Deutsche Wohnen

CON SIS TEN CY

Positioned perfectly.

Interim report as at 30 September 2015

CON
SIS
TEN
CY

Positioned perfectly.

GROUP KEY FIGURES

Profit and loss statement		9M/2015	9M/2014
Earnings from Residential Property Management	EUR m	393.0	385.9
Earnings from Disposals	EUR m	60.8	38.8
Earnings from Nursing and Assisted Living	EUR m	12.0	12.4
Corporate expenses	EUR m	– 54.8	– 66.8
EBITDA	EUR m	376.5	351.6
EBT (adjusted)	EUR m	302.8	209.3
EBT (as reported)	EUR m	785.4	169.5
Group profit after taxes	EUR m	521.7	144.9
Group profit after taxes [1]	EUR per share	1.59	0.48 [3]
FFO I	EUR m	228.7	166.3
FFO I [1]	EUR per share	0.73	0.57 [3]
FFO II	EUR m	289.5	205.1 [2]
FFO II [1]	EUR per share	0.92	0.71 [3]

Balance sheet		30/9/2015	31/12/2014
Investment properties	EUR m	10,850.7	9,611.0
Current assets	EUR m	804.5	882.9
Equity	EUR m	6,224.5	4,876.1
Net financial liabilities	EUR m	4,544.8	5,131.3
Loan-to-Value Ratio (LTV)	in %	41.4	51.0
Total assets	EUR m	12,563.2	11,446.2

Share		30/9/2015	31/12/2014
Share price (closing price)	EUR per share	23.89	19.58
Number of shares	m	337.37	294.26
Market capitalisation	EUR bn	8.1	5.8

Net Asset Value (NAV)		30/9/2015	31/12/2014
EPRA NAV (undiluted)	EUR m	6,814.7	5,326.0
EPRA NAV (undiluted)	EUR per share	20.20	17.86 [3]
EPRA NAV (diluted)	EUR per share	20.81	18.40 [3]

Fair values		30/9/2015	31/12/2014
Fair value of real estate properties [4]	EUR m	10,710	9,785
Fair value per sqm of residential and commercial area [4]	EUR per sqm	1,165	1,062

[1] Based on an average number of around 315.27 million issued shares in 2015 or of around 290.13 million issued shares in 2014
[2] Change of method of calculation for previous year
[3] Takes into consideration the effects of the capital increase of June 2015 (so-called Scrip-Adjustment of around 1.01)
[4] Takes into consideration only residential and commercial properties

CONSOLIDATED INTERIM MANAGEMENT REPORT

Deutsche Wohnen AG with its subsidiaries (hereinafter referred to as "Deutsche Wohnen" or "Group") is, measured by its market capitalisation, currently one of the largest publicly listed real estate companies in Europe. The company is listed in the MDAX of the German Stock Exchange. Our holdings consist of around 149,000 residential and commercial units as well as nursing homes with around 2,000 nursing places with a fair value of around EUR 10.7 billion in total. Consistent with our business strategy the focus is on residential and nursing properties in both fast-growing conurbations and metropolitan areas of Germany. The fundamental economic growth, the population influx into German metropolitan areas and their demographic development provide a very good basis for achieving strong and stable cash flows from letting and leasing and for making use of opportunities to create value.

STOCK MARKET AND THE DEUTSCHE WOHNEN SHARE

Economy

In its Autumn Report 2015, the German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung – DIW) is sticking to its summer forecast and, accordingly, anticipates that the German economy will achieve growth of 1.8% this year. Next year, with the economy continuing to pick up, gross domestic product will most likely increase by 1.9%. According to the DIW, the rate of growth in the global economy is likely to increase slightly during the forecast period. Consequently, in the opinion of the experts, global economic growth will be 3.4% in 2015 and 4.0% in the following year.

The development of the German economy remains on course, supported by high consumption. Inflation is likely to be just 0.4% this year and will increase somewhat but, at only 1.4%, it will still be low in 2016. The increase in employment has held up this year, and this trend will continue during the remainder of the forecast period. The rate of unemployment is expected to continue to fall this year to 6.4% and will remain at this level next year. Given these favourable developments on the job market, disposable incomes will probably rise markedly this year and next by almost 3% respectively. Over recent quarters, private households have increased their spending noticeably. This year, despite a slight slow-down in this momentum, growth in consumer spending will be just under 2%. For 2016, in view of the slight increase in inflation that is forecast, the DIW expects growth in consumer spending to be 1.7%.

At the same time, the savings ratio will be only insignificantly lower. Exports are expected to make a positive contribution to growth both this year and next. For both years, an export contribution of 8% of the nominal gross domestic product is forecast.

According to the most recent figures, house building has picked up again. In the current year, it is expected that investment in house-building will increase by 2.7% and, in 2016, by 1.6%. Significant factors in this growth are interest rates, which continue to be favourable, and positive developments in both incomes and employment.

Financial markets

After a positive start to 2015, the German stock markets were volatile in the third quarter of the year and closed the quarter with a loss. Accordingly, the DAX lost 11.7% in the third quarter and closed at 9,660 points – a slight drop of 1.5% in comparison to the end of 2014. In the third quarter, the MDAX lost approximately 1.7% and closed at 19,280 points. However, this corresponds to a gain of 13.8% for the first nine months of the current year.

The capital markets were supported only intermittently by the decision of the People's Republic of China to lower interest rates, the signals sent out by the European Central Bank (ECB) with regard to bond purchases and the stable economic figures from the Eurozone and the US economy.

On the downside, the emissions scandal at Volkswagen, the unexpected devaluation of the Yuan and the uncertain outlook of the US Federal Reserve's policy provoked significant falls on the stock markets. In addition, weak economic figures from China and the regressive Chinese stock market proved to be negative factors in the third quarter.

The Deutsche Wohnen AG share

After reaching an all-time high of EUR 25.00 on 18 August 2015, the Deutsche Wohnen share completed the third quarter of 2015 with a closing price of EUR 23.89, thus achieving an increase of 22% in comparison to the start of the year[1]. In so doing, the Deutsche Wohnen share performed better than the MDAX and consolidated its position with a weighting of approximately 4.5% within the index. Measured by its free float market capitalisation of approximately EUR 7.4 billion as at the end of September, the Deutsche Wohnen share was in fourth position within the MDAX.

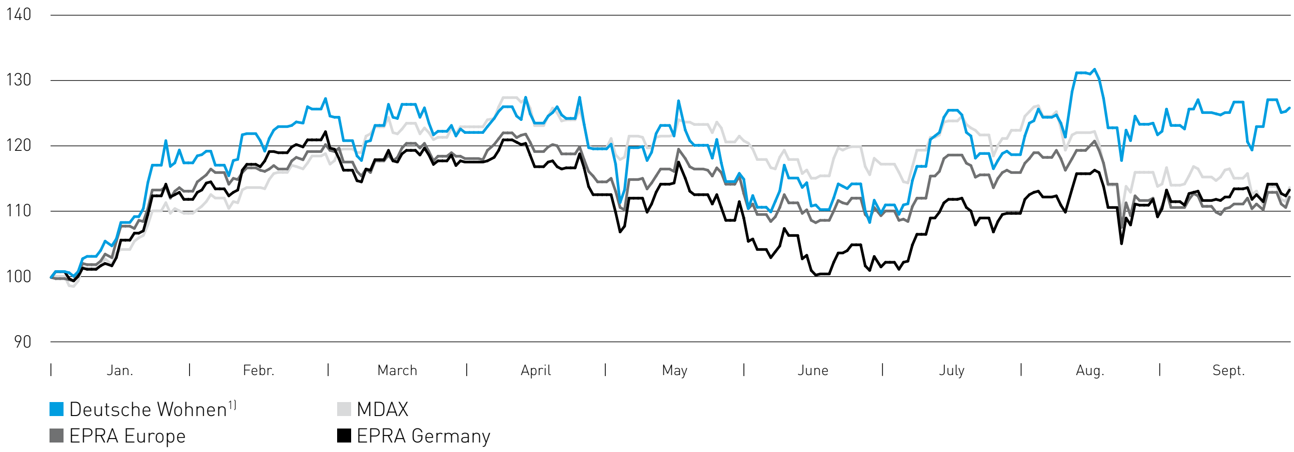
[1] Adjusted for dividend payment in June 2015

The real estate indices EPRA Europe and EPRA Germany also developed positively in the first nine months of the year. EPRA Europe closed the third quarter at 2,173 points, which represents an increase of 12.3 %. EPRA Germany closed the first nine months at 855 points – a gain of 13.5 %.

