

Consolidated
Interim Statement
as of
30 September 2018

DEUTSCHE
WOHNEN



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2	Group key figures
3	Group interim management report
18	Consolidated interim financial statements
25	Further information

Group key figures

Profit and loss statement		9M 2018	9M 2017	Change
Rental income	EUR m	585.0	553.4	5.7%
Earnings from Residential Property Management	EUR m	500.2	461.6	8.4%
Earnings from Disposals	EUR m	13.5	28.5	-52.6%
Earnings from Nursing and Assisted Living	EUR m	37.6	36.9	1.9%
Corporate expenses	EUR m	-63.8	-58.1	9.8%
EBITDA	EUR m	484.4	463.6	4.5%
EBT (adjusted)	EUR m	401.2	368.5	8.9%
EBT (as reported)	EUR m	1,018.4	1,043.8	-2.4%
Earnings after taxes	EUR m	756.7	706.0	7.2%
Earnings after taxes ¹	EUR per share	2.06	1.93	6.5%
FFO I	EUR m	367.1	330.0	11.2%
FFO I (undiluted) ¹	EUR per share	1.03	0.94	9.6%
FFO I (diluted) ²	EUR per share	1.03	0.89	15.7%
FFO II	EUR m	380.6	358.5	6.2%
FFO II (undiluted) ¹	EUR per share	1.07	1.02	4.9%
FFO II (diluted) ²	EUR per share	1.07	0.97	10.3%
		30/09/2018	31/12/2017	Change
Balance sheet				
Investment properties	EUR m	21,220.1	19,628.4	1,591.7
Current assets	EUR m	1,337.1	772.9	564.2
Equity	EUR m	10,776.4	10,211.0	565.4
Net financial liabilities	EUR m	7,917.3	6,883.6	1,033.7
Loan-to-value ratio (LTV)	in %	36.5	34.5	2.0
Total assets	EUR m	22,750.9	20,539.4	2,211.5
Share				
Share price (closing price)	EUR per share	41.32	36.46	13.3%
Number of shares	m	356.92	354.67	2.25
Market capitalisation	EUR bn	14.7	12.9	14.0%
Net asset value (NAV)				
EPRA NAV (undiluted)	EUR m	13,477.7	12,676.8	800.9
EPRA NAV (undiluted)	EUR per share	37.76	35.74	5.7%
Fair values				
Fair value real estate properties ³	EUR m	20,098	18,864	1,234
Fair value per sqm living and usable space ³	EUR per sqm	1,975	1,886	4.7%

¹ Based on an average of approximately 355.28 million issued shares in 2018 and approximately 351.26 million in 2017

² Based on an average of approximately 355.28 million issued shares in 2018 and approximately 370.71 million in 2017; assuming conversion of "in the money" convertible bonds in each case

³ Only includes residential and commercial buildings, without Nursing and Assisted Living

Group interim management report

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

The property portfolio comprises approximately 166,000 residential and commercial units and has a fair value of some EUR 20.1 billion. It also includes nursing properties with a fair value of around EUR 0.8 billion comprising approximately 7,440 beds and apartments for assisted living. The focus of our investment is on residential properties in metropolitan areas and conurbations in Germany. Economic growth, positive net immigration and insufficient new building activity in these regions form a very good basis for the further development of the portfolio value. We see the addition of nursing and commercial properties as another growth area, particularly in view of demographic trends.

German economy remains on a growth trajectory

The DIW Berlin (German Institute for Economic Research) estimates that the German economy will continue to grow over the next three years. Growth of 1.8% is forecast for 2018. The pace of growth will slow, however, easing the tight supply situation over the course of the forecast period. This is due to a weaker global economic trend and a reduction in demand for capital goods. The domestic economy still continues to buoy up developments, with internal demand playing a key role in driving growth. Consumer spending and the construction boom are both contributing factors here. The labour market is also benefiting and the unemployment rate is expected to fall from its current figure of 5.2% to less than 5% as soon as next year.

