations less cash and cash equivalents acquired	-83.2	0.0
Other proceeds of investing activities	0.6	0.7
Payments to limited partners in funds	-0.4	0.0
Net cash flow from investing activities	-174.4	-151.5
Financing activities		
Proceeds of new borrowing	65.6	18.5
Loan repayments	-33.6	-30.4
Proceeds from the issue of corporate bonds	260.0	80.0
Repayment of corporate bonds	-60.0	-30.0
One-off financing payments	-0.8	-1.2
Repayment of lease liabilities	-5.1	0.0
Net cash flow from investing activities	226.1	36.9
Net change in cash and cash equivalents	120.5	-13.1
Opening balance of cash and cash equivalents	332.8	363.7
Closing balance of cash and cash equivalents	453.3	350.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as of 31 March 2019

EUR m	Issued capital	Capital reserve	Pensions and convertible bonds	Cash flow hedge reserve	Total other comprehensive income	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
Equity as of 1 January 2018	354.7	3,078.6	-17.7	-2.0	-19.7	6,474.6	9,888.2	322.8	10,211.0
Profit/loss for the period						103.4	103.4		103.4
Of which non-controlling interests						-2.1	-2.1	2.1	0.0
Other comprehensive income			1.7	0.4	2.1		2.1		2.1
Of which non-controlling interests			0.0	0.0	0.0		0.0	0.0	0.0
Total comprehensive income			1.7	0.4	2.1	101.3	103.4	2.1	105.5
Other						-0.1	-0.1		-0.1
Equity as of 31 March 2018	354.7	3,078.6	-16.0	-1.6	-17.6	6,575.8	9,991.5	324.9	10,316.4
Equity as of 1 January 2019	357.0	2,918.1	10.5	-3.4	7.1	8,276.9	11,559.1	349.0	11,908.1
Profit/loss for the period						111.0	111.0		111.0
Of which non-controlling interests						-3.6	-3.6	3.6	0.0
Other comprehensive income			-30.6	-7.3	-37.9		-37.9		-37.9
Of which non-controlling interests			0.0	0.1	0.1		0.1	-0.1	0.0
Total comprehensive income			-30.6	-7.2	-37.8	107.4	69.6	3.5	73.1
Capital increase	0.0	0.1					0.1		0.1
Change in non-controlling interests						0.0	0.0	-0.1	-0.1
Other						-0.6	-0.6		-0.6
Equity as of 31 March 2019	357.0	2,918.2	-20.1	-10.6	-30.7	8,383.7	11,628.2	352.4	11,980.6

CONTACT

Sebastian Jacob
Head of Investor Relations

Phone +49 (0) 30 897 86 5412
Fax +49 (0) 30 897 86 5419

Deutsche Wohnen SE
Mecklenburgische Straße 57
14197 Berlin, Germany

Phone +49 (0) 30 897 86 0
Fax +49 (0) 30 897 86 1000

info@deutsche-wohnen.com
deutsche-wohnen.com

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FINANCIAL CALENDAR 2019

14/05/2019	Publication of the interim statement as at 31 March 2019/1st quarter
15–16/05/2019	Roadshow, Paris and Brussels
16/05/2019	Kepler German & Austrian Property Days, Paris
22–23/05/2019	Kempen & Co. European Property Seminar, Amsterdam
24/05/2019	HSBC European Real Estate Conference, Frankfurt/Main
05/06/2019	Goldman Sachs European Financials Conference, Paris
06–07/06/2019	Deutsche Bank dbAccess German, Swiss & Austrian Conference, Berlin
18/06/2019	Annual General Meeting 2019, Frankfurt/Main
20/06/2019	Morgan Stanley Europe & EEMEA Property Conference, London
13/08/2019	Publication of interim report as at 30 June 2019/half-year results
14–15/08/2019	Roadshow, London
10–11/09/2019	Bank of America Merrill Lynch Global Real Estate Conference, New York
07–09/10/2019	Expo Real, Munich
13/11/2019	Publication of the interim statement as at 30 September 2019/1st–3rd quarter
14–15/11/2019	Roadshow, Edinburgh and London
03–04/12/2019	UBS Global Real Estate Conference, London

Disclaimer

This interim statement contains forward-looking statements, with the associated risks and uncertainties. The actual future performance and earnings of Deutsche Wohnen SE and the Group may differ significantly from the assumptions made in this interim report. This interim statement is neither an offer to sell nor a solicitation to make an offer to buy securities of Deutsche Wohnen SE. There is no obligation to update the information contained in this interim statement. Because of rounding, the figures provided in the tables of this interim statement may in some cases not add up exactly to the total shown and the percentages may in some cases not add up exactly to 100% or to the sub-totals shown.