Over the first nine months of the year, the market capitalisation of Deutsche Wohnen continued to rise by approximately 40 % to around EUR 8.1 billion. The average daily trading volume in Xetra rose significantly from approximately EUR 8 million in the first nine months of 2014 to EUR 22 million in the first nine months of 2015.

Share price performance in 9M/2015 (indexed)

in %



[1] Share price performance of the bearer share DE000A0HN5C6 adjusted for dividend payment in June 2015

Key share figures

	9M/2015	9M/2014
Number of issued shares in m	approx. 337.37	approx. 289.20
Price at end of 9m [1] in EUR	23.89	16.92 (16.37) [3]
Market capitalisation in EUR bn	approx. 8.1	approx. 4.9
Highest share price [1] during nine-month period in EUR	25.00	17.79 (17.21) [3]
Lowest share price [1] during nine-month period in EUR	19.58 (18.94) [3]	13.81 (13.08) [3]
Average daily traded volume [2] – Xetra	970,890	527,938

Source: Bloomberg, as at 6/10/2015
[1] Closing price – Xetra trading
[2] Traded shares
[3] Prices in parentheses adjusted for capital increases and dividend payments

Analyst coverage

The development of Deutsche Wohnen AG is currently[2] being evaluated by a total of 25 analysts. The current[2] target prices range from EUR 20.50 to EUR 33.00 per share. Moreover, of these analysts 15 are assuming a target price of EUR 25.00 per share or higher. The consensus of all the analysts' estimates is a price of EUR 26.08 – which is currently 9.2 % higher than the closing price at the end of the first nine months of 2015.

[2] As at 3/11/2015

The majority of analysts value the Deutsche Wohnen share as positive or neutral. The following table summarises the current[3] ratings:

Rating	Number
Buy/Kaufen/Overweight	10
Equal Weight/Halten/Hold/Neutral	7
Sell/Underperform	3
Not specified	1
Restricted	4

Annual General Meeting

The 2015 Annual General Meeting of Deutsche Wohnen AG took place on 12 June 2015 in Frankfurt/Main with approximately 62.5% of the share capital of the company represented. The shareholders voted for all of the resolutions presented to them with the required majorities.

Thus, a new Authorised Capital 2015 was created, and thereby the option of increasing – in a single issue or in more than one issue – the share capital of the company by up to EUR 100 million by issuing up to 100 million new, no-par value bearer shares against cash contributions and/or contributions in kind – with each share representing a nominal amount of the share capital of EUR 1.00. Authorised Capital 2015 is intended to enable the company to continue in a position to raise the necessary capital for the further development of the company on the capital markets at short notice by issuing new shares and to make flexible use of a favourable market environment in order to cover a possible future financing need.

Capital increase 2015

The capital increase against cash contributions from the authorised capital of Deutsche Wohnen AG, which granted subscription rights to shareholders of Deutsche Wohnen AG and which had been resolved upon on 20 May 2015 was successfully completed on 4 June 2015. All the 42,166,532 new shares on offer were placed at EUR 21.50 per share. This means that the gross proceeds from the capital increase amount to around EUR 907 million.

The new shares carry full dividend rights from the financial year beginning 1 January 2015.

[3] As at 3/11/2015

Long-term company ratings for Deutsche Wohnen AG improved

On 17 and 18 June 2015 Moody's and Standard & Poor's (S&P) raised their long-term company ratings for Deutsche Wohnen AG from Baa1 to A3 and from BBB+ to A– respectively. The rating upgrades confirm Deutsche Wohnen's strategy of continuing to optimise the capital structure of the company and also underline the high quality of its business model. Thereby Deutsche Wohnen AG is one of the highest-rated companies in the European property sector.

With the announcement of the hostile takeover by Vonovia Moody's and S&P gave notice of a possible downgrade of the ratings based on an unfavourable capital structure of the new group.

Investor Relations activities

Deutsche Wohnen conducts an open and regular dialogue with its shareholders and investors. We make use of national and international conferences and roadshows to report on the development of Deutsche Wohnen AG. Following the publication of our H1 report 2015 and given the planned takeover of LEG, Deutsche Wohnen presented itself at roadshows in Zurich, London, Brussels, New York and Boston. In addition, Deutsche Wohnen attended conferences in London, Berlin and Munich in September and October of this year. In the fourth quarter of this year it is planned to attend further conferences and to hold the Deutsche Wohnen Capital Markets Day on 20 November 2015.

For further details, please see the financial calendar on page 30. This calendar is updated regularly on our Investor Relations homepage.

We intend to maintain and develop our national and international contacts and our ongoing dialogue with our investors and analysts in the future as well.

PORTFOLIO

As at 30 September 2015 the property portfolio of Deutsche Wohnen consisted of approximately 149,000 residential and commercial units. 98 % of our holdings are located in strategic core and growth regions. The largest single location is Greater Berlin, which accounts for 73 % of our entire portfolio. The average in-place rent (residential) was EUR 5.83 per sqm as at 30 September 2015 (previous year: EUR 5.65 per sqm), with an average vacancy rate of 2.1 % (previous year: 2.4 %).

	30/9/2015						
Property portfolio	Residential units (number)	Area (sqm k)	Share of total portfolio (in %)	In-place rent[1] (EUR/sqm)	Vacancy (in %)	Rent potential[2] (in %)	Commercial units (number)
Strategic core and growth regions	**143,960**	**8,709**	**98**	**5.85**	**2.0**	**20.3**	**2,092**
Core+	128,551	7,736	87	5.90	1.9	22.8	1,903
Greater Berlin	107,440	6,428	73	5.81	1.9	20.5	1,592
Rhine-Main	9,119	549	6	7.30	1.8	30.4	170
Mannheim/Ludwigshafen	4,731	295	3	5.68	1.1	19.9	41
Rhineland	4,553	292	3	5.92	2.3	22.8	36
Dresden	2,708	172	2	5.17	3.0	20.2	64
Core	15,409	973	10	5.47	2.5	9.9	189
Hanover/Brunswick	8,746	571	6	5.56	2.2	15.3	83
Magdeburg	2,363	144	2	5.40	3.7	3.8	75
Kiel/Lübeck	1,482	93	1	5.28	3.2	12.6	7
Halle/Leipzig	1,684	98	1	5.18	1.5	1.9	12
Erfurt	618	34	0	5.88	3.5	0.5	12
Other	516	32	0	5.09	3.9	20.1	0
Non-Core	**3,039**	**201**	**2**	**4.80**	**6.9**	**−0.2**	**39**
Total	146,999	8,910	100	5.83	2.1	19.9	2,131

[1] Contractually owed rent for rented residential units divided by rental area
[2] New letting rent for properties in the letting portfolio in comparison to the in-place rent for properties in the letting portfolio

Operational development

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. The like-for-like rental growth in the letting portfolio of the strategic core and growth regions was 3.2 %. This figure already reflects the positive effects arising from the Berlin rent index, which was published in May 2015.