Workers are also receiving higher pay rises, meaning that households have more disposable income in spite of inflation. The rise in oil prices on the global market contributed towards the general price increase and was magnified by the euro's devaluation against the US dollar. Inflation is expected to stand at 1.9% this year and 2.0% next year.¹

Persistent pressure on European stock markets

German and European shares put in a below-average performance in the third quarter. The weak purchasing managers' indices for Germany and the eurozone, Germany's disappointing economic data and growing political uncertainty in the country all had a negative impact on the stock markets.

The DAX lost 0.5% to close the third quarter at 12,247 points, while the MDAX rose by 0.6% and the Stoxx 50 in Europe gained 0.8%. In the USA, by contrast, the reporting season drove the stock markets to new all-time highs, taking the S&P 500 over 2,900 points for the first time.

Economic data development in the eurozone is losing momentum

The provisional Purchasing Managers' Index for the eurozone dropped to 53.3 in September, while the index for Germany tumbled to a 25-month low of 53.7. Incoming orders in Germany were down by 4% month on month in June – the sharpest drop for a year and a half.

As of October, the ECB reduced its monthly bond purchases from EUR 30 billion to EUR 15 billion until the end of the year. According to Mario Draghi, President of the ECB, there is now less uncertainty surrounding the inflation forecast for the eurozone. Draghi has also confirmed that the base rate will remain unchanged until at least summer 2019.

Deutsche Wohnen on the capital market

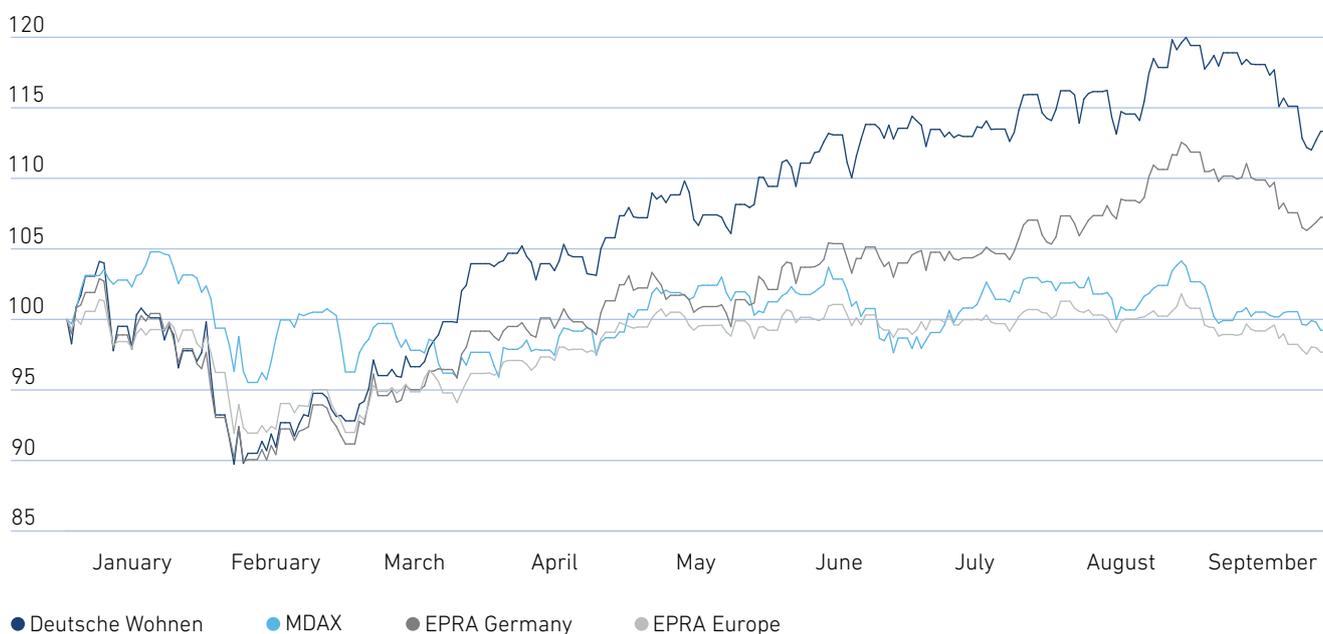
¹ DIW: baseline of economic development in autumn 2018

Deutsche Wohnen share outperforms benchmark indices again

The Deutsche Wohnen share finished the first nine months of 2018 with a closing price of EUR 41.32, representing an increase of approximately 13% compared with the beginning of the year. The share once again clearly outperformed Germany's DAX (-5%) and MDAX (-1%) indices. The property index EPRA Germany registered a 7% increase in the reporting period, while EPRA Europe was down 2% in the same period.

