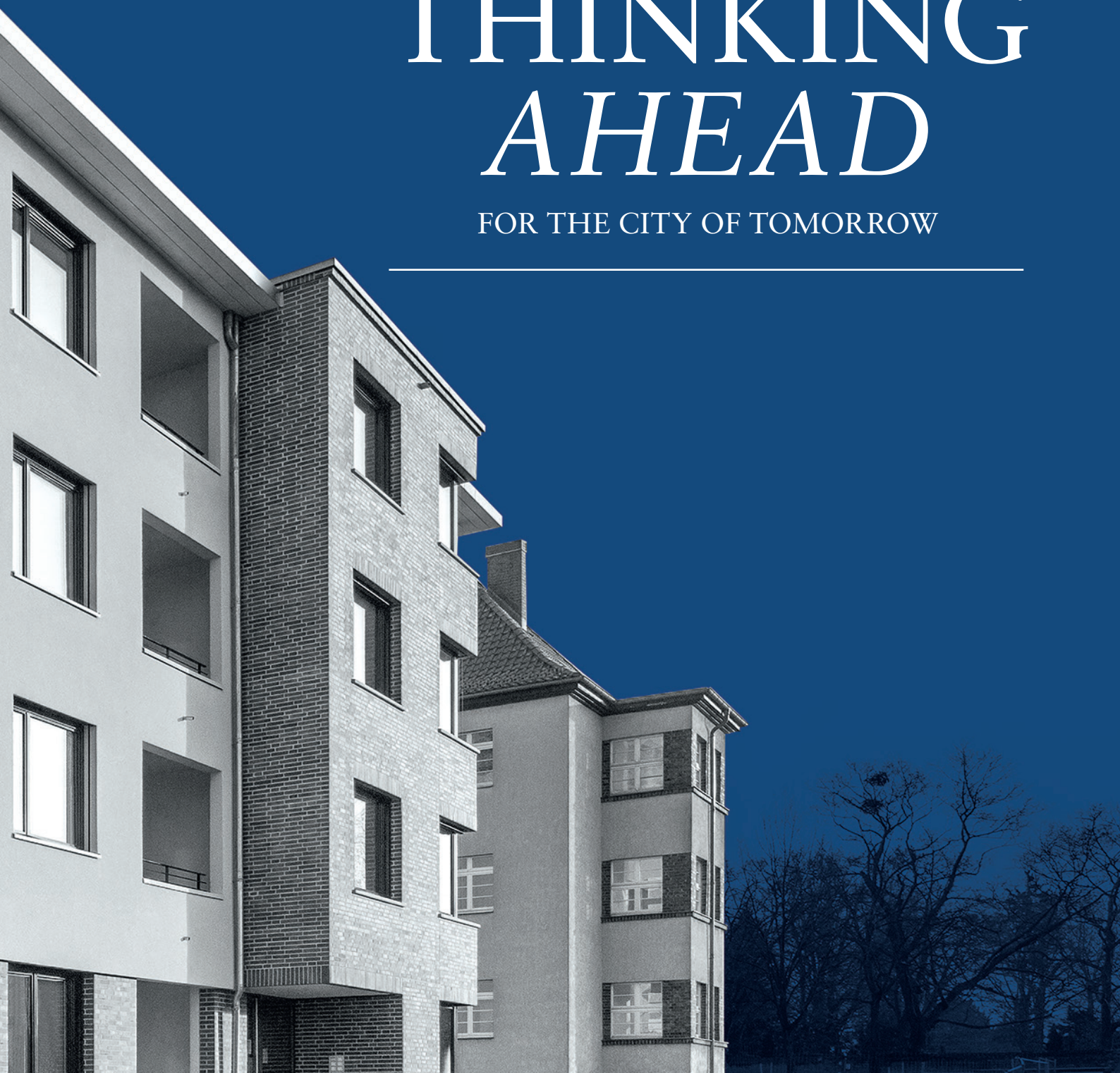




INTERIM REPORT
AS AT 30 JUNE 2017

THINKING *AHEAD*

FOR THE CITY OF TOMORROW



THINKING *AHEAD*

FOR THE CITY OF TOMORROW

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Group interim report as at 30 June 2017

GROUP KEY FIGURES

Profit and loss statement		H1/2017	H1/2016	Change
Rental income	EUR m	366.5	347.8	5.4 %
Earnings from Residential Property Management	EUR m	306.3	292.1	4.9 %
Earnings from Disposals	EUR m	20.5	36.7	-44.1 %
Earnings from Nursing and Assisted Living	EUR m	24.7	8.7	183.9 %
Corporate expenses	EUR m	-39.9	-34.6	15.3 %
EBITDA	EUR m	311.1	303.2	2.6 %
EBT (adjusted)	EUR m	247.0	243.0	1.6 %
EBT (as reported)	EUR m	986.1	879.1	12.2 %
Earnings after taxes	EUR m	672.0	647.2 ³⁾	3.8 %
Earnings after taxes ¹⁾	EUR per share	1.85	1.86 ³⁾	-0.7 %
FFO I	EUR m	220.8	198.7 ³⁾	11.1 %
FFO I (undiluted) ¹⁾	EUR per share	0.63	0.59 ³⁾	6.8 %
FFO I (diluted) ²⁾	EUR per share	0.60	0.54 ³⁾	11.1 %
FFO II	EUR m	241.3	235.4 ³⁾	2.5 %
FFO II (undiluted) ¹⁾	EUR per share	0.69	0.70 ³⁾	-1.4 %
FFO II (diluted) ²⁾	EUR per share	0.65	0.63 ³⁾	3.2 %

Balance sheet		30/6/2017	31/12/2016	Change
Investment properties	EUR m	17,768.2	16,005.1	1,763.1
Current assets	EUR m	790.7	669.2	121.5
Equity	EUR m	9,111.8	8,234.0	877.8
Net financial liabilities	EUR m	6,696.5	6,185.2	511.3
Loan-to-Value ratio (LTV)	in %	36.9	37.7	-0.8
Total assets	EUR m	18,707.5	16,783.6	1,923.9

Share		30/6/2017	31/12/2016	Change
Share price (closing price)	EUR per share	33.49	29.84	12.2 %
Number of shares	m	354.66	337.48	17.18
Market capitalisation	EUR bn	11.9	10.1	17.8 %

Net Asset Value (NAV)		30/6/2017	31/12/2016	Change
EPRA NAV (undiluted)	EUR m	11,142.4	10,017.0	1,125.4
EPRA NAV (undiluted)	EUR per share	31.42	29.68	5.9 %
EPRA NAV (diluted)	EUR per share	31.46	29.69	6.0 %

Fair values		30/6/2017	31/12/2016	Change
Fair value of real estate properties ⁴⁾	EUR m	17,066	15,465	1,601
Fair value per sqm of residential and commercial areas ⁴⁾	EUR per sqm	1,709	1,580	8.2 %

¹⁾ Based on an average of approximately 349.54 million shares issued in 2017 and approximately 337.43 million in 2016

²⁾ Based on an average of approximately 368.98 million shares issued in 2017 and approximately 370.79 million in 2016; each with subordinated conversion of in-the-money convertible bonds

³⁾ Previous year's figure amended

⁴⁾ Only accounting for residential and commercial buildings, without nursing and assisted-living buildings

GROUP INTERIM MANAGEMENT REPORT

Deutsche Wohnen SE with its subsidiaries (hereinafter referred to as "Deutsche Wohnen" or "Group") is, measured by its market capitalisation, currently the third largest publicly listed property company in Europe, and is listed in the MDAX of the German stock exchange.

Its property holdings, which have a fair value of approximately EUR 17.8 billion, consist of around 163,000 residential and commercial units as well as nursing homes with around 6,700 nursing places and apartments for assisted living. Our investment activities focus on residential properties in dynamic conurbations and metropolitan regions of Germany. The fundamental economic growth in Germany, the population influx into German metropolitan regions and the shortage of new building activity in these regions provide a very good basis for further rises in rents and increases in the value of our portfolio. We see the expansion of our nursing and commercial properties as a further area of growth, particularly in view of demographic trends.

Stock market and the Deutsche Wohnen share

Economy continues to grow

According to the German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung – DIW), the German economy will continue on its course of moderate growth. Consequently, the DIW is predicting growth of 1.5% for the current year, whereby the decline of 20 basis points in comparison to the previous year is solely due to the lower number of working days. For 2018, the German economy is expected to keep up this momentum and is forecast to grow by 1.7%.

The global economy is forecast to grow by 3.7% in the current year and could well grow even more robustly next year.¹¹

The development in the German economy is also reflected in the labour market. According to the DIW, the level of employment in Germany will continue to rise and the unemployment rate will fall next year to 5.3%.

Over the next years, core inflation is expected to remain low at probably 1.5%. In the eurozone, the rate of inflation is likely to remain below the level of just under 2%, which has been set by the European Central Bank (ECB) as an indicator of price stability. For this reason, demands that the ECB should now significantly scale back or even put an end to its expansive monetary policy seem to be premature.

Positive performance of stock markets

Strong economic figures in the eurozone, the victory of Emmanuel Macron in the parliamentary elections in France and a period of good annual reports were positive events for the capital markets in the second quarter of 2017.