Like-for-like	Residential units number	In-place rent[1] EUR/sqm 30/9/2015	In-place rent[1] EUR/sqm 30/9/2014	Development in %	Vacancy in % 30/9/2015	Vacancy in % 30/9/2014	Development in %
Strategic core and growth regions[2]	**129,369**	**5.89**	**5.71**	**3.2**	**1.7**	**2.0**	**–13.1**
Core+	115,372	5.95	5.76	3.3	1.6	1.8	–10.2
Greater Berlin	96,441	5.87	5.67	3.5	1.7	1.9	–8.3
Rhine-Main	7,914	7.38	7.17	3.0	1.3	1.7	–23.9
Mannheim/Ludwigshafen	4,522	5.67	5.58	1.7	0.8	1.0	–22.9
Rhineland	4,328	5.89	5.74	2.6	1.4	1.7	–16.0
Dresden	2,167	4.98	4.92	1.1	1.9	2.2	–15.1
Core	13,997	5.45	5.32	2.5	2.4	3.3	–26.5
Hanover/Brunswick	8,101	5.53	5.34	3.6	2.0	3.0	–33.3
Magdeburg	2,100	5.25	5.22	0.5	3.7	4.0	–7.6
Kiel/Lübeck	1,128	5.35	5.21	2.7	3.4	3.4	–2.0
Halle/Leipzig	1,651	5.19	5.17	0.3	1.6	4.1	–61.7
Erfurt	609	5.89	5.87	0.3	3.4	2.0	65.6
Other	408	5.38	5.27	2.1	4.7	4.5	3.4

[1] Contractually owed rent for rented residential units divided by rental area
[2] Without privatisation

The following table shows the development of new letting rents – and therefore of rent potential – in the non-rent restricted Core+ letting portfolio in the first nine months of the financial year:

In the first nine months of 2015, the new-letting rent in the Core+ segment (not-rent restricted holdings) was around 23 % above the in-place rent as at the reporting date. The impact of the new rules concerning re-letting (rent cap) has been of only marginal significance until now.

Residential	30/9/2015 New letting rent[1] EUR/sqm	30/9/2015 In-place rent[2] EUR/sqm	30/9/2015 Rent potential[3] in %	31/12/2014 Rent potential[3] in %
Core+ (letting portfolio)	**7.24**	**5.90**	**22.8**	**22.7**
Greater Berlin	7.01	5.82	20.5	21.2
Rhine-Main	9.53	7.31	30.4	23.5
Mannheim/Ludwigshafen	6.80	5.67	19.9	21.8
Rhineland	7.22	5.88	22.8	25.0
Dresden	6.21	5.16	20.4	20.9

[1] Contractually owed rent from newly concluded rent agreements in holdings not subject to rent controls which became effective in 2015
[2] Contractually owed rent for rented residential units divided by rental area
[3] New letting rent for properties in the letting portfolio in comparison to the in-place rent for properties in the letting portfolio

NOTES ON FINANCIAL PERFORMANCE AND FINANCIAL POSITION

Financial performance

The following provides an overview of the development of business operations in individual segments as well as of further items in the Group profit and loss statement for the first nine months of the financial year 2015 in comparison to the corresponding period of the previous year:

EUR m	9M/2015	9M/2014
Earnings from Residential Property Management	393.0	385.9
Earnings from Disposals	60.8	38.8
Earnings from Nursing and Assisted Living	12.0	12.4
Corporate expenses	–54.8	–66.8
Other operating expenses/income	–34.5	–18.7
Operating result (EBITDA)	**376.5**	**351.6**
Depreciation and amortisation	–4.1	–4.5
Fair value adjustment of investment properties	705.0	0.0
Gains/losses from companies valuated at equity	1.5	0.0
Financial result	–293.5	–177.6
Earnings before taxes	**785.4**	**169.5**
Current taxes	–21.0	–14.9
Deferred taxes	–242.7	–9.7
Profit for the period	**521.7**	**144.9**

In comparison to the equivalent period of the previous year, profit for the period rose by EUR 376.8 million to EUR 521.7 million. This increase is mainly attributable to the profit from the revaluation of the company's investment properties. On the operational side of the business – in the lettings and disposals segments – we are also profiting from the consistently positive market environment.

We were able to complete the integration of GSW in the second quarter of 2015.

Earnings before taxes, adjusted for special effects and valuation effects, show the normalised increase in earnings:

EUR m	9M/2015	9M/2014
Earnings before taxes	**785.4**	**169.5**
Restructuring and reorganisation expenses	8.2	12.7
Earnings from the valuation of property	–705.0	0.0
Earnings from fair value adjustment of derivative financial instruments and convertible bonds	139.0	22.0
Transaction and one-off financing costs	75.2	5.1
Adjusted earnings before taxes	**302.8**	**209.3**

The adjusted earnings before taxes rose by around EUR 90 million. In particular, improved Earnings from Disposals, lower corporate expenses and lower interest expenses contributed to this result.

Essentially, the restructuring and reorganisation expenses concern the redundancy and other payments associated with the social plan and made to employees of GSW.

The transaction and one-off financing costs contain mainly compensation sums for premature repayment arising from the early redemption of bank loans and the cancellation of interest rate swaps and of fixed-interest loans which were incurred in connection with our refinancing measures. These items also contain expenses that were incurred in the context of the takeover offer for conwert Immobilien Invest SE and LEG Immobilien AG.

Earnings from Residential Property Management

Despite disposals, earnings from the segment Residential Property Management exceeded the level of the previous year.

EUR m	9M/2015	9M/2014
Current gross rental income	473.1	**469.3**
Non-recoverable expenses	–9.4	–9.9
Rental loss	–4.6	–5.8
Maintenance	–58.9	–61.4
Other	–7.2	–6.3
Earnings from Residential Property Management	393.0	**385.9**
Staff and general and corporate expenses	–32.7	–31.4
Operating result (NOI)	360.3	**354.5**
NOI-margin in %	76.2	75.5
NOI in EUR per sqm and month [1]	4.40	4.25
Change in %	3.5	

[1] Taking into consideration the average area on a quarterly basis in the relevant reporting period; the average area was adjusted in the case of significant acquisitions within a quarter

Rent increases in our overall holdings led to an increase in gross rental income in comparison to the equivalent period of the previous year. Losses of gross rental income due to the disposal of around 5,700 flats as at 1 April 2015 were more or less compensated for by the acquisition of around 5,800 flats as at 1 July 2015. Particularly worthy of mention are the savings in rental loss, where the insourcing of the relevant activities at GSW led to a reduction in costs of 20%.

At 76.2%, the NOI (Net Operating Income) margin remained stable both in absolute terms and in relation to the average managed floor space in EUR per sqm.

Earnings from Disposals

Demand for property as a form of investment for owner-occupiers and investors continues to be high. Up to 30 September 2015 a total of 9,584 units were sold. The transfer of risks and rewards for these units is expected to take place in 2015, whereby 6,436 of these units were already notarised in the previous financial year. Of these notarised units, 5,749 made up a single institutional sale in Berlin for which the transfer of risks and rewards took place as at 1 April 2015.

	Units	Transaction volume	Fair value	Gross margin	
	number	EUR m	EUR m	EUR m	in %
Privatisation	1,984	193.4	137.6	55.8	41
Institutional sales	7,600	489.8	452.7	37.1	8
	9,584	**683.2**	**590.3**	**92.9**	**16**

The gross margins continue to be high. In the current market environment, we achieve average margins of 8% in institutional sales.

Of the 9,584 residential units sold, the transfer of risks and rewards took place in respect of 8,430 residential units in the first nine months of the financial year, and so these are included in the sales results.

EUR m	9M/2015	9M/2014
Sales proceeds	592.9	205.7
Cost of sales	–15.4	–9.1
Net proceeds	**577.5**	**196.6**
Carrying amount of assets sold	–516.7	–157.8
Earnings from Disposals	**60.8**	**38.8**

Earnings from Nursing and Assisted Living

The Nursing and Assisted Living segment is managed by means of a shareholding in KATHARINENHOF® Group. The business model concentrates primarily on the management of residential and nursing facilities in the four federal states of Berlin, Brandenburg, Saxony and Lower Saxony. As at 30 September 2015 the KATHARINENHOF® Group managed 20 facilities, of which Deutsche Wohnen owns 18 with a fair value of EUR 144.8 million.