As of the end of the third quarter of 2018, the market capitalisation of Deutsche Wohnen SE rose year on year by almost 16%, taking it to EUR 14.7 billion. Average daily turnover via the Xetra platform grew again by roughly 8% from EUR 26.9 million in the first nine months of 2017 to EUR 29.0 million in the first nine months of 2018. The average Xetra trading volume for the Deutsche Wohnen share was 751,566 per day. An average of 777,762 shares a day were also traded on alternative platforms.

Share price performance, 9M 2018 (indexed)



Key figures for the share	9M 2018	9M 2017
Number of shares in m	approx. 356.91	approx. 354.67
Closing price at end of 9M ¹ in EUR	41.32	35.92
Market capitalisation in EUR bn	approx. 14.7	approx. 11.5
9-month high ¹ in EUR	43.75	36.50
9-month low ¹ in EUR	32.72	28.71
Average daily Xetra trading volume ²	751,566	814,365

¹ Closing price via Xetra

² Shares traded

Source: Bloomberg, as of: 28/09/2018

Broad analyst coverage

A total of 30 analysts are currently² monitoring the performance of Deutsche Wohnen SE. Current² price targets range from EUR 36.02 to EUR 53.00 per share. Sixteen analysts have set a target price equal to or above EUR 43.00 per share. The consensus of all analyst opinions is EUR 43.80² per share, or some 6% above the closing price for the end of the first nine months of 2018.

Rating	Number
Buy/Outperform/Overweight	14
Equal Weight/Hold/Neutral	14
Sell	1
Not specified	1

Intensive dialogue with analysts and investors

Deutsche Wohnen maintains intensive dialogue with its shareholders and investors and makes particular use of conferences and roadshows on the national and international stage. In the first nine months of 2018, Deutsche Wohnen presented its business model at roadshows and investors' conferences in New York, London, Paris, Amsterdam, Brussels, Helsinki and elsewhere. Further conferences and roadshows are planned for the fourth quarter of 2018.

For more details, please refer to the financial calendar on page 26. This is regularly updated on our Investor Relations website.

The property portfolio of Deutsche Wohnen comprised some 163,100 residential and approximately 2,600 commercial units as of 30 September 2018. A total of 99% of our properties are situated in strategic core and growth regions. Our principal region is Greater Berlin, which accounts for 71% of the apartments in the total portfolio (by number of residential units).

Average monthly rental income (residential) for the total portfolio was EUR 6.55 per sqm as of 30 September 2018 (previous year: EUR 6.33 per sqm) with an average vacancy rate of 2.1% (previous year: 2.1%). Around 0.5% of vacancies are due to investments.

Property portfolio

Property portfolio

30/09/2018					Residential	Commercial	
	Residential units number	Area in sqm k	Share of total portfolio (RU) in %	In-place rent ¹ EUR/sqm	Vacancy in %	Commercial units number	Area in sqm k
Strategic core and growth regions	161,800	9,747	99.2	6.56	2.1	2,557	353
Core*	142,872	8,578	87.6	6.66	2.1	2,362	322
Greater Berlin	115,478	6,873	70.8	6.62	2.1	1,834	219
Rhine-Main	9,912	596	6.1	7.85	1.9	124	26
Dresden/Leipzig	6,403	421	3.9	5.87	3.2	309	49
Rhineland	5,382	338	3.3	6.35	1.0	34	14
Mannheim/Ludwigshafen	4,754	296	2.9	6.05	2.8	44	12
Other Core*	943	54	0.6	10.48	0.6	17	1
Core	18,928	1,169	11.6	5.83	2.4	195	31
Hanover/Brunswick	9,127	589	5.6	5.92	2.2	87	14
Kiel/Lübeck	4,946	293	3.0	5.90	2.7	13	2
Other Core	4,855	287	3.0	5.58	2.6	95	15
Non-Core	1,257	84	0.8	4.89	5.2	20	4
Total	163,057	9,831	100.0	6.55	2.1	2,577	357