In the middle of June, the DAX reached an all-time high of over 12,900 points, but could only finish the second quarter with a marginal gain of 0.1%. Overall, the DAX had risen by 7.4% since the start of the year. Over the same period, the MDAX rose by 10.2% and closed at 24,452 points.

Positive economic figures in Germany and the eurozone were an important catalyst in the second quarter. In Germany, the ifo index of business confidence rose to a record high of 115.1 points, and the Purchasing Managers Index (PMI) in the eurozone rose to a six-year high. The gross domestic product both in Germany and the eurozone rose by 0.6% in the first quarter of the current financial year.

Indications of a less expansive monetary policy by the central banks created a headwind on the stock markets at the end of June. ECB-president Mario Draghi had surprised the markets with comments that were interpreted as signalling a foreseeable end to the bank's expansive monetary policy and the era of low interest rates. In the USA, the federal reserve raised the base rate of interest once more from 1.00% to 1.25%.

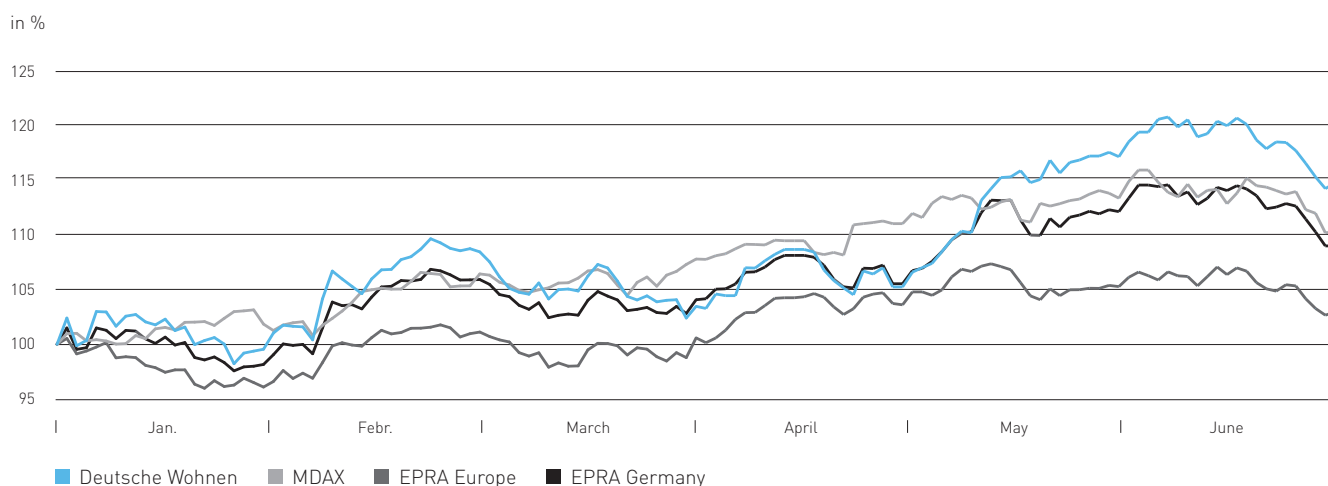
¹¹ DIW: Economic Outlook in summer 2017
(Grundlinien der Wirtschaftsentwicklung im Sommer 2017)

Deutsche Wohnen share outperforms benchmark indices

The Deutsche Wohnen share ended the first half-year of 2017 with a closing price of EUR 33.49. This represented an increase of approximately 15 %²⁾ in comparison to the beginning of the year. The share price performed significantly better than the German share indices DAX and MDAX, which achieved an increase of 7% and 10% respectively in the first half-year. The real estate index EPRA Germany rose by approximately 9% in the first six months of the year, whilst EPRA Europe only man-

aged an increase of approximately 3% during the same period. As at the end of June 2017, the market capitalisation of Deutsche Wohnen SE had risen by approximately 18% to EUR 11.9 billion. The average daily XETRA trading volume increased by a further 18% from EUR 23.6 million in the first half-year of 2016 to EUR 27.8 million in the first half-year of 2017. Furthermore, an average of 870,644 shares per day were traded via alternative platforms in the first six months of 2017. This means that the trading volume on alternative platforms was almost as high as the XETRA trading volume of an average of 876,786 shares per day.

Share price performance¹⁾ H1/2017 (indexed)



Key share figures

	H1/2017	H1/2016
Number of shares in m	approx. 354.66	approx. 337.46
Price at end of H1 ¹⁾ in EUR	33.49	30.53
Market capitalisation in EUR bn	approx. 11.9	approx. 10.3
Highest share price ¹⁾ during six-month period in EUR	35.24	30.73
Lowest share price ¹⁾ during six-month period in EUR	28.71	22.00 [21.60] ²⁾
Average daily trading volume on Xetra ³⁾	876,786	901,631
Average daily trading volume on alternative platforms ³⁾	870,664	922,418

¹⁾ XETRA closing price

²⁾ Prices in brackets adjusted for capital increases and dividend payments

³⁾ Traded shares

Source: Bloomberg, last updated: 30/6/2017

²⁾ Adjusted for dividend payment in 2017

Broad analyst coverage

The development of the Deutsche Wohnen SE is currently³⁾ being monitored by a total of 30 analysts. The current³⁾ target prices range from EUR 31.20 to EUR 44.40 per share, with 18 analysts assuming a target price of EUR 36.00 per share or higher. At EUR 37.00, the average or consensus of all the analysts' evaluations is currently around 10% higher than the closing price at the end of the first half-year of 2017.

Rating	Number
Add/Buy/Kaufen/Outperform	18
Equal-weight/Halten/Hold/Neutral	9
Sell/Underperform	2
Not specified	1

Annual General Meeting and Dividend

The Annual General Meeting 2017 of Deutsche Wohnen SE was held in Frankfurt/Main on 2 June 2017, with 78.33% of the share capital of the company represented. The shareholders voted in favour of all the resolutions on the agenda that were put before them with the required majorities. The AGM voted almost unanimously in favour of the payment of a dividend of EUR 0.74 per bearer share for the financial year 2016. This equates to an overall sum of EUR 262.4 million and a share of approximately 68% of the FFO I achieved in 2016. In relation to the volume-weighted average share price in 2016 of EUR 28.18, this represents a dividend return of 2.6%.

In addition, a further Authorised Capital 2017/I in the amount of EUR 110 million as well as a new Conditional Capital 2017/I in the amount of EUR 67 million were created. These capitals are intended to enable Deutsche Wohnen SE to continue to take up at short notice the capital necessary for the further development of the company by issuing new shares and/or convertible bonds or similar instruments. They will also enable the company to make flexible and spontaneous use of a favourable market environment to cover a possible need for future financing.

The resolutions to transform Deutsche Wohnen AG into a European Company (Societas Europaea) and to relocate the headquarter of the company to Berlin were approved by a large majority of shareholders. Furthermore, Jürgen Fenk was voted by the shareholders onto the Supervisory Board with effect from 1 October 2017.

Intensive dialogue with analysts and investors

Deutsche Wohnen conducts an intensive dialogue with its shareholders and investors. For this purpose, we make use of national and international conferences and roadshows. Accordingly, in the first half-year of 2017 Deutsche Wohnen presented its business model on roadshows and at investors' conferences in, amongst other places, New York, London, Paris, Amsterdam and Brussels. We are planning to take part in further conferences and roadshows in the second half of 2017.

For further details, please see the financial calendar on [p. 35](#). This calendar is updated regularly on our Investor Relations homepage.

³⁾As at 1/8/2017

Property portfolio

As at 30 June 2017, the property portfolio of Deutsche Wohnen comprised approximately 160,600 residential units and around 2,400 commercial units. 99% of our holdings are located in strategic core and growth regions. Our key region is Greater Berlin, which accounts for 71% of the apartments in our entire portfolio.

The average in-place rent for residential accommodation across all our holdings as at 30 June 2017 was EUR 6.23 per sqm (previous year: EUR 6.00 per sqm), with an average vacancy rate of 2.0% (previous year: 1.8%).

	30/6/2017					
	Residential units	Area	Share of total portfolio	In-place rent ¹⁾	Vacancy	Commercial units
Property portfolio	Number	sqm k	in %	EUR/sqm	in %	Number
Strategic core and growth regions	159,019	9,552	99.0	6.25	1.9	2,413
Core ⁺	140,122	8,386	87.3	6.33	1.9	2,208
Greater Berlin	114,492	6,807	71.3	6.25	1.9	1,792
Rhine-Main	9,865	595	6.1	7.51	2.1	136
Rhineland	5,009	313	3.1	6.20	0.8	27
Mannheim/ Ludwigshafen	4,935	305	3.1	5.92	1.5	43
Dresden/Leipzig	4,440	287	2.8	5.48	2.9	158
Other Core ⁺	1,381	79	0.9	9.86	0.7	52
Core	18,897	1,166	11.8	5.62	2.2	205
Hanover/ Brunswick	9,130	589	5.7	5.72	1.8	91
Kiel/Lübeck	4,955	294	3.1	5.57	2.1	21
Core cities (East Germany)	4,812	283	3.0	5.49	3.1	93
Non-Core	1,533	99	1.0	4.89	6.4	20
Total	160,552	9,651	100.0	6.23	2.0	2,433

¹⁾ Contractually owed rent for rented residential units divided by rental area

Portfolio development

Acquisitions

In the first half-year 2017, we acquired approximately 5,400 residential and commercial units exclusively in Core+ markets at a purchase price of approximately EUR 850 million. Of these units, approximately 4,300 are located in Berlin and 1,100 in Leipzig and Dresden.