EUR m	9M/2015	9M/2014
Income		
Nursing	39.7	41.5
Living	4.6	4.5
Other	5.6	4.8
	49.9	**50.8**
Costs		
Nursing and corporate expenses	–12.7	–13.4
Staff expenses	–25.2	–25.0
	–37.9	**–38.4**
Segment earnings	**12.0**	**12.4**
Attributable current interest expenses	–1.3	–2.9
Segment earnings after interest	**10.7**	**9.5**

With effect from 1 January 2015 the operation of a leased care facility with 126 beds in Rhineland-Palatinate was sold. In the first nine months of 2015, this led to a fall in turnover of EUR 2.5 million and to a corresponding change in costs in comparison to the same period of the previous year.

The average occupancy rate of the facilities during the reporting period was 96.5% (equivalent period of previous year: 96.0%) and so continues to be at a high level.

Corporate expenses

Corporate expenses include staff and general and administration expenses, excluding the segment Nursing and Assisted Living.

EUR m	9M/2015	9M/2014
Staff expenses	–33.4	–41.9
General and administration expenses	–21.4	–24.9
Total corporate expenses	**–54.8**	**–66.8**

The fall in total corporate expenses reflects the outcomes of the operational integration of GSW that has now been completed.

In the first nine months of 2015, the cost ratio of general and administration expenses in relation to the gross rental income fell to 11.6% – compared with 14.6%, the figure for the equivalent nine-month period of the previous year.

One-off staff expenses in the amount of EUR 8.2 million were incurred for restructuring and integration in the first nine months of 2015 (equivalent period of previous year: EUR 12.7 million).

Financial result

The financial result is made up as follows:

EUR m	9M/2015	9M/2014
Current interest expenses	–94.9	–138.9
Accrued and discounted interest on liabilities and pensions	–2.5	–12.3
One-off financing costs	–57.7	–5.1
Fair value adjustment of derivative financial instruments	5.7	–16.5
Fair value adjustment of convertible bonds	–144.7	–5.5
	–294.1	–178.3
Interest income	0.6	0.7
Financial result	**–293.5**	**–177.6**

The fall in interest expenses results mainly from the refinancing of loans in the amount of EUR 1.4 billion at the end of last year and from further refinancing measures which were carried out in the course of the first seven months of 2015. Regarding the part of our loans with a variable interest rate, we continue to profit from the fact that interest rate levels have fallen further.

The one-off financing costs contain mainly the expenses part of the compensation for the premature repayment of loans and the cancellation of interest hedge transactions. In the context of hedge accounting, not all cancellation payments that are contained in the cash flow are recognised as expenses.

The development in price of the convertible bonds follows the rise in the share price of Deutsche Wohnen AG. The convertible bonds are recognised at fair value in the consolidated balance sheet. Because of the positive development of the share price, there was a valuation loss. The current share price is higher than the underlying conversion price, so the convertible bonds are "in the money". When calculated on a diluted basis, this leads to positive effects in the balance sheet figures LTV (Loan-to-Value Ratio) or EPRA NAV (Net Asset Value).

Income taxes

The income taxes of EUR 263.7 million comprise EUR 242.7 million of deferred taxes, taxes arising from the valuation of the costs of the capital increase, which do not affect net income and were set off against equity in the amount of EUR 7.0 million and EUR 14.0 million of current income taxes.

The increase in value of the properties by EUR 705.0 million led to an increase in deferred tax liabilities in the first nine months of 2015 and thus to deferred tax expenses.

Financial position

	30/9/2015		31/12/2014	
	EUR m	in %	EUR m	in %
Investment properties	10,850.7	87	9,611.0	84
Other non-current assets	908.0	7	952.3	8
Total non-current assets	**11,758.7**	**94**	**10,563.3**	**92**
Current assets	174.3	1	486.5	5
Cash and cash equivalents	630.2	5	396.4	3
Total current assets	**804.5**	**6**	**882.9**	**8**
Total assets	**12,563.2**	**100**	**11,446.2**	**100**
Equity	**6,224.5**	**50**	**4,876.1**	**43**
Financial liabilities	3,785.7	30	4,779.0	42
Convertible bonds	892.8	7	748.7	7
Corporate bonds	496.5	4	0.0	0
Tax liabilities	37.3	0	46.1	0
Employee benefit liabilities	63.0	1	67.7	1
Deferred tax liabilities	790.4	6	557.9	5
Other liabilities	273.0	2	370.7	2
Total liabilities	**6,338.7**	**50**	**6,570.1**	**57**
Total equity and liabilities	**12,563.2**	**100**	**11,446.2**	**100**

Investment properties represent the largest asset position. This figure mainly has risen because of the increase in the value of the properties in an amount of EUR 705.0 million.

The other non-current assets include, in particular, the value of the goodwill arising from the takeover of GSW amounting to EUR 535.1 million.

The fall in current assets in comparison to the reporting date in the previous year concerns the non-current assets held for sale. As at the reporting date in the previous year, this figure included 5,749 residential units from an institutional sale, ownership of which was transferred as at 1 April 2015.

Of the cash and cash equivalents in the amount of EUR 630.2 million, a sum of around EUR 17.5 million is not freely available.

The Group's equity ratio improved from around 43 % to around 50 %. In June 2015 Deutsche Wohnen increased its equity by EUR 891.6 million net by issuing 42.2 million bearer shares as part of a cash capital increase. This sum is made up of EUR 906.6 million capital, minus EUR 15.0 million costs for the capital increase after taxes. In addition, in the first nine months of 2015 Deutsche Wohnen issued 0.9 million bearer shares in exchange for around 0.4 million bearer shares in GSW Immobilien AG. This represents a share of approximately 0.7 % in GSW. This exchange of shares went ahead on the basis of the provisions of the Domination Agreement between the two companies regarding the put-option rights of the minority shareholders. Furthermore, in June 2015 the dividend for 2014 was paid in the amount of EUR 129.9 million to the shareholders of Deutsche Wohnen AG and in the amount of EUR 4.9 million to the minority shareholders of GSW.

The EPRA NAV has developed as follows:

EUR m	30/9/2015	31/12/2014
Equity (before non-controlling interests)	6,012.0	4,692.9
Fair value of derivative financial instruments	43.7	144.9
Deferred taxes	759.0	488.2
EPRA NAV I (undiluted)	**6,814.7**	**5,326.0**
Number of shares (in m)	337.37	298.14[1]
EPRA NAV I (undiluted) in EUR per share	**20.20**	**17.86**[1]
EPRA NAV I (undiluted)	6,814.7	5,326.0
Effects arising from the conversion of the convertible bond 2013	362.2	301.4
EPRA NAV II (diluted)	**7,176.9**	**5,627.4**
Number of shares (in m) diluted	351.42	311.76
EPRA NAV II (diluted) in EUR per share	**20.42**	**18.05**[1]
EPRA NAV II (diluted)	7,176.9	5,627.4
Effects arising from the conversion of the convertible bond 2014	525.2	441.7
EPRA NAV III (diluted)	**7,702.0**	**6,069.1**
Number of shares (in m) diluted	370.11	329.85
EPRA NAV III (diluted) in EUR per share	**20.81**	**18.40**[1]

[1] Takes into account the effects of the capital increase of June 2015 (so-called Scrip Adjustment of approximately 1.01)

EPRA NAV I (undiluted) rose in absolute terms by EUR 1.5 billion. The cash capital increase carried out in June 2015 contributed EUR 0.9 billion to this. The revaluation of the investment properties also led to an increase in their value and so to an increase in EPRA NAV I (undiluted) by EUR 0.7 billion.

The EPRA NAV I adjusted for goodwill corresponds to the Adjusted NAV.