¹ Contractual owed rent for rented residential units divided by rental area

Portfolio development

Acquisitions

In 2018 we have, to date, acquired and registered ownership of some 5,600 residential and commercial units for a total purchase price of some EUR 980 million, almost exclusively in Core* markets. Approximately 2,600 of these units are in Berlin, while some 2,700 are located in Dresden and Leipzig. As of 30 September 2018, risks and rewards had been transferred for around 3,100 units.

Disposals

A total of 586 residential units were sold and the associated risks and rewards transferred in the first nine months. Of these, 264 were sold in connection with privatisation while institutional sales accounted for 322. A large proportion of the institutional sales – 226 units – related to properties in Kaiserslautern. Furthermore, around 850 units in Lutherstadt Wittenberg were sold for a price far above their carrying amount in the interests of portfolio optimisation. After taking this portfolio sale into account, the non-core holdings consist of just 380 units.

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

Operating performance

The following overview shows the development of in-place rents and vacancies on a like-for-like basis, i.e. only for residential holdings that were managed continuously by the company in the past twelve months.

Like-for-like

		30/09/2018	30/09/2017		30/09/2018	30/09/2017
	Residential units	In-place rent ¹	In-place rent ¹	Development	Vacancy	Vacancy
	number	EUR/sqm	EUR/sqm	in %	in %	in %
Total	159,410	6.54	6.32	3.5	2.0	2.0
Letting portfolio²	155,293	6.56	6.34	3.5	1.9	1.9
Core*	137,053	6.66	6.43	3.6	1.9	1.9
Greater Berlin	112,472	6.62	6.37	3.8	1.9	1.9
Rhine-Main	9,137	7.82	7.59	3.1	1.4	1.8
Dresden/Leipzig	5,056	5.79	5.64	2.6	2.5	3.6
Rhineland	4,908	6.35	6.22	2.1	0.8	0.6
Mannheim/Ludwigshafen	4,537	6.05	5.99	1.1	2.0	1.3
Other Core*	943	10.48	10.41	0.7	0.6	0.4
Core	18,240	5.83	5.65	3.2	2.4	2.2
Hanover/Brunswick	8,646	5.91	5.74	2.9	2.2	1.9
Kiel/Lübeck	4,945	5.90	5.59	5.5	2.7	2.3
Other Core	4,649	5.59	5.51	1.4	2.5	2.7

¹ Contractually owed rent for residential units divided by rental area

² Excluding disposal and non-core properties

Like-for-like growth amounted to 3.5% in the letting portfolio and 3.8% in Greater Berlin. Rental growth of the last twelve months has been influenced by the Berlin rent index published in May 2017, which was primarily implemented in the second half-year. We anticipate like-for-like rental growth of around 3% for the letting portfolio in the 2018 financial year.

At 1.9%, the vacancy rate in the letting portfolio remained low (previous year: 1.9%).

Portfolio investments

In the first nine months of 2018, we invested a total of EUR 257.8 million or EUR 34.06 per sqm (previous year: EUR 216.2 million or around EUR 29.03 per sqm) in the maintenance and modernisation of the property portfolio. Investments here will continue to increase in future in view of our extensive modernisation programme.