Disposals

We make use of the continuing high demand in the property market to, amongst other things, streamline our portfolio. For example, we sold a portfolio in Oberhausen with approximately 1,100 residential units with a book profit of approximately EUR 9 million or a gross margin of 15%.

For further information about our disposals, we refer you to the 'Earnings from Disposals' section on [12](#).

Operational developments

The following table shows the development of the in-place rents and of the vacancy rate in a like-for-like comparison, i.e. only for residential holdings which were managed by the company throughout the last twelve months.

	Residential units Number	30/6/2017	30/6/2016	Development in %	30/6/2017	30/6/2016
		In-place rent ¹⁾ EUR/sqm			Vacancy in %	
Like-for-like						
Total	154,715	6.20	6.01	3.2	1.8	1.6
Letting portfolio²⁾	150,611	6.22	6.02	3.2	1.6	1.4
Core+	132,305	6.30	6.09	3.4	1.6	1.4
Greater Berlin	108,765	6.22	6.00	3.6	1.6	1.4
Rhine-Main	8,932	7.64	7.42	2.9	1.6	1.3
Rhineland	4,913	6.19	6.08	1.9	0.8	1.2
Mannheim/Ludwigshafen	4,780	5.92	5.72	3.6	0.7	0.5
Dresden/Leipzig	3,973	5.38	5.25	2.5	2.2	2.4
Other Core+	942	10.10	9.97	1.2	0.6	1.4
Core	18,306	5.63	5.54	1.7	2.0	2.0
Hanover/Brunswick	9,089	5.71	5.62	1.7	1.7	1.8
Kiel/Lübeck	4,945	5.57	5.47	1.9	2.1	1.6
Core cities (East Germany)	4,272	5.52	5.44	1.4	2.7	2.7

¹⁾ Contractually owed rent for residential units divided by rental area

²⁾ Excluding holdings for disposal and Non-Core

The like-for-like rental growth in the letting portfolio was 3.2%, whilst in Berlin it was as high as 3.6%. In May, the new Berlin 2017 rent index was published. The weighted average rent was shown as EUR 6.39 per sqm – approximately 9.4% higher than the equivalent value in 2015.

At 1.6%, the vacancy rate in the letting portfolio remained at a very low level (previous year: 1.4%). The slight increase relates to modernisation work in regards to our capital expenditure projects.

Portfolio valuation

Demand for residential properties has remained high in 2017 and has come up against what continues to be limited supply. This surplus demand, together with the consistently positive development of rental prices, is reflected in an increase in the value of our property portfolio in the amount of EUR 0.9 billion as at the reporting date.

This valuation was confirmed by an external expert report compiled by CB Richard Ellis.

The following table provides an overview of the key valuation figures for our property holdings as at 30 June 2017:

Fair value	30/6/2017			
	Fair value EUR m	Fair value EUR/sqm	Multiple of in-place rent	Multiple of market rent
Strategic core and growth regions	16,994	1,720	22.8	17.2
Core+	15,732	1,812	23.8	17.7
Greater Berlin	13,195	1,879	25.1	18.2
Rhine-Main	1,112	1,784	19.8	15.5
Rhineland	403	1,274	16.3	14.0
Mannheim/Ludwigshafen	338	1,065	14.9	12.5
Dresden/Leipzig	441	1,380	20.5	17.7
Other Core+	243	2,887	23.7	19.2
Core	1,262	1,053	15.7	13.6
Hanover/Brunswick	645	1,068	15.6	12.9
Kiel/Lübeck	335	1,130	16.8	14.4
Core cities (East Germany)	282	947	14.6	14.4
Non-Core	72	688	12.9	10.1
Total	17,066	1,709	22.8	17.3

At EUR 800 million, the most significant valuation uplifts concern the Core+ segment and, within this segment, primarily Greater Berlin with approximately EUR 760 million. However, due to the overall positive development, we also saw increases in value in our Core locations in an amount of approximately EUR 70 million. With EUR 50 million, the Hanover/Brunswick region accounts for the greatest part of this sum.

	30/6/2017		31/12/2016	
	Fair value EUR m	Multiple of in-place rent	Fair value EUR m	Multiple of in-place rent
Fair value				
Strategic core and growth regions	16,994	22.8	15,280	21.7
Core+	15,732	23.8	14,054	22.7
Core	1,262	15.7	1,226	14.9
Non-Core	72	12.9	186	11.8
Total	17,066	22.8	15,465	21.5

Investments in portfolio

In the first half-year 2017, a sum of EUR 124.9 million or EUR 25.27 per sqm (previous year: EUR 86.9 million or EUR 17.70 per sqm) was invested in the maintenance and modernisation of the property portfolio. Against the background of our extensive modernisation programme, we will further increase our investment in the modernisation of our properties in future.

The following table shows expenditure on maintenance and modernisation for this reporting period in comparison to the corresponding period of the previous year.

EUR m	H1/2017	H1/2016
Maintenance	49.7	43.7
in EUR/sqm p.a.	10.05 ¹⁾	8.90 ¹⁾
Modernisation	75.2	43.2
in EUR/sqm p.a.	15.21 ¹⁾	8.80 ¹⁾
Maintenance and Modernisation	124.9	86.9
in EUR/sqm p.a.	25.27¹⁾	17.70¹⁾

¹⁾ Taking into consideration average floor space on a quarterly basis in the relevant reporting period

Nursing properties

In addition to residential and commercial properties, Deutsche Wohnen also holds a portfolio of 51 nursing properties with a total of 6,700 places.

We operate some of our nursing properties ourselves via a shareholding structure with KATHARINENHOF®. As at 30 June 2017, the KATHARINENHOF® Group managed 23 facilities, of which Deutsche Wohnen owns 22 with a fair value of EUR 244 million.

The occupancy rate of the facilities – not including ambulatory care – during the reporting period was approximately 96.8% (equivalent period of previous year: 98.4%) and so continues to be at a high level.

In addition, since 1 January 2017 Deutsche Wohnen has been the owner of 28 nursing homes which are mainly located in Western Germany and are let long-term to reputable operators. As at the reporting date, the Fair Value of these facilities was EUR 444 million.

Because the German nursing market, which is characterised by rising demand caused by demographic trends, is highly attractive, we intend to further expand this segment.

Nursing properties

Owner-operated

	30/6/2017				Occupancy rate in %
	Facilities	Places			
		Nursing	Assisted living	Total	
Federal state	Number	Number	Number	Number	
Berlin region	12	1,070	371	1,441	97.3
Hamburg	3	335	157	492	92.0
Saxony	7	436	56	492	100.0
Lower Saxony	1	131	–	131	95.7
Total owner-operated business	23	1,972	584	2,556	96.8

Nursing properties

Externally operated

	30/6/2017				WALT
	Facilities	Places			
		Nursing	Assisted living	Total	
Federal state	Number	Number	Number	Number	
Bavaria	7	999	–	999	12.0
North Rhine-Westphalia	5	721	187	908	13.3
Lower Saxony	4	661	–	661	10.7
Rhineland-Palatinate	4	409	208	617	12.9
Baden-Wuerttemberg	5	557	16	573	13.5
Other	3	374	–	374	9.6
Total external operators	28	3,721	411	4,132	12.2
Total nursing	51	5,693	995	6,688	

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 in the consolidated profit and loss statement for the first half of financial year 2017 compared to same period of the previous year:

EUR m	H1/2017	H1/2016
Earnings from Residential Property Management	306.3	292.1
Earnings from Disposals	20.5	36.7
Earnings from Nursing and Assisted Living	24.7	8.7
Corporate expenses	-39.9	-34.6
Other expenses/income	-0.5	0.3
Operating result (EBITDA)	311.1	303.2
Depreciation and amortisation	-3.5	-3.0
Fair value adjustment of investment properties	885.9	731.3
Gains/losses from companies valued at equity	0.7	0.9
Financial result	-208.1	-153.3
Earnings before taxes	986.1	879.1
Current taxes	-20.6	-14.4
Deferred taxes	-293.5	-217.5 ¹⁾
Profit/loss for the period	672.0	647.2¹⁾

¹⁾ Previous year's figure amended

Compared with the previous year, profit/loss for the period has risen by EUR 24.8 million, reaching EUR 672.0 million. On the one hand, this is attributed to the higher operating result (EBITDA) and increased earnings from the adjusted fair value of the investment properties. On the other hand, higher expenses were incurred in the financial result, as well as for deferred taxes, resulting primarily from valuations.

Earnings before taxes, adjusted for one-off items and valuation effects show normalised results:

EUR m	H1/2017	H1/2016
Earnings before taxes	986.1	879.1
Gains/losses from the valuation of properties	-885.9	-731.3
Gains/losses from fair value adjustments of derivative financial instruments and from convertible bonds	124.7	95.2
One-off expenses and earnings	22.1	0.0
Adjusted earnings before taxes	247.0	243.0

One-off expenses and revenues of EUR 22.1 million in the first half of financial year 2017 were primarily incurred for the early repayment of loans and interest-rate hedges as well as for issuing a convertible bond with a nominal value of EUR 800.0 million in February 2017.