EUR m	30/9/2015	31/12/2014
EPRA NAV I (undiluted)	6,814.7	5,326.0
Goodwill GSW	–535.1	–535.1
Adjusted NAV I (undiluted)	**6,279.6**	**4,790.9**
Adjusted NAV I (undiluted) in EUR per share	**18.61**	**16.07**[1]

[1] Takes into account the effects of the capital increase of June 2015 (so-called Scrip Adjustment of approximately 1.01)

In comparison to the end of 2014, financial liabilities have fallen. This is substantially due to repayments from liquid assets as well as to scheduled repayments and also to unscheduled repayments occasioned by asset disposals. Liquidity arising from the corporate bond placed in the third quarter of 2015 was also used for the repayment of financial liabilities.

The liabilities arising from the issue of convertible bonds increased to EUR 892.8 million due to the effects of variations in market value. In nominal terms, the sum owing is EUR 650.0 million.

In July 2015 Deutsche Wohnen AG issued a corporate bond in a nominal amount of EUR 500.0 million with a maturity date in 2020 and a coupon of 1.38 % p.a.

The debt ratio (expressed as Loan-to-Value) developed in comparison to 31 December 2014 as follows:

EUR m	30/9/2015	31/12/2014
Financial liabilities	3,785.7	4,779.0
Convertible bonds	892.8	748.7
Corporate bonds	496.5	0.0
	5,175.0	**5,527.7**
Cash and cash equivalents	–630.2	–396.4
Net financial liabilities	**4,544.8**	**5,131.3**
Investment properties	10,850.7	9,611.0
Non-current assets held for sale	77.2	392.9
Land and buildings held for sale	46.1	58.1
	10,974.0	**10,062.0**
Loan-to-Value Ratio in %	**41.4**	**51.0**

As at the reporting date, the Loan-to-Value Ratio was around 41.4 %. The average interest rate on the credit portfolio, including the convertible bonds and the corporate bond, was approximately 1.8 % as at 30 September 2015 with a hedging rate of approximately 87 %. The convertible bonds are currently "in the money". If they were removed from the calculation, this would result in a Loan-to-Value Ratio of 33 % in mathematical terms.

The other liabilities cover the following items:

EUR m	30/9/2015	31/12/2014
Derivative financial instruments	43.8	145.0
Liabilities to limited partners in funds	6.4	6.3
Trade payables	160.5	138.0
Miscellaneous	62.3	81.4
Total	273.0	**370.7**

The cash flow of the Group breaks down as follows:

EUR m	9M/2015	9M/2014
Cash flow from operating activities	137.0	108.5
Cash flow from investment activity	–27.6	160.1
Cash flow from financing activities	124.4	155.3
Net change in cash and cash equivalents	**233.8**	**423.9**
Opening balance cash and cash equivalents	396.4	196.4
Closing balance cash and cash equivalents	630.2	**620.3**

In the consolidated interim statement as at 30 September 2014, the item cash flow from investment activity contained an incoming payment arising from the sale of non-controlling interests in the amount of EUR 103.1 million. In the report for the equivalent period of the current financial year, this figure is shown in cash flow from financing activities.

The decisive key figure for us, Funds from Operations (FFO I), rose by approximately 37 % in comparison to the corresponding period of the previous year.

EUR m	9M/2015	9M/2014
Profit for the period	**521.7**	**144.9**
Earnings from Disposals	–60.8	–38.8
Depreciation and amortisation	4.1	4.5
Result of the valuation of properties	–705.0	0.0
Fair value adjustment of derivative financial instruments and convertible bonds	139.0	22.0
Non-cash financial expenses	2.5	12.3
Deferred taxes	242.6	9.7
Tax advantage from capital increase costs	7.0	0.4
One-off expenses	83.4	17.8
Subtotal before FFO I attributable to non-controlling interests	**234.5**	**172.8**
FFO I attributable to non-controlling interests	–5.8	–6.5
FFO I	228.7	**166.3**
FFO I per share in EUR	0.73	**0.57** [1]
Average number of shares issued in m	315.3	290.1 [1]
FFO II	289.5	**205.1** [2]
FFO II per share in EUR	0.92	**0.71** [1]
Average number of shares issued in m	315.3	290.1 [1]

[1] Takes into consideration the effects of the capital increase of June 2015 (so-called Scrip-Adjustment of approximately 1.01)
[2] Change of calculation method for previous year

EVENTS AFTER THE REPORTING DATE

On 21 September 2015, Deutsche Wohnen AG announced a takeover offer to the shareholders of LEG Immobilien AG. This offer had the full support of the Management Board and the Supervisory Board. At the same time, an Extraordinary General Meeting was convened for 28 October 2015. Due to the hostile takeover bid from Vonovia – which was announced on 14 October 2015 – and the consequent re-evaluation of the situation by the proxy advisers, it was no longer possible to secure the required majority of 75%. Against this background, the Management Board and the Supervisory Board have decided to cancel the Extraordinary General Meeting. The costs associated with this transaction of around EUR 15 million have been taken into consideration in the nine months report. Costs for breaking off the transaction or the like were not agreed upon and have, therefore, not been incurred.

On 14 October 2015, Vonovia made a takeover offer to the shareholders of Deutsche Wohnen AG. Vonovia is offering the shareholders of Deutsche Wohnen 7 Vonovia shares and a cash payment of EUR 83.14 for 11 Deutsche Wohnen shares. This corresponds to an implicit offer price of EUR 25.86 per Deutsche Wohnen share as of the point in time when the takeover offer was announced. The Management Board and the Supervisory Board of Deutsche Wohnen reject this offer for the following reasons:

- The offer does not reflect the intrinsic value of Deutsche Wohnen.
- The assumptions being made about synergies are unrealistic.
- The share component of the offer leads to a continuing participation of Deutsche Wohnen shareholders in a share with high risk.
- The FFO I advantage is only marginal, measured against the lower growth potential and worse capital efficiency.

Furthermore, current tax law states that, where there is an offer which contains a cash and share component, the cash component becomes tax liable because of a so-called notional dividend. This materially reduces the premium and makes the offer, aside from the points mentioned above, even less attractive.

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

RISK REPORT

With regard to the risks which exist for future business development we refer you to the information presented in the risk report in the consolidated financial statements as at 31 December 2014.

FORECAST

The third quarter of the financial year 2015 was very successful for Deutsche Wohnen in operational terms. The benefits arising from the company's completion of its integration of GSW, its refinancing measures and the acquisitions it has made are now showing their full effect and are developing as planned.

In the area of lettings, the adjustments on the basis of the rent index have for the most part been announced. On the basis of an internal estimate, we are expecting a like-for-like growth in rental income of around 3.5% for the entire portfolio in 2015, and of around 4.0% for Berlin.

In addition, we have firepower in the amount of approximately EUR 1 billion for acquisitions without the need to trouble the equity market and without putting at risk our LTV goal of 45%. Currently, we have a pipeline of approximately EUR 2 billion. The portfolios are located predominantly in Core^{+} regions, with the overwhelming majority in Berlin.

For the financial year 2015 we expect an FFO I of between EUR 285 million and EUR 290 million.