The following table shows expenses for maintenance and modernisation in the reporting period compared with a year ago:

EUR m	9M 2018	9M 2017
Maintenance	67.0	74.1
in EUR per sqm p.a.	8.85 ¹	9.95
Modernisation	190.8	142.1
in EUR per sqm p.a.	25.21 ¹	19.08
Maintenance and modernisation	257.8	216.2
in EUR per sqm p.a.	34.06 ¹	29.03

¹ Based on average area on a quarterly basis in the respective reporting period (annualised)

Nursing properties

The Nursing and Assisted Living segment comprises 59 nursing properties with a total of approximately 7,500 beds. Of these nursing properties, 58 are owned by Deutsche Wohnen. We have two different business models for our nursing properties: some of our nursing homes are managed by KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH together with subsidiaries, in which we hold a 49% stake. The others are managed on long-term contracts by various other operators.

Furthermore, the company acquired and registered a total of 30 additional nursing facilities with some 4,700 beds. Nearly 90% of the properties are located in attractive metropolitan areas, the majority of them in Hamburg (13 facilities). To manage the Hamburg facilities, the company initially took a minority interest in PFLEGEN & WOHNEN HAMBURG GmbH. The other 17 facilities are let to well-known operators on long leases. The obligations from purchase agreements total approximately EUR 680 million. This corresponds to a return based on the anticipated EBITDA of almost 5% following the properties' integration. The transfer of risks and rewards took place on 1 October 2018.

Nursing properties operated by KATHARINENHOF®

	Facilities	Beds			Occupancy 30/09/2018 ² in %
		Nursing	Assisted living	Total ¹	
Federal state	number	number	number	number	
Greater Berlin	12	1,070	371	1,441	98.6
Saxony	8	522	56	578	100.0
Hamburg region	4	466	157	623	94.9
Total KATHARINENHOF® facilities	24	2,058	584	2,642	98.0

Nursing properties with other operators

	Facilities	Beds			WALT ³
		Nursing	Assisted living	Total	
Federal state	number	number	number	number	
Bavaria	13	1,576	34	1,610	11.3
North Rhine-Westphalia	5	721	187	908	12.0
Lower Saxony	4	661	0	661	9.4
Rhineland-Palatinate	4	409	208	617	11.6
Baden-Württemberg	5	557	16	573	12.2
Other	4	447	48	495	9.4
Total other operators	35	4,371	493	4,864	11.2
Total nursing	59	6,429	1,077	7,506	

¹ In addition, KATHARINENHOF® currently has the capacity to care for 361 outpatients; total figure excludes 62 day-care places

² Excluding the newly built KATHARINENHOF® AM ALBERTPARK facility in Chemnitz which began operating in May 2018

³ Weighted average lease term

Financial performance

The following overview shows the business performance of the individual segments, as well as other items of the consolidated income statement for the first nine months of the financial year 2018 compared with the same period the previous year:

EUR m	9M 2018	9M 2017
Earnings from Residential Property Management	500.2	461.6
Earnings from Disposals	13.5	28.5
Earnings from Nursing and Assisted Living	37.6	36.9
Corporate expenses	-63.8	-58.1
Other expenses/income	-3.1	-5.3
Operating result (EBITDA)	484.4	463.6
Depreciation and amortisation	-6.0	-5.2
Adjustment to the fair value of investment properties	677.5	885.9
Gains/losses from companies valued at equity	1.2	1.3
Financial result	-138.7	-301.8
Earnings before taxes (EBT)	1,018.4	1,043.8
Current taxes	-31.4	-30.2
Deferred taxes	-230.3	-307.6
Profit/loss for the period	756.7	706.0

Profit for the period rose year on year by EUR 50.7 million to EUR 756.7 million. This was mainly attributable to higher earnings from Residential Property Management and the improved financial result.

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

EUR m	9M 2018	9M 2017
Earnings before taxes	1,018.4	1,043.8
Gains/losses from the valuation of properties	-677.5	-885.9
Gains/losses from fair value adjustments to derivative financial instruments and convertible bonds	55.2	178.3
One-off expenses and earnings	5.1	32.3
Adjusted earnings before taxes	401.2	368.5

One-off expenses and earnings for the first nine months of the 2018 financial year consist primarily of project and transaction-related expenses. In the same period of the previous year, one-off expenses and earnings predominantly comprised expenses incurred for the early redemption of loans and interest rate hedging products and in connection with the issue of a convertible bond.