Earnings from Residential Property Management

Earnings from residential property management exceeded the level from the previous year, as expected.

EUR m	H1/2017	H1/2016
Rental income	366.5	347.8
Non-recoverable operating costs	-5.3	-4.4
Rental loss	-2.5	-3.4
Maintenance	-49.7	-43.7
Other	-2.7	-4.2
Earnings from Residential Property Management	306.3	292.1
Staff, general and administration expenses	-22.6	-19.2
Operating results (Net Operating Income - NOI)	283.7	272.9
NOI margin in %	77.4	78.5
NOI in EUR per sqm and month ¹⁾	4.78	4.63
Change in %	3.2	

¹⁾ Taking account of the average floor-areas on a quarterly basis in the relevant reporting period

The acquisition of approximately 5,400 residential and commercial units in the first half of financial year 2017, as well as rent increases in the total portfolio led to an increase in rental income compared with the same period from the previous year.

Expenses for maintenance costs amounted to EUR 49.7 million (previous year: EUR 43.7 million or EUR 10.05 per sqm p.a.¹⁾) (previous year: EUR 8.90 per sqm p.a.¹⁾). In proportion to rental income, expenses for maintenance costs rose from approx. 12.6% to approx. 13.6%, which resulted in a decrease in the NOI margin.

Earnings from Disposals

The demand for properties as an investment form for owner-occupiers and investors remains high. As at 30 June 2017, a total of 2,611 units had been sold, the costs and benefits of which will be accounted for in 2017. 409 of these units were attributable to sales contracts concluded in the financial year 2016.

	Units	Transaction volume	IFRS Carrying amounts of assets sold	Gross margin	
	Number	EUR m	EUR m	EUR m	in %
Privatisations	648	94.4	73.7	20.7	28
Institutional sales	1,963	165.9	137.9	28.0	20
	2,611	260.3	211.6	48.7	23

Despite the revaluations of the previous two years, the gross margins continue to move on a high level.

Of the 2,611 units sold, the costs and benefits of 1,807 had already been accounted for in the first six months of the financial year 2017 (for the same period in the previous year: 2,254) and are therefore included in the sales earnings:

EUR m	H1/2017	H1/2016
Sales proceeds	151.1	220.9
Cost of sales	-4.6	-6.0
Net proceeds	146.5	214.9
Carrying amounts of assets sold	-126.0	-178.2
Earnings from Disposals	20.5	36.7

Earnings from Nursing and Assisted Living

The following overview shows proceeds and costs in the nursing and assisted living segment, including income and expenses from leasing, both internal and external to the Group.

EUR m	H1/2017	H1/2016
Proceeds		
Nursing	35.5	27.4
Residential	4.3	3.2
Lease income	13.6	0.0
Internal lease income	7.3	6.0 ¹⁾
Other	6.1	4.0
	66.8	40.6
Costs		
Nursing and corporate expenses	-10.5	-8.2
Staff expenses	-24.2	-17.7
Lease properties	-0.1	0.0
Internal lease expenses	-7.3	-6.0 ¹⁾
	-42.1	-31.9
Earnings from Nursing and Assisted Living	24.7	8.7
Attributable current interest	-2.1	-2.1
Earnings from Nursing and Assisted Living after interest	22.6	6.6

¹⁾ Previous year's figure amended

The earnings from Nursing and Assisted Living before leasing-income (EBITDAR) for properties under in-house management amounted to EUR 11.6 million for the first six months of the financial year 2017. This corresponds to an EBITDAR margin of 25.3%.

¹⁾ Taking account of the average floor-areas on a quarterly basis in the relevant reporting period

Corporate expenses

The corporate expenses include staff and material expenses, excluding the 'Nursing and Assisted Living' segment.

EUR m	H1/2017	H1/2016
Staff expenses	-25.3	-21.6
Long-term remuneration components (share-based)	-1.2	-2.0
General and administration expenses	-13.4	-11.0
Total corporate expenses	-39.9	-34.6

Financial result

The financial result is made up as follows:

EUR m	H1/2017	H1/2016
Current interest expenses	-49.8	-53.2
Accrued interest on liabilities and pensions	-11.9	-5.5
Transaction-related interest expenses	-22.7	0.0
Fair value adjustments of derivative financial instruments	4.4	-9.9
Fair value adjustments of convertible bonds	-129.1	-85.3
	-209.1	-153.9
Interest revenue	1.0	0.6
Financial result	-208.1	-153.3

The reduction in current interest expenses is primarily the result of refinancing and repayment of loans during the course of the previous financial year. Furthermore, Deutsche Wohnen continued to benefit from the current low interest rate level with its variable-interest loans.

In the first quarter of 2017, small-scale, long-term subsidized loans were paid off early. With the early repayment of these loans, one-off expenses were incurred due to addition of accrued interest.

In the second quarter of 2017, individual portfolio financing loans were repaid or prolonged with new interest and repayment conditions and partially increased. For these loans and the associated interest-rate hedges, prepayment penalties were incurred, amounting to EUR 15.3 million, which were included in the transaction-based interest expenses.

Furthermore, the transaction-based interest expenses include expenses in the amount of EUR 7.4 million arising from the placement of a convertible bond, to mature in 2024, with a nominal value of EUR 800.0 million. As the convertible bond is valued at market value, the issuing costs are not deferred over their term to maturity, but realised immediately as an expense.

The development of the price for the convertible bonds mirrored that of the Deutsche Wohnen SE share price. The convertible bonds are reported at their fair value on the consolidated balance sheet. The positive performance of the share price resulted in a valuation loss. The current share price is higher than the underlying conversion price of the convertible bond issued in 2014, so that this convertible bond is in the money. This results in positive effects on the key balance sheet figures LTV or EPRA NAV when calculating on an undiluted basis.

Income taxes

The income taxes in the amount of EUR 314.1 million include EUR 293.5 million in deferred taxes as well as current income taxes in the amount of EUR 20.6 million. The current income taxes contain the non-cash portion of the income taxes amounting to EUR 1.4 million for the costs of the cash capital increase from February 2017. The expenses for deferred taxes are primarily related to the revaluation of investment properties as well as the repayment of the convertible bond from 2013, which resulted in active deferred taxes for its market valuation leading up to repayment.

Financial position

Selected key figures of the consolidated balance sheet:

	30/6/2017		31/12/2016	
	EUR m	%	EUR m	%
Investment properties	17,768.2	95	16,005.1	95
Other non-current assets	148.6	1	109.3	1
Total of non-current assets	17,916.8	96	16,114.4	96
Current assets	467.6	2	477.0	3
Cash and cash equivalents	323.1	2	192.2	1
Total of current assets	790.7	4	669.2	4
Total assets	18,707.5	100	16,783.6	100
Equity	9,111.8	49	8,234.0	49
Financial liabilities	4,670.7	25	4,600.0	28
Convertible bonds	1,502.4	8	1,045.1	6
Corporate bonds	846.5	5	732.3	4
Tax liabilities	41.6	0	48.3	0
Employee benefit liabilities	64.7	0	67.6	0
Deferred tax liabilities	1,983.2	11	1,687.1	10
Other liabilities	486.6	2	369.2	3
Total liabilities	9,595.7	51	8,549.6	51
Total assets	18,707.5	100	16,783.6	100

The largest balance-sheet item is the investment properties which have essentially increased compared to 31 December 2016 due to the revaluation in the amount EUR 885.9 million as at 30 June 2017, as well as due to acquisitions.

The Group's equity rose in the first half of the financial year 2017 in absolute terms by EUR 877.8 million at an unchanged equity ratio of about 49%. In February 2017, Deutsche Wohnen issued around 17.2 million new bearer shares in the course of a cash capital increase, thereby earning EUR 540.9 million after costs. Furthermore, around 7 thousand bearer shares were issued in the first six months of financial year 2017 in exchange for around 3 thousand bearer shares in GSW Immobilien AG. This share exchange took place on the basis of the provisions of the controlling agreement between the two companies on the put option of outside shareholders. Furthermore, the capital of Deutsche Wohnen increased by the total comprehensive income for the first half of financial year 2017 of EUR 678.1 million and reduced by EUR 262.4 million through the pay-out of dividends for financial year 2016.

In the first half of financial year 2017, the convertible bond issued in 2013 and mature in 2020, was refinanced early in the currently favourable market environment. Because of the fair value, including the call premium, a repayment amount of EUR 471.4 million resulted from the nominal amount repaid for the first quarter of 2017 (EUR 249.4 million out of EUR 250.0 million in total). The remaining convertible bonds from the year 2013 were repaid in the second quarter of 2017 in the amount of the nominal value of EUR 0.6 million.

A new convertible bond was issued in February 2017. This bond, maturing in 2024, with a nominal value of EUR 800.0 million, is subject to an interest rate of 0.325% p.a. and has an initial conversion price per share of EUR 48.58 which has meanwhile decreased to EUR 48.30 per share because of the dividends for 2016.

The liabilities from convertible bonds increased by another EUR 129,1 million because of fair value fluctuations. The nominal amount of the outstanding convertible bonds amounts to EUR 1,200.0 million as at the reporting date.

The liabilities from corporate bonds have changed due to the issuing of long-term registered bonds as well as the issuing and repayment of short-term commercial papers.

Passive deferred taxes rose in comparison with the reporting date from the previous year, primarily due to the revaluation of the investment properties.