Frankfurt/Main, 10 November 2015

Deutsche Wohnen AG
Management Board

Michael Zahn Chief Executive Officer	Andreas Segal Member of the Management Board	Lars Wittan Member of the Management Board

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

as at 30 September 2015

EUR k	30/9/2015	31/12/2014
ASSETS		
Investment properties	10,850,672	9,610,999
Property, plant and equipment	25,536	25,940
Intangible assets	545,548	546,074
Derivative financial instruments	8	41
Other non-current assets	22,024	28,574
Deferred tax assets	314,885	351,678
Non-current assets	**11,758,673**	**10,563,306**
Land and buildings held for sale	46,094	58,055
Other inventories	3,601	3,481
Trade receivables	22,822	17,704
Income tax receivables	12,167	4,032
Derivative financial instruments	3	13
Other current assets	12,408	10,316
Cash and cash equivalents	630,179	396,398
Subtotal current assets	**727,274**	**489,999**
Non-current assets held for sale	77,239	392,911
Current assets	**804,513**	**882,910**
Total assets	**12,563,186**	**11,446,216**

EUR k	30/9/2015	31/12/2014
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the parent company		
Issued share capital	337,367	294,260
Capital reserve	3,607,458	2,735,911
Retained earnings	2,067,201	1,662,702
	6,012,026	**4,692,873**
Non-controlling interests	212,504	183,192
Total equity	**6,224,530**	**4,876,065**
Non-current financial liabilities	3,700,381	4,509,319
Convertible bonds	892,091	747,424
Corporate bonds	495,207	0
Employee benefit liabilities	62,997	67,655
Derivative financial instruments	33,568	126,418
Other provisions	16,708	17,209
Deferred tax liabilities	790,394	557,896
Total non-current liabilities	**5,991,346**	**6,025,921**
Current financial liabilities	85,352	263,676
Convertible bonds	672	1,234
Corporate bond	1,296	0
Trade payables	160,467	137,987
Liabilities to limited partners in funds	6,418	6,287
Other provisions	10,959	19,217
Derivative financial instruments	10,186	18,543
Tax liabilities	37,289	46,120
Other liabilities	34,671	45,123
Subtotal current liabilities	**347,310**	**538,187**
Financial liabilities regarding non-current assets held for sale	0	6,043
Total current liabilities	**347,310**	**544,230**
Total equity and liabilities	**12,563,186**	**11,446,216**

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the period from 1 January to 30 September 2015

EUR k	9M/2015	9M/2014	Q3/2015	Q3/2014
Income from Residential Property Management	473,105	469,308	159,757	155,939
Expenses from Residential Property Management	–80,078	–83,364	–25,838	–29,661
Earnings from Residential Property Management	**393,027**	**385,944**	**133,919**	**126,278**
Sales proceeds	592,925	205,662	85,824	67,279
Cost of sales	–15,490	–9,088	–3,384	–3,091
Carrying amounts of assets sold	–516,678	–157,780	–67,930	–51,027
Earnings from Disposals	**60,757**	**38,794**	**14,510**	**13,161**
Income from Nursing and Assisted Living	49,852	50,812	16,872	17,011
Expenses from Nursing and Assisted Living	–37,888	–38,411	–12,845	–12,869
Earnings from Nursing and Assisted Living	**11,964**	**12,401**	**4,027**	**4,142**
Corporate expenses	–54,846	–66,777	–18,017	–20,932
Other expenses/income	–34,411	–18,702	–18,034	–11,242
Subtotal	**376,491**	**351,660**	**116,405**	**111,407**
Gains from the fair value adjustment of investment properties	705,012	0	0	0
Depreciation and amortisation	–4,134	–4,547	–1,457	–1,378
Earnings before interest and taxes (EBIT)	**1,077,369**	**347,113**	**114,948**	**110,029**
Finance income	631	666	170	198
Gains/losses from fair value adjustment of derivative financial instruments and convertible bonds	–138,960	–21,952	–87,787	2,045
Gains/losses from companies valuated at equity	1,504	0	572	0
Finance expense	–155,177	–156,358	–49,075	–56,292
Profit before taxes	**785,367**	**169,469**	**–21,172**	**55,980**
Income taxes	–263,661	–24,581	39	–5,693
Profit for the period	**521,706**	**144,888**	**–21,133**	**50,287**
Thereof attributable to:				
Shareholders of the parent company	500,160	138,831	–23,885	47,298
Non-controlling interests	21,546	6,057	2,752	2,989
	521,706	**144,888**	**–21,133**	**50,287**
Earnings per share				
Undiluted in EUR	1.59	0.48	–0.14	0.16
Diluted in EUR	1.59	0.46	–0.04	0.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 30 September 2015

EUR k	9M/2015	9M/2014	Q3/2015	Q3/2014
Profit/loss for the period	**521,706**	**144,888**	**–21,133**	**50,287**
Other comprehensive income				
Items reclassified as expense at a later stage				
Net gain/loss from derivative financial instruments	59,976	–45,443	9,769	–11,652
Income tax effects	–23,070	14,136	–5,766	3,625
	36,906	**–31,307**	**4,003**	**–8,027**
Items not reclassified as expense at a later stage				
Actuarial gains/losses in pensions and impacts of caps for assets	4,252	–7,523	–511	–3,620
Income tax effects	–3,600	2,123	–3,090	1,022
	652	**–5,400**	**–3,601**	**–2,598**
Other comprehensive income after taxes	**37,558**	**–36,707**	**402**	**–10,625**
Total comprehensive income after taxes	**559,264**	**108,181**	**–20,731**	**39,662**
Thereof attributable to:				
Shareholders of the parent company	537,666	102,486	–23,483	36,673
Non-controlling interests	21,598	5,695	2,752	2,989

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 January to 30 September 2015

EUR k	9M/2015	9M/2014
Operating activities		
Profit for the period	521,706	144,888
Finance income	– 631	– 666
Finance expense	155,177	156,358
Gains/losses from companies valuated at equity	– 1,504	0
Income taxes	263,661	24,581
Profit/loss for the period before interest and taxes	**938,409**	**325,161**
Non-cash expenses/income		
Fair value adjustment of investment properties	– 705,012	0
Depreciation and amortisation	4,134	4,547
Fair value adjustment of derivative financial instruments and convertible bonds	138,960	21,952
Other non-cash expenses/income	– 78,563	– 40,853
Change in net working capital		
Change in receivables, inventories and other current assets	– 16,162	6,275
Change in operating liabilities	– 51,816	– 26,550
Net operating cash flows	**229,950**	**290,532**
Interest paid	– 105,910	– 140,750
Interest received	631	666
Taxes paid/received excluding EK-02-payments	12,312	– 3,465
Net cash flows from operating activities before EK-02-payments	**136,983**	**146,983**
EK-02-payments	0	– 38,535
Net cash flows from operating activities	**136,983**	**108,448**
Investment activities		
Sales proceeds	615,612	208,969
Payments for investments	– 649,162	– 48,909
Inflows from investment subsidies	113	157
Proceeds from dividends from shareholdings and joint ventures	179	0
Other proceeds from investment activities	5,682	0
Payments to limited partners in funds	0	– 54
Net cash flows from investment activities	**– 27,576**	**160,163**
Financing activities		
Proceeds from borrowings	20,573	53,260
Repayment of borrowings	– 1,068,741	– 336,186
Proceeds from the issuance of convertible bonds	0	400,000
Payments from the repayment of convertible bonds	0	– 1,912
Proceeds from the issuance of corporate bonds	498,445	0
One-off financing costs	– 94,188	– 5,086
Proceeds from sale of non-controlling interests	16,750	103,090
Proceeds from the capital increase	906,579	0
Costs of the capital increase	– 19,854	– 483
Dividend paid to shareholders of Deutsche Wohnen AG	– 129,873	– 57,428
Dividend paid to shareholders of non-controlling interests	– 5,317	0
Net cash flows from financing activities	**124,374**	**155,255**
Net change in cash and cash equivalents	**233,781**	**423,866**
Opening balance of cash and cash equivalents	**396,398**	**196,423**
Closing balance of cash and cash equivalents	**630,179**	**620,289**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 30 September 2015