Other liabilities have increased in comparison with the reporting date from the previous year. This is essentially attributable to liabilities towards minority shareholders (EUR 95.5 million), additions to finance leasing, and the recognition of a liability for property taxes for the financial year 2017 in accordance with IFRIC 21 (EUR 19.0 million).

EPRA NAV developed as follows:

EUR m	30/6/2017	31/12/2016
Equity (before non-controlling interests)	8,809.2	7,965.6
Fair values of derivative financial instruments	21.2	47.0
Deferred taxes	2,312.0	2,004.4
EPRA NAV (undiluted)	11,142.4	10,017.0
Number of shares (undiluted) in m	354.7	337.5
EPRA NAV (undiluted) in EUR per share	31.42	29.68
Effects arising out of conversion of convertible bonds	625.2	992.3
EPRA NAV (diluted)	11,767.6	11,009.3
Number of shares (diluted) in m	374.1	370.8
EPRA NAV (diluted) in EUR per share	31.46	29.69

EPRA NAV (undiluted) rose by EUR 1,125.4 million in absolute terms. Contributors to this increase were the revaluation of investment properties on 30 June 2017 by EUR 885.9 million as well as the capital increase in February 2017 of EUR 542.3 million, while the paying out of dividends for financial year 2016 reduced EPRA NAV (undiluted) by EUR 262.4 million in the second quarter of 2017.

EPRA NAV (diluted), accounted at the reporting date for the dilution by the deep-in-the-money convertible bond issued in 2014. Furthermore, as at 31 December 2016, a dilution also occurred through the convertible bond issued in 2013 which was also in the money at that time, and which was completely repaid in the first quarter of 2017. The convertible bond issued in 2017 resulted in no dilution.

The debt ratio (loan to value) developed as followed, compared with 31 December 2016:

EUR m	30/6/2017	31/12/2016
Financial liabilities	4,670.7	4,600.0
Convertible bonds	1,502.4	1,045.1
Corporate bonds	846.5	732.3
	7,019.6	6,377.4
Cash and cash equivalents	-323.1	-192.2
Net financial liabilities	6,696.5	6,185.2
Investment properties	17,768.2	16,005.1
Non-current assets held for sale	44.0	29.2
Land and buildings held for sale	322.4	381.5
	18,134.6	16,415.8
Loan-to-Value ratio in %	36.9	37.7

As at the reporting date, the loan to value amounts to about 36.9%. The average interest rate of the credit portfolio, including the convertible bonds and the corporate bonds, amounts to about 1.4% at a hedging quota of about 87% as at 30 June 2017. The convertible bond issued in 2014 is currently in the money – assuming the conversion of this convertible bond, it would result in a theoretical loan to value of about 33.2%.

The cash flows of the Group are made up as follows:

EUR m	H1/2017	H1/2016
Net cash flows from operating activities before acquisition and disposal of properties held for sale, before income taxes and interest payments	253.4	189.1
Disposal of properties held for sale	74.6	-261.3
Interest payments	-49.1	-50.1
Income tax payments	-38.5	-23.6
Net cash flows from operating activities	240.4	-145.9
Net cash flows from investing activities	-635.8	-451.3
Net cash flows from financing activities	526.3	231.5
Net change in cash and cash equivalents	130.9	-365.7
Opening balance cash and cash equivalents	192.2	661.6
Closing balance cash and cash equivalents	323.1	295.9

The cash flow from investment activities included payments in the first half of financial year 2017 for investments in the amount of EUR 694.2 million, of which EUR 612.7 million were payments for acquisitions. Meanwhile, sales proceeds from the disposal of investment properties amounted to EUR 58.3 million.

The net cash flows from financing activities in the first half of financial year 2017 included in particular the proceeds from the February 2017 capital increase of EUR 540.9 million after costs, repayment of the convertible bond issued in 2013 in the amount of EUR 472.0 million, and proceeds from the issuing of a new convertible bond of EUR 800.0 million. The dividends decided upon for financial year 2016 during the Annual General Meeting of Deutsche Wohnen SE resulted in a payout in the amount of EUR 262.4 million.

Funds from operation (FFO I), which is the decisive key figure for us, increased by about 11 %, compared to the same period in the previous year:

EUR m	H1/2017	H1/2016
EBITDA	311.1	303.2
Other non-recurrent expenses and income	-0.2	0.0
Restructuring and reorganisation expenses	0.3	0.0
EBITDA (adjusted)	311.2	303.2
Earnings from Disposals	-20.5	-36.7
Long-term remuneration components (share-based)	1.2	2.0 ¹⁾
At-equity valuation	0.7	0.9
Interest expenses/revenues	-49.5	-52.7
Income taxes	-19.2	-14.4
Minorities	-3.1	-3.6
FFO I	220.8	198.7
Earnings from Disposals	20.5	36.7
FFO II	241.3	235.4
FFO I per share in EUR (undiluted) ²⁾	0.63	0.59 ¹⁾
FFO I per share in EUR (diluted) ³⁾	0.60	0.54
FFO II per share in EUR (undiluted) ²⁾	0.69	0.70 ¹⁾
FFO II per share in EUR (diluted) ³⁾	0.65	0.63

¹⁾ Previous year's figure amended

²⁾ Based on the weighted average of approximately 349.54 million outstanding shares in 2017 and approximately 337.43 million in 2016

³⁾ Based on the weighted average of approximately 368.98 million outstanding shares in 2017 and approximately 370.79 million in 2016; each with subordinated conversion of the in-the-money convertible bonds

Events after the reporting date

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

Risk report

With regard to the risks which exist for future business development, as well as the description of the risk management system (RMS), we refer to the information presented in the risk report in the consolidated financial statements as at 31 December 2016. The assessment of the overall risk situation has not changed in comparison with the previous year; there are no specific risks threatening the continued existence of the company.

Forecast

Deutsche Wohnen raises its forecast for the expected like-for-like rental growth from 3.5% to more than 4% regarding the entire letting portfolio. Besides, we adhere to the forecast we put forward when releasing our business figures for 2016 in March of 2017.

We still anticipate, including the acquisitions already announced, FFO I of approximately EUR 425 million in the financial year 2017. This represents a baseline scenario, i.e. without additional acquisitions and opportunistic disposals.

Frankfurt/Main, 10 August 2017

Deutsche Wohnen SE
Management Board



Michael Zahn
Chief Executive Officer



Lars Wittan
Deputy
Chief Executive Officer



Philip Grosse
Management
Board

GROUP INTERIM FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEET

as at 30 June 2017

EUR m	30/6/2017	31/12/2016
ASSETS		
Investment properties	17,768.2	16,005.1
Property, plant and equipment	91.0	55.9
Intangible assets	19.2	20.5
Derivative financial instruments	1.9	0.0
Other non-current assets	35.8	32.2
Deferred tax assets	0.7	0.7
Non-current assets	17,916.8	16,114.4
Land and buildings held for sale	322.4	381.5
Other inventories	3.5	3.4
Trade receivables	30.6	16.4
Income tax receivables	50.6	36.7
Other financial assets	13.8	7.4
Other non-financial assets	2.7	2.4
Cash and cash equivalents	323.1	192.2
Subtotal current assets	746.7	640.0
Non-current assets held for sale	44.0	29.2
Current assets	790.7	669.2
Total assets	18,707.5	16,783.6

EUR m	30/6/2017	31/12/2016
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the parent company		
Issued share capital	354.7	337.5
Capital reserve	3,971.9	3,445.3
Other reserves	-30.8	-36.9
Retained earnings	4,513.4	4,219.7
Total equity attributable to shareholders of the parent company	8,809.2	7,965.6
Non-controlling interests	302.6	268.4
Total equity	9,111.8	8,234.0
Non-current financial liabilities		
Convertible bonds	1,500.4	1,043.9
Corporate bonds	818.7	496.3
Employee benefit liability	64.7	67.6
Derivative financial instruments	15.0	34.8
Other provisions	13.2	15.5
Other financial liabilities	217.4	90.3
Deferred tax liabilities	1,983.2	1,687.1
Total non-current liabilities	9,175.2	7,969.0
Current financial liabilities		
Convertible bonds	2.0	1.2
Corporate bonds	27.8	236.0
Trade payables	176.6	161.6
Other provisions	8.6	8.3
Derivative financial instruments	8.1	12.2
Tax liabilities	41.6	48.3
Other financial liabilities	42.5	41.3
Other non-financial liabilities	5.2	5.2
Total non-current liabilities	420.5	580.6
Total equity and liabilities	18,707.5	16,783.6

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the period from 1 January to 30 June 2017