EUR k	Issued share capital	Capital reserves	Retained earnings: Pensions	Retained earnings: Reserves for cash flow hedge	Retained earnings: Other reserves	Subtotal	Non-controlling interests	Equity
Equity as at 1 January 2014	**286,217**	**2,601,804**	**–6,177**	**–64,436**	**960,375**	**3,777,782**	**166,492**	**3,944,274**
Profit/loss for the period					144,888	144,888		144,888
Thereof non-controlling interests					–6,057	–6,057	6,057	0
Other comprehensive income after tax			–5,400	–31,307		–36,707		–36,707
Thereof non-controlling interests			8	353		361	–361	0
Total comprehensive income, net of taxes			**–5,392**	**–30,954**	**138,831**	**102,485**	**5,696**	**108,181**
Capital increase	2,981	48,647				51,628		51,628
Costs of capital increase, less tax effect		–868				–868		–868
Change in non-controlling interests					–6,354	–6,354	63,262	56,908
Dividend paid					–57,428	–57,428		–57,428
Others					–8,524	–8,524		–8,524
Equity as at 30 September 2014	**289,198**	**2,649,583**	**–11,569**	**–95,390**	**1,026,900**	**3,858,721**	**235,450**	**4,094,171**
Equity as at 1 January 2015	294,260	2,735,911	–14,216	–59,691	1,736,609	4,692,872	183,193	4,876,065
Profit/loss for the period					521,706	521,706		521,706
Thereof non-controlling interests					–21,546	–21,546	21,546	0
Other comprehensive income after tax			651	36,906		37,557		37,557
Thereof non-controlling interests			6	–58		–52	52	0
Total comprehensive income, net of taxes			**657**	**36,848**	**500,160**	**537,665**	**21,598**	**559,263**
Capital increase	43,107	885,077				928,184		928,184
Costs of capital increase, less tax effect		–14,960				–14,960		–14,960
Capital contribution relating to the remuneration of the Management Board		1,430				1,430		1,430
Change in non-controlling interests					–3,858	–3,858	7,713	3,855
Dividend paid					–129,873	–129,873		–129,873
Others					566	566		566
Equity as at 30 June 2015	337,367	3,607,458	–13,559	–22,843	2,103,604	6,012,026	212,504	6,224,530

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

General information

Deutsche Wohnen AG is a publicly listed property company. It is based in Germany and operates nationwide. It has its registered office in Frankfurt/Main, Pfaffenwiese 300, and is entered in the commercial register of the District Court of Frankfurt/Main under HRB 42388. The business activities of Deutsche Wohnen AG are limited to its role as the holding company for the companies in the Group. These activities include, in particular, the following functions: Asset Management, Legal, Corporate Finance, Investor Relations, Communication and Human Resources. The operational subsidiaries focus on the areas of Residential Property Management, Disposals, and Nursing and Assisted Living. Consistent with its business strategy, the company concentrates on residential and nursing properties in dynamic conurbations and metropolitan areas in Germany, for example Greater Berlin, the Rhine-Main region with Frankfurt/Main, and the Rhineland with a focus on Dusseldorf, and in stable conurbations like Hanover/Brunswick/Magdeburg.

The consolidated interim financial statements are presented in euros (EUR). Unless otherwise stated, all figures are rounded to the nearest thousand (EUR k) or the nearest million (EUR m). 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 condensed consolidated interim financial statements for the period from 1 January to 30 September 2015 were prepared in accordance with International Accounting Standards (IAS) 34 for interim reporting as applicable in the European Union. The condensed consolidated interim financial statements have neither been audited nor subjected to an 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 2014.

The consolidated interim financial statements have been prepared in principle on a historical cost basis with the exception of, in particular, investment properties, the convertible bonds and derivative financial instruments, which are measured at fair value.

The consolidated interim financial statements include the financial statements of Deutsche Wohnen and its subsidiaries as at 30 September 2015. The financial statements of the subsidiaries are prepared using consistent accounting and valuation methods as at the same reporting date as the financial statements of the parent company.

The preparation of the consolidated interim financial statements requires the management to make judgements, estimates and assumptions which 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 basically unaffected by seasonal influences and economic cycles.

In the first nine months of 2015, the shareholding of Deutsche Wohnen AG in GSW Immobilien AG increased from its original level of 93.085 % as at 31 December 2014 to 93.796 % as at 30 September 2015. This change is due to the acquisitions by Deutsche Wohnen AG of 0.711 % of the shares of GSW Immobilien AG in exchange for newly issued shares of Deutsche Wohnen AG in the context of the put-option rights arising from the Domination Agreement between GSW Immobilien AG (controlled company) and Deutsche Wohnen AG (controlling company).

In addition, three newly acquired companies in the segment of Residential Property Management were fully consolidated in the third quarter 2015 - two of these with the legal form of a German limited liability company (GmbH) and one with the legal form of a Dutch limited liability company (B.V.). These companies are residential property companies without independent business operations. Apart from this, there have been no changes to the consolidated companies.

Changes to accounting policies and valuation methods

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

In the first nine months of the financial year 2015 the new standards and interpretations which must be applied for financial years commencing after 1 January 2015 were applied in full. This did not have any significant consequences.

Due to the obligation to apply IFRIC 21 ("Levies") for the first time, there were immaterial changes in comparison to 31 December 2014 in the balance sheet statement of receivables from lettings and other liabilities that relate to apportionable land taxes.

Selected notes on the consolidated balance sheet

Investment properties comprise 87 % of the assets of the Deutsche Wohnen Group. As at 30 June 2015 these investment properties underwent a detailed internal valuation and were recorded in the balance sheet at attributable fair value. The applied methodology corresponded to the approach that was used in the valuation as at 31 December 2014.

In parallel, the holdings were valued by CB Richard Ellis GmbH, Frankfurt/Main, and their total value confirmed. The deviation in value between internal and external valuation is for an individual property not greater than +/– 10 % insofar as an absolute materiality limit of +/– EURk 250 is exceeded. Overall, CB Richard Ellis deviates from Deutsche Wohnen's internal valuation by around – 0.2 %.

For the valuation (Level 3 of the fair value hierarchy – valuation on the basis of valuation models) as at 30 June 2015 the relevant principles were applied consistently in the same way as they were as at 31 December 2014.

The following table shows the average of the non-observable input factors (Level 3) - for the developed plots - which were included in the internal valuation:

			Core+	Core	Non-Core
30/6/2015	Berlin	Other	Total	Total	Total
In-place rent (EUR/sqm)	5.75	6.20	5.84	5.36	4.80
Rental growth p.a. (%)	2.18	1.72	2.09	1.01	0.71
Vacancy rate (%)	1.7	2.3	1.8	3.3	3.8
Multiplier	17.8	15.6	17.3	13.4	11.9
Discount factor (%)	5.8	6.4	5.9	6.5	7.1
Capitalisation factor (%)	4.7	5.3	4.9	5.4	6.0

An adjustment to the key valuation parameters (rental growth 20 % less than planned; increase of 0.1 % in the discount interest rate; increase of 0.1 % in the capitalisation interest rate), results in the following non-cumulated value adjustments related to the carrying amount of the properties:

			Core+	Core	Non-Core
30/6/2015	Berlin	Other	Total	Total	Total
Rental growth (%)	– 3.71	– 2.70	– 3.51	– 2.09	– 1.47
Discount factor (%)	– 0.74	– 0.70	– 0.74	– 0.81	– 0.74
Capitalisation factor (%)	– 1.30	– 1.02	– 1.24	– 1.16	– 0.74

As a result, there are positive effects in an approximately equivalent amount insofar as valuation parameters develop positively.

As at 31 December 2014 the following input parameters were used:

			Core+	Core	Non-Core
31/12/2014	Berlin	Other	Total	Total	Total
In-place rent (EUR/sqm)	5.66	6.14	5.75	5.32	4.82
Rental growth p.a. (%)	2.16	1.64	2.06	0.74	0.32
Vacancy rate (%)	1.7	2.3	1.9	3.7	4.4
Multiplier	16.2	15.3	16.0	12.8	11.6
Discount factor (%)	6.2	6.4	6.2	6.6	7.2
Capitalisation factor (%)	5.1	5.3	5.2	5.6	6.0

An adjustment to the key valuation parameters (rental growth 20 % less than planned; increase of 0.1 % in the discount interest rate; increase of 0.1 % in the capitalisation interest rate), results in the following non-cumulated value adjustments related to the carrying amount of the properties:

			Core+	Core	Non-Core
31/12/2014	Berlin	Other	Total	Total	Total
Rental growth (%)	–3.46	–2.60	–3.29	–1.41	–0.50
Discount factor (%)	–0.92	–0.75	–0.88	–0.68	–0.50
Capitalisation factor (%)	–1.42	–1.09	–1.35	–1.05	–1.16

The item "Intangible assets" covers, in addition to software and licences, the goodwill in the amount of EUR 535.1 million which resulted from the GSW transaction (financial year 2013).

The derivative financial instruments are interest hedges recorded at fair value. These hedges were not concluded for speculative purposes but solely in order to minimise the interest rate risks and consequent cash flow risks of variable-rate loans. The negative market value (net), which was ascertained on the basis of the mark-to-market method, has fallen in comparison to 31 December 2014 from EUR 145.0 million (net) to EUR 43.8 million (net) – mainly because of the cancellation of interest hedges in the context of the refinancing carried out in the first nine months of 2015.

All other financial assets (trade receivables, other current assets, and cash and cash equivalents) as well as the other financial liabilities (current and non-current financial liabilities, trade payables and other liabilities) are valued at amortised cost. The amortised costs of these assets and liabilities also correspond closely to the fair value of these assets and liabilities.

The developments in equity can be found in the consolidated statement of changes in equity on page 22.

Financial liabilities have decreased in comparison to 31 December 2014 particularly because of the repayment of loans.

The convertible bonds are recorded at attributable fair value on the basis of their period-end conversion rate. The carrying amounts have increased in comparison to 31 December 2014 mainly because of the re-evaluation. The current conversion price of the convertible bond issued by Deutsche Wohnen AG in 2013 is EUR 17.7877. The nominal sum owing is EUR 250.0 million. The current conversion price of the convertible bond issued by Deutsche Wohnen AG in September 2014 is EUR 21.412. The nominal sum owing is EUR 400.0 million.

The employee benefit liabilities were valued as at the reporting date with a discount rate of 2.40 % p.a. (31 December 2014: 1.96 % p.a.). This rate derives from the yield of fixed-interest rate corporate bonds.

Selected notes on the consolidated profit and loss statement

Revenues from Residential Property Management are made up as follows:

EUR m	9M/2015	9M/2014
Potential gross rental income	483.6	479.8
Subsidies	3.8	5.4
	487.4	485.2
Vacancy losses	– 14.3	– 15.9
	473.1	469.3

The expenses for Residential Property Management are made up as follows:

EUR m	9M/2015	9M/2014
Maintenance costs	– 58.9	– 61.4
Non-recoverable operating expenses	– 9.4	– 9.9
Rental loss	– 4.6	– 5.8
Other income/expenses	– 7.2	– 6.3
	– 80.1	– 83.4

The Earnings from Disposals include sales proceeds, cost of sales and carrying amounts of investment properties sold and certain land and buildings held for sale.

Earnings from the segment Nursing and Assisted Living are made up as follows:

EUR m	9M/2015	9M/2014
Income from Nursing and Assisted Living	49.9	50.8
Nursing and corporate costs	– 12.7	– 13.4
Staff expenses	– 25.2	– 25.0
	12.0	12.4

Financial expenses are made up as follows:

EUR m	9M/2015	9M/2014
Current interest expenses	– 94.9	– 138.9
Accrued and discounted interest on liabilities and pensions	– 2.5	– 12.3
One-off financing costs	– 57.7	– 5.1
	– 155.1	– 156.3

Notes on the consolidated statement of cash flows

The other non-cash expenses/income mainly comprise carrying amount gains from disposals.

The consolidated interim report as at 30 September 2014 recorded under cash flow from investment activities an incoming payment from the sale of non-controlling interests in the amount of EUR 103.1 million. In the equivalent period in this consolidated interim report, this item is shown under cash flow from financing activities.

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

Notes on segment reporting

The following table shows the segment revenues and the segment results for the Deutsche Wohnen Group:

	External revenue		Internal revenue		Total revenue	
EUR m	9M/2015	9M/2014	9M/2015	9M/2014	9M/2015	9M/2014
Segments						
Residential Property Management	473.1	469.3	10.5	4.2	483.6	473.5
Disposals	592.9	205.7	6.0	3.3	598.9	209.0
Nursing and Assisted Living	49.9	50.8	0.0	0.0	49.9	50.8
Reconciliation with consolidated financial statement						
Central function and other operating activities	1.3	5.3	54.6	35.7	55.9	41.0
Consolidations and other reconciliations	–1.3	–5.3	–71.1	–43.2	–72.4	–48.5
	1,115.9	**725.8**	0.0	**0.0**	1,115.9	**725.8**

	Segment earnings		Assets	
EUR m	9M/2015	9M/2014	30.9.2015	31.12.2014
Segments				
Residential Property Management	393.0	385.9	11,414.1	10,167.4
Disposals	60.8	38.8	128.0	457.1
Nursing and Assisted Living	12.0	12.4	13.9	14.3
Reconciliation with consolidated financial statement				
Central function and other operating activities	–89.3	–85.4	680.1	451.7
Consolidations and other reconciliations	0.0	0.0	0.0	0.0
	376.5	**351.7**	12,236.1	**11,090.5**

Other information

Associated parties and companies

The position of Michael Zahn as Chairman of the Supervisory Board of GEHAG GmbH, Berlin, ended as at 23 March 2015.

On 2 June 2015 Michael Zahn was elected as Chairman of the Supervisory Board and Andreas Segal as the Vice-Chairman of GSW Immobilien AG, Berlin.

Apart from the above, there have been no significant changes to associated parties and/or companies in comparison to the information provided as at 31 December 2014.

Risk report

With regard to the risks which exist for future business development we refer you to the information presented in the risk report in the consolidated financial statements as at 31 December 2014.

Frankfurt/Main, 10 November 2015

Deutsche Wohnen AG
Management Board

Michael Zahn Chief Executive Officer	Andreas Segal Member of the Management Board	Lars Wittan Member of the Management Board

RESPONSIBILITY STATEMENT

"We hereby declare that, to the best of our knowledge, the consolidated interim financial statements as at 30 September 2015 give a true and fair view of the earnings, financial and assets position of the Group in accordance with the applicable accounting standards, and that the interim report presents a true and 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 November 2015

Deutsche Wohnen AG
Management Board

Michael Zahn Chief Executive Officer	Andreas Segal Member of the Management Board	Lars Wittan Member of the Management Board

Disclaimer
This interim report contains statements of a predictive nature, and such statements involve risks and imponderables. In future, the actual development of the business and the results of Deutsche Wohnen AG and of the Group may in certain circumstances deviate substantially 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 AG. This interim report does not create an obligation to update the statements it contains. Due to rounding some of the figures shown in the tables of this interim report do not add up exactly to the total figures shown, and some of the percentages do not add up exactly to the subtotals or to 100%.

FINANCIAL CALENDAR

20/11/2015	Deutsche Wohnen Capital Markets Day, Berlin
30/11 – 1/12/2015	Berenberg Mid Cap Conference, London
1 – 2/12/2015	UBS European Real Estate Conference, London
18/3/2016	Publication of Consolidated / Annual Financial Statements 2015 – Annual Report 2015
13/5/2016	Publication of Interim Report as at 31 March 2016/1st quarter results
12/8/2016	Publication of Interim Report as at 30 June 2016/half-year results
15/11/2016	Publication of Interim Report as at 30 September 2016/nine-months results

CONTACT AND IMPRINT

Torsten Klingner
Director Investor Relations

Phone +49 (0)30 897 86 5413
Fax +49 (0)30 897 86 5419

Berlin office
Deutsche Wohnen AG
Mecklenburgische Straße 57
14197 Berlin, Germany

Published by
Deutsche Wohnen AG, Frankfurt/Main, Germany

Concept and design
HGB Hamburger Geschäftsberichte GmbH & Co. KG,
Hamburg, Germany

The Interim Report is available in German and English. Both versions are available for download at www.deutsche-wohnen.com.

The German version of this report is legally binding. The company cannot be held responsible for any misunderstanding or misinterpretation arising from this translation.