EUR m	H1/2017	H1/2016 adjusted	Q2/2017	Q2/2016 adjusted
Income from Residential Property Management	366.5	347.8	186.1	176.3
Expenses from Residential Property Management	-60.2	-55.7	-34.0	-31.4
Earnings from Residential Property Management	306.3	292.1	152.1	144.9
Sales proceeds	151.1	220.9	98.8	61.8
Thereof revenues	99.0	19.9	71.1	6.5
Cost of sales	-4.6	-6.0	-2.1	-2.6
Carrying amounts of assets sold	-126.0	-178.2	-84.8	-46.2
Thereof revenues	-83.6	-13.8	-61.7	-4.4
Earnings from Disposals	20.5	36.7	11.9	13.0
Income from Nursing and Assisted Living	59.5	34.6	29.7	17.4
Expenses from Nursing and Assisted Living	-34.8	-25.9	-17.5	-13.3
Earnings from Nursing and Assisted Living	24.7	8.7	12.2	4.1
Corporate expenses	-39.9	-34.6	-20.8	-18.1
Other expenses	-4.3	-1.9	-2.8	0.7
Other income	3.8	2.2	3.3	-0.6
Subtotal	311.1	303.2	155.9	144.0
Gains/losses from fair value adjustments of investment properties	885.9	731.3	885.9	731.3
Depreciation and amortisation	-3.5	-3.0	-1.8	-1.7
Earnings before interest and taxes (EBIT)	1,193.5	1,031.5	1,040.0	873.6
Finance income	1.0	0.6	0.2	0.3
Gains/losses from fair value adjustments of derivative financial instruments and convertible bonds	-124.7	-95.2	-93.6	-90.9
Gains/losses from companies valued at equity	0.7	0.9	0.5	0.7
Finance expenses	-84.4	-58.7	-36.2	-32.2
Profit before taxes	986.1	879.1	910.9	751.5
Income taxes	-314.1	-231.9 ¹¹	-286.2	-229.1 ¹¹
Profit for the period	672.0	647.2	624.7	522.4
Thereof attributable to:				
Shareholders of the parent company	647.3	629.3 ¹¹	602.0	507.9 ¹¹
Non-controlling interests	24.7	17.9 ¹¹	22.7	14.5 ¹¹
	672.0	647.2	624.7	522.4
Earnings per share				
Undiluted in EUR	1.85	1.86 ¹¹	1.72	1.51 ¹¹
Diluted in EUR	1.85	1.86 ¹¹	1.72	1.51 ¹¹

¹¹ With regard to the adjustments, we refer to the information under A3 of the notes to our consolidated financial statements for the financial year 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 30 June 2017

EUR m	H1/2017	H1/2016 adjusted	Q2/2017	Q2/2016 adjusted
Profit for the period	672.0	647.2¹⁾	624.7	522.4¹⁾
Other comprehensive income				
Items reclassified as expense at a later stage				
Net gain/loss from derivative financial instruments	6.3	-9.5	3.1	-2.1
Income tax effects	-1.9	2.9	-0.9	0.7
	4.4	-6.6	2.2	-1.4
Items not reclassified as expense at a later stage				
Actuarial gains/losses in pensions and impacts of caps for assets in pension plans	2.3	-8.0	0.9	-3.0
Income tax effects	-0.6	2.1	-0.3	0.8
	1.7	-5.9	0.6	-2.2
Other comprehensive income after taxes	6.1	-12.5	2.8	-3.6
Total comprehensive income after taxes	678.1	634.7¹⁾	627.5	518.8¹⁾
Thereof attributable to:				
Shareholders of the parent company	653.4	616.8 ¹⁾	604.8	504.3 ¹⁾
Non-controlling interests	24.7	17.9 ¹⁾	22.7	14.5 ¹⁾

¹⁾ With regard to the adjustments, we refer to the information under A3 of the notes to our consolidated financial statements for the financial year 2016

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 January to 30 June 2017

EUR m	H1/2017	H1/2016 adjusted
Operating activities		
Profit/loss for the period	672.0	647.2 ²⁾
Finance income	-1.0	-0.6
Adjustment of derivative financial instruments and convertible bonds	124.7	95.2
Finance expenses	84.4	58.7
Gains/losses from companies valued at equity	-0.7	-0.9
Income taxes	314.1	231.9 ²⁾
Profit/loss for the period before interest and taxes	1,193.5	1,031.5
Non-cash expenses/income		
Fair value adjustment of investment properties	-885.9	-731.3
Depreciation and amortisation	3.5	3.0
Other non-cash operating expenses/income	-21.3	-49.0
Change in net working capital		
Change in receivables, inventories and other current assets	-26.0	-48.3
Change in operating liabilities	-10.4	-16.8
Net operating cash flows	253.4	189.1
Sales proceeds from properties held for sale	99.0	19.9 ¹⁾
Investments in properties held for sale	-24.4	-281.2 ¹⁾
Interest paid	-50.1	-50.7
Interest received	1.0	0.6
Taxes paid	-42.0	-24.6
Taxes received	3.5	1.0
Net cash flows from operating activities	240.4	-145.9
Investment activities		
Sales proceeds	58.3	193.4 ¹⁾
Payments for investments	-694.2	-657.2 ¹⁾
Proceeds from dividends from shareholdings and joint ventures	0.1	0.0
Cash and cash equivalents acquired in connections with business combinations	0.0	6.2
Other proceeds from investing activities	0.0	6.3
Net cash flows from investing activities	-635.8	-451.3

¹⁾ Balance sheet change in 2016 for IAS 2 properties, which were formerly entered under 'Net cash flow from investing activities'

²⁾ With regard to the adjustments, we refer to the information under A3 of the notes to our consolidated financial statements for the financial year 2016

EUR m	H1/2017	H1/2016 adjusted
Financing activities		
Proceeds from borrowings	199.2	622.6
Repayment of borrowings	-351.7	-208.9
Proceeds from the issuance of convertible bonds	800.0	0.0
Repayment of convertible bonds	-472.0	0.0
Proceeds from the issuance of corporate bonds	490.0	0.0
Repayment of corporate bonds	-378.0	0.0
One-off financing costs	-38.9	0.0
Proceeds from the sale of non-controlling interests	99.5	0.0
Payments for the purchase of non-controlling interests	-94.8	0.0
Proceeds from the capital increase	545.3	0.0
Other payments from financing activities	-0.2	0.0
Costs of the capital increase	-4.4	0.0
Dividend paid to shareholder of Deutsche Wohnen SE	-262.4	-182.2
Dividends paid to shareholders of non-controlling interests	-5.3	0.0
Net cash flows from financing activities	526.3	231.5
Net change in cash and cash equivalents	130.9	-365.7
Opening balance of cash and cash equivalents	192.2	661.6
Closing balance of cash and cash equivalents	323.1	295.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 30 June 2017

EUR m	Issued share capital	Capital reserves	Pensions	Reserves for cash flow hedge	Total accumulated other consolidated earnings	Consolidated retained earnings	Equity attributable to shareholders of parent company	Non-controlling interests	Total equity
Equity as at 1 January 2016 as reported	337.4	3,558.9	-15.6	-20.9	-36.5	2,793.7	6,653.5	218.5	6,872.0
Corrections						-70.7	-70.7	-3.2	-73.9
Equity as at 1 January 2016 adjusted	337.4	3,558.9	-15.6	-20.9	-36.5	2,723.0	6,582.8	215.3	6,798.1
Profit/loss for the period adjusted						647.2	647.2		647.2
Thereof non-controlling interests adjusted						-17.9	-17.9	17.9	0.0
Other comprehensive income			-5.9	-6.6	-12.5		-12.5		-12.5
Thereof non-controlling interests			0.0	0.0	0.0		0.0	0.0	0.0
Total comprehensive income adjusted			-5.9	-6.6	-12.5	629.3	616.8	17.9	634.7
Capital increase	0.1	1.3					1.4		1.4
Deposit in connection with remuneration of Management Board members		2.0					2.0		2.0
Change in non-controlling interests						-0.1	-0.1	20.4	20.3
Dividends paid						-182.2	-182.2		-182.2
Other						0.5	0.5		0.5
Equity as at 30 June 2016 adjusted	337.5	3,562.2	-21.5	-27.5	-49.0	3,170.5	7,021.2	253.6	7,274.8
Equity as at 1 January 2017	337.5	3,445.3	-17.7	-19.2	-36.9	4,219.7	7,965.6	268.4	8,234.0
Profit/loss for the period						672.0	672.0		672.0
Thereof non-controlling interests						-24.7	-24.7	24.7	0.0
Other comprehensive income			1.7	4.4	6.1		6.1		6.1
Thereof non-controlling interests			0.0	0.0	0.0		0.0	0.0	0.0
Total comprehensive income			1.7	4.4	6.1	647.3	653.4	24.7	678.1
Capital increase	17.2	528.3					545.5		545.5
Costs of capital increase less tax effects		-2.9					-2.9		-2.9
Deposit in connection with remuneration of Management Board members		1.2					1.2		1.2
Change in non-controlling interests						4.5	4.5	9.5	14.0
Dividends paid						-262.4	-262.4		-262.4
Other						-95.7	-95.7		-95.7
Equity as at 30 June 2017	354.7	3,971.9	-16.0	-14.8	-30.8	4,513.4	8,809.2	302.6	9,111.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

Deutsche Wohnen SE – formerly Deutsche Wohnen AG – is a publicly listed real estate company based in and operating across Germany with its registered office at Pfaffenwiese 300, Frankfurt/Main, and is registered in the commercial register of the Frankfurt/Main District Court under number HRB 109171 – formerly HRB 42388. The business activities of Deutsche Wohnen SE are limited to its role as the holding company for the companies in the Group. These comprise, in particular, Asset Management, Legal, Corporate Finance, Investor Relations, Communication and Human Resources. The operating subsidiaries focus on residential property management and disposals relating to properties, as well as on the division Nursing and Assisted Living. Within the business strategy, the focus lies on residential and nursing properties in high-growth conurbations and metropolitan areas in Germany.

The Group's consolidated financial statements are prepared in Euro (EUR). Unless otherwise stated, all figures are rounded to the nearest thousand (k) or the nearest million (m) EUR. For arithmetical reasons, there may be rounding differences between tables and references and the exact mathematical figures.

Basic principles and methods applied to the consolidated interim financial statements

The shortened consolidated interim financial statements for the period from 1 January to 30 June 2017 were prepared in accordance with International Accounting Standards (IAS) 34 for interim reporting as applicable in the European Union (EU). The shortened consolidated interim financial statements have neither been audited nor submitted to audit review.

These interim financial statements do not contain all the information and details required for consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements as at 31 December 2016.

The consolidated interim financial statements have been prepared on a historical cost basis, with the exception, in particular, of the investment properties, the convertible bonds, the net debts from performance-based pension plans, and derivative financial instruments which are valued at attributable fair value.

The consolidated financial statements include the financial statements of Deutsche Wohnen and its subsidiaries as at 30 June 2017. The financial statements for the subsidiaries are prepared using consistent accounting policies and valuation methods as at the same reporting date as the financial statements of the parent company.

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, as at the reporting date. However, the uncertainty connected with these assumptions and estimates could result in outcomes which in future require considerable adjustments to the carrying amounts of the assets or liabilities affected.

The business activities of Deutsche Wohnen are mainly unaffected by seasonal influences and economic cycles.

In the first six months of the financial year 2017, the share held by Deutsche Wohnen SE in GSW Immobilien AG rose insignificantly to 93.89 % as at 30 June 2017. These changes are the result of the acquisition of 0.005 % of the shares in GSW Immobilien AG under the put option from the controlling agreement between GSW Immobilien AG (controlled company) and Deutsche Wohnen SE (controlling company) in exchange for issuing new Deutsche Wohnen SE shares.

Furthermore, in the first six months of business year 2017, twenty newly acquired companies in total were fully consolidated, of which eighteen in the legal form of a German GmbH, one in the legal form of a German limited partnership, and one in the legal form of a Luxembourg publicly limited company ('société anonyme'/'S.A.'). Eighteen of these twenty companies are residential property companies without autonomous business operations. The two others are a newly founded company and an acquired shelf company, respectively, each without autonomous business operations.

There have been no further changes to the basis of consolidation.

Changes to accounting and valuation methods

As a basic rule, Deutsche Wohnen has applied the same accounting and valuation methods as for the equivalent reporting period in the previous year.

In the first six months of the fiscal year 2017, the new standards and interpretations which must be applied for fiscal years commencing after 1 January 2017 have been applied in full. This has had no meaningful impact.

With regard to the adjustments to the figures from the previous year, we refer to the figures in section A3 of the Group annex for the financial year 2016.

Selected notes on the consolidated balance sheet

Investment properties comprise 95 % of the assets of the Deutsche Wohnen Group. As at 30 June 2017, the investment properties were subjected to a detailed internal valuation, and entered into the balance sheet with their attributable fair value. With regard to the valuation methodology and parameters, we refer to the consolidated financial statements as at 31 December 2016.

The holdings were also evaluated by CB Richard Ellis GmbH, Frankfurt/Main, and the total value was confirmed. Where an

absolute materiality threshold of +/- EUR 250 thousand is exceeded, value deviations between internal and external valuation is generally no greater than +/- 10 % for an individual property. The overall result by CB Richard Ellis varied by about 0.46 % from the internal valuation.

For the valuation (level 3 of the fair value hierarchy/valuation based on valuation models) as at 30 June 2017, the same principles were applied as at 31 December 2016.

The following table shows the average of the unobservable input factors (level 3) incorporated into the internal valuation for the developed properties.

30 June 2017	Core ⁺			Core	Non-Core
	Berlin	Other	Total	Total	Total
In-place rent in EUR/sqm	6.25	6.48	6.30	5.62	4.81
Rent increases p.a. in %	2.59	2.13	2.52	1.22	1.09
Vacancy rate in %	1.9	1.7	1.9	6.2	5.0
Multiplier	25.3	18.3	23.8	15.7	13.1
Discount factor in %	4.7	6.2	5.0	6.4	7.6
Capitalisation factor in %	3.6	5.3	3.9	5.3	6.4

Adjustment of the material valuation parameters (rent increase 20 % lower than projected; increase in the discount rate of 0.1 %; increase in the capitalisation rate of 0.1 %) results in the following non-cumulated fair value adjustments on the basis of the carrying amount of the properties:

30 June 2017	Core ⁺			Core	Non-Core
	Berlin	Other	Total	Total	Total
Rent increases p.a. in %	-4.68	-3.51	-4.48	-2.46	-2.17
Discount factor in %	-0.78	-0.73	-0.77	-0.75	-0.70
Capitalisation factor in %	-1.88	-1.13	-1.75	-1.12	-0.83

As a result, positive effects occur at approximately proportional levels where the individual valuation parameters show positive development.

As at 31 December 2016, the following input parameters were applied:

31 December 2016	Core ⁺			Core	Non-Core
	Berlin	Other	Total	Total	Total
In-place rent in EUR/sqm	6.10	6.42	6.17	5.58	4.96
Rent increases p.a. in %	2.59	2.12	2.52	1.26	1.02
Vacancy rate in %	1.6	1.8	1.8	1.8	5.0
Multiplier	23.9	17.9	22.6	14.9	11.2
Discount factor in %	4.9	6.3	5.2	6.8	7.5
Capitalisation factor in %	3.8	5.4	4.1	5.7	6.4

Adjustment of the material valuation parameters (rent increase 20% lower than projected; increase in the discount rate of 0.1%; increase in the capitalisation rate of 0.1%) resulted on 31 December 2016 in the following non-cumulated fair value adjustments on the basis of the carrying amount of the properties:

31 December 2016	Core ⁺			Core	Non-Core
	Berlin	Other	Total	Total	Total
Rent increases p.a. in %	-4.84	-3.60	-4.63	-2.46	-2.02
Discount factor in %	-0.82	-0.75	-0.80	-0.72	-0.71
Capitalisation factor in %	-1.84	-1.12	-1.72	-0.99	-0.84

The item 'property, plant and equipment' covers mainly owner-occupied properties (IAS 16), technical facilities as well as office furniture and equipment.

The intangible assets include the company value from acquisition of three institutions in Hamburg in the business segment 'Nursing and Assisted Living' (financial year 2016) in the amount of EUR 11.4 million, in addition to software and licences; as at 30 June 2017, there was no sign that the companies were lacking in intrinsic value.

The derivative financial instruments are interest-rate hedges recorded at fair value. These swaps were not concluded for speculative purposes but solely in order to minimise the interest rate risks and consequent cash flow risks of floating rate loans.

All other financial assets (trade receivables, other assets, cash and cash equivalents) as well as other financial liabilities (long- and short-term financial liabilities, long- and short-term corporate bonds, trade payables, as well as other liabilities) are valued at amortised cost. The amortised costs of these assets and liabilities correspond approximately with the fair value of these assets and liabilities.

The developments in equity can be found in the statement of changes in Group equity on [page 25](#).

Compared with 31 December 2016, the financial liabilities have decreased due to voluntary special repayments and increased through new additions.

The convertible bonds were recorded at the attributable fair value based on the rate as at the reporting day. The carrying amounts have changed in comparison to 31 December 2016 mainly because of the repayment of the convertible bond issued in 2013 and the issuing of a new convertible bond in February 2017, as well as through the revaluation. The current conversion price of the convertible bond issued in 2014 by Deutsche Wohnen SE amounts to EUR 20.5668; a nominal amount of EUR 400.0 million is outstanding. The current conversion price of the convertible bond issued in February 2017 by Deutsche Wohnen SE amounts to EUR 48.2967; a nominal amount of EUR 800.0 million is outstanding.

Employee benefit liabilities were valued as at the reporting date with a discount rate of 1.84 % p.a. (reporting date 31 December 2016: 1.61 % p.a.). This is derived from a yield on fixed-income corporate bonds.

Selected notes on the consolidated profit and loss statement

The income from Residential Property Management comprises the following:

EUR m	H1/2017	H1/2016
Potential rental income	375.6	354.9
Subsidies	0.5	1.2
	376.1	356.1
Vacancy loss	-9.6	-8.3
	366.5	347.8

The expenses from Residential Property Management comprise the following:

EUR m	H1/2017	H1/2016
Maintenance costs	-49.7	-43.7
Non-recoverable operating costs	-5.3	-4.4
Rental loss	-2.5	-3.4
Other costs	-2.7	-4.2
	-60.2	-55.7

The earnings from Disposals include income from sales proceeds, disposal costs and carrying amounts of assets sold of investment properties and land and buildings held for sale.

The earnings from segment 'Nursing and Assisted Living' comprise the following:

EUR m	H1/2017	H1/2016
Income for Nursing and Assisted Living	59.5	34.6
Nursing and corporate expenses	-10.5	-8.2
Staff expenses	-24.2	-17.7
Expenses for lease properties	-0.1	0.0
	24.7	8.7

The finance expenses comprise the following:

EUR m	H1/2017	H1/2016
Current interest expenses	-49.8	-53.2
Accrued interest on liabilities and pensions	-11.9	-5.5
One-off expenses associated with refinancing	-22.7	0.0
	-84.4	-58.7

Notes on the consolidated cash flow statement

Other non-cash operating income and expenses mainly include carrying amount profits from disposals.

The cash fund is made up of cash at hand and bank deposits.

Notes on segment reporting

The following tables show the segment revenues and the segment results for the Deutsche Wohnen Group:

EUR m	External revenue		Internal revenue		Total revenue		Segment earnings	
	H1/2017	H1/2016	H1/2017	H1/2016	H1/2017	H1/2016	H1/2017	H1/2016
Segments								
Residential Property Management	366.5	347.7	9.3	7.8	375.8	355.5	306.3	292.1
Disposals	151.1	221.0	4.3	7.2	155.4	228.2	20.5	36.7
Nursing and Assisted Living	59.5	34.6	0.0	0.0	59.5	34.6	24.7	8.7
Reconciliation with consolidated financial statements								
Central functions and other operational activities	1.3	0.9	44.5	42.9	45.8	43.8	-40.4	-34.3
Consolidations and other reconciliations	-1.3	-0.9	-58.1	-57.9	-59.4	-58.8	0.0	0.0
	577.1	603.3	0.0	0.0	577.1	603.3	311.1	303.2

Consistently with the internal reporting, the segment write-offs and assets are no longer reported on.

The reconciliations of the segment earnings with the Group profit and loss statement can be extracted from the following table:

EUR m	H1/2017	H1/2016
Segment earnings	351.5	337.5
Corporate expenses	-39.9	-34.6
Other expenses	-4.3	-1.9
Other revenues	3.8	2.2
Gains/losses from fair value adjustments of investment properties	885.9	731.3
Depreciation and amortisation	-3.5	-3.0
Earnings before interest and taxes (EBIT)	1,193.5	1,031.5
Finance income	1.0	0.6
Gains/losses from fair value adjustments of derivative financial instruments and convertible bonds	-124.7	-95.2
Gains/losses from companies valuated at equity	0.7	0.9
Finance expense	-84.4	-58.7
Earnings before taxes	986.1	879.1
Income taxes	-314.1	-231.9
Profit/loss for the period	672.0	647.2

Other information

Associated parties and companies

No significant changes have occurred, compared with the figures published as at 31 December 2016 for the associated companies and parties.

Risk report

With regard to the risks which exist for future business development, as well as the description of the risk management system (RMS), we refer you to the information presented in the risk report in the consolidated financial statements as at 31 December 2016. The assessment of the overall risk situation has not changed in comparison with the previous year; there are no specific risks threatening the continued existence of the company.

Financial instruments

The following table illustrates the classification of the financial instruments into appropriate classes in accordance with IFRS 7.6 together with their allocation to valuation categories in accordance with IAS 39:

EUR m	Valuation category in accordance with IAS 39	Valued at amortised cost		Fair value recognised in profit/loss	Valuation in accordance with IAS 17/ IAS 28	Total balance sheet items 30/6/2017
		Carrying amount	Fair value	Carrying amount	Carrying amount	
Trade receivables	LaR	30.6	30.6	0.0	0.0	30.6
Other assets						
Securities	AfS	0.0	n/a	0.0	0.0	0.0
Financial investments	AfS	3.3	n/a	0.0	11.6	14.9
Loans	LaR	17.0	n/a	0.0	0.0	17.0
Other financial assets	LaR	17.7	17.7	0.0	0.0	17.7
Derivative financial instruments	FAHfT	0.0	0.0	1.9	0.0	1.9
Cash and cash equivalents	LaR	323.1	323.1	0.0	0.0	323.1
Total financial assets		391.7	371.4	1.9	11.6	405.1
Financial liabilities	FLaC	4,670.8	4,808.8	0.0	0.0	4,670.8
Convertible bonds	FLHfT	0.0	0.0	1,502.4	0.0	1,502.4
Corporate bond	FLaC	846.5	852.3	0.0	0.0	846.5
Trade payables	FLaC	176.6	176.6	0.0	0.0	176.6
Other liabilities						
Liabilities from finance leases	n/a	0.0	0.0	0.0	68.0	68.0
Other financial liabilities	FLHfT	0.0	0.0	28.3	0.0	28.3
Other financial liabilities	FLaC	163.6	163.6	0.0	0.0	163.6
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FLHfT	0.0	0.0	5.2	0.0	5.2
Cash flow hedges (interest rate swaps)	n/a	0.0	0.0	17.9	0.0	17.9
Total financial liabilities		5,857.5	6,001.3	1,553.8	68.0	7,479.3

AfS – Available for Sale

LaR – Loans and Receivables

FAHfT – Financial Assets Held for Trade

FLaC – Financial Liabilities at Cost

FLHfT – Financial Liabilities Held for Trade

EUR m	Valuation category in accordance with IAS 39	Valued at amortised cost		Fair value recognised in profit/loss	Valuation in accordance with IAS 17/IAS 28	Total balance sheet items
		Carrying amount	Fair value	Carrying amount	Carrying amount	31/12/2016
Trade receivables	LaR	16.4	16.4	0.0	0.0	16.4
Other assets						
Securities	AfS	0.0	n/a	0.0	0.0	0.0
Financial investments	AfS	0.3	n/a	0.0	10.9	11.3
Loans	LaR	17.0	0.0	0.0	0.0	17.0
Other financial assets	LaR	11.3	11.3	0.0	0.0	11.3
Derivative financial instruments	FAHfT	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents	LaR	192.2	192.2	0.0	0.0	192.2
Total financial assets		237.3	219.9	0.0	10.9	248.2
Financial liabilities	FLaC	4,600.0	4,812.9	0.0	0.0	4,600.0
Convertible bonds	FLHfT	0.0	0.0	1,045.1	0.0	1,045.1
Corporate bond	FLaC	732.3	751.2	0.0	0.0	732.3
Trade payables	FLaC	161.6	161.6	0.0	0.0	161.6
Other liabilities						
Liabilities from finance leases	n/a	0.0	0.0	0.0	31.0	31.0
Other financial liabilities	FLHfT	0.0	0.0	28.3	0.0	28.3
Other financial liabilities	FLaC	72.5	72.5	0.0	0.0	72.5
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FLHfT	0.0	0.0	22.3	0.0	22.3
Cash flow hedges (interest rate swaps)	n/a	0.0	0.0	24.7	0.0	24.7
Total financial liabilities		5,566.4	5,798.2	1,120.4	31.0	6,717.7

AfS – Available for Sale
LaR – Loans and Receivables
FAHfT – Financial Assets Held for Trade
FLaC – Financial Liabilities at Cost
FLHfT – Financial Liabilities Held for Trade

Furthermore, we refer to the figures published in accordance with IFRS 7 and IAS 39 in the consolidated financial statements as at 31 December 2016.

Frankfurt/Main, 10 August 2017

Deutsche Wohnen SE
Management Board



Michael Zahn
Chief Executive Officer



Lars Wittan
Deputy
Chief Executive Officer



Philip Grosse
Management
Board

RESPONSIBILITY STATEMENT

“To the best of our knowledge, and in accordance with the applicable accounting standards, the consolidated interim financial statement as at 30 June 2017 gives a true and fair view of net assets, financial and earnings position of the Group, and that the interim report presents a fair view of the development of the business including the business result and the position of the Group and describes the main opportunities and risks associated with the Group’s expected future development.”

Frankfurt/Main, 10 August 2017

Deutsche Wohnen SE
Management Board



Michael Zahn
Chief Executive Officer



Lars Wittan
Deputy
Chief Executive Officer



Philip Grosse
Management
Board

Disclaimer

This interim report contains statements of a predictive nature, and such statements involve risks and imponderables. In future, the actual performance and earnings of Deutsche Wohnen SE and of the Group may in certain circumstances deviate significantly from the assumptions made in this interim report. This interim report represents neither an offer to sell nor a request to submit an offer to buy shares in Deutsche Wohnen SE. This interim report does not create an obligation to update the statements it contains. Due to rounding, the numbers reported in the tables in this interim management report may not always add up exactly to the total sum or subtotal indicated for each, and percentages may not always add up to exactly 100%.

FINANCIAL CALENDAR 2017

05/ – 07/09/2017	EPRA 2017 Conference, London
12/ – 13/09/2017	Bank of America Merrill Lynch Global Real Estate Conference, New York
14/09/2017	UBS Best of Germany Conference, New York
18/ – 20/09/2017	Berenberg & Goldman Sachs German Corporate Conference, Munich
19/ – 21/09/2017	Baader Investment Conference, Munich
04/ – 06/10/2017	Expo Real, Munich
14/11/2017	Release of Interim Management Report for 30/09/2017 (Nine-Month Results)
28/ – 29/11/2017	UBS Global Real Estate Conference, London
05/ – 06/12/2017	Berenberg European Corporate Conference, London
11/ – 12/12/2017	UBS Global Real Estate Conference, London

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Published by

Deutsche Wohnen SE, Frankfurt/Main

Concept, design and realisation

HGB Hamburger Geschäftsberichte GmbH & Co. KG, Hamburg

Photography

Georgios Anastasiades, Berlin

The interim report is available in German and English. Both versions are available for download at [🌐 www.deutsche-wohnen.com](https://www.deutsche-wohnen.com)

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