Notes on the financial performance and financial position

Earnings from Residential Property Management

Earnings from Residential Property Management rose year on year by EUR 38.6 million or 8.4% to EUR 500.2 million.

EUR m	9M 2018	9M 2017
Contracted rental income	585.0	553.4
Income from operating costs	266.7	252.3 ²
Rental income	851.7	805.7
Operating costs	-273.8	-260.3 ²
Rental loss	-5.2	-4.3
Maintenance	-67.0	-74.1
Other	-5.5	-5.4
Earnings from Residential Property Management	500.2	461.6
Staff, general and administration expenses	-35.7	-33.0
Operating result (NOI)	464.5	428.6
NOI margin in %	79.4	77.4
NOI in EUR per sqm and month ¹	5.11	4.80
Change in %	6.5	

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

² Previous year's figure altered due to first-time application of IFRS 15. The application of IFRS 15 as of 1 January 2018 means that income from invoicing operating costs and expenses for operating costs, which in prior years were presented on a net basis as non-refundable operating costs, are now shown on a gross basis.

Acquisitions and rent increases in the portfolio resulted in an increase in contract rental income of nearly 5.7% compared with the first nine months of the previous year.

The NOI margin rose mainly due to lower maintenance expenses. At the end of the year we expect a similar level to the previous year.

Earnings from Disposals

A total of 1,945 units were sold up to 30 September 2018. The transfer of risks and rewards is expected to take place in 2018. Of the total, 391 units were sold on the basis of contracts signed in 2017.

	Units number	Transaction volume EUR m	IFRS carrying amount of assets sold EUR m	Gross margin	
				EUR m	in %
Privatisation	399	72.6	51.9	20.7	40
Institutional sales	1,546	103.9	75.9	28.0	37
	1,945	176.5	127.8	48.7	38

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

The institutional sale of approximately 850 units in Lutherstadt Wittenberg was mainly responsible for increasing the gross margin in the first nine months of 2018 to 37%.

Of the 1,945 units sold, the transfer of risks and rewards for 586 took place in the first nine months of the 2018 financial year (previous year period: 2,174) and so are recognised in earnings from Disposals.

EUR m	9M 2018	9M 2017
Sales proceeds	78.6	199.5
Cost of sales	-5.5	-6.2
Net sales proceeds	73.1	193.3
Carrying amount of assets sold	-59.6	-164.8
Earnings from Disposals	13.5	28.5

Sales prices for privatised apartments came to an average of EUR 2,463 per sqm in the first nine months of 2018 (previous year period: EUR 2,047 per sqm).

Earnings from Nursing and Assisted Living

In addition to nursing properties, the Nursing and Assisted Living business segment primarily comprises our investment in the KATHARINENHOF® Group, which managed 24 facilities in the first nine months of the 2018 financial year. Of these, 23 are owned by Deutsche Wohnen and were held in the balance sheet at a fair value of EUR 269.5 million on the reporting date. A newly built home with 90 beds in Chemnitz (Saxony) opened on 1 May 2018.

Earnings in the Nursing and Assisted Living segment from the properties managed by the KATHARINENHOF® Group came to EUR 17.1 million before rental expenses (EBITDAR) for the first nine months of the financial year 2018. This represents an EBITDAR margin of 23.4%. Operating EBITDA after lease expenses stood at EUR 5.6 million (previous year period: EUR 6.3 million).

A further 35 nursing properties with a fair value of EUR 516.6 million are owned by Deutsche Wohnen. These are let to other well-known operators. Of the 35 properties, seven were acquired as of 1 May 2018, meaning that lease income from those properties is included in the earnings figure pro rata temporis for a five-month period. EBITDA from properties totalled EUR 32.0 million (previous year period: EUR 30.6 million).

The following overview shows income and expenses for the Nursing and Assisted Living segment:

EUR m	9M 2018	9M 2017
Income		
Nursing care	40.5	38.3 ¹
Rental income	22.9	22.1 ¹
Lease income	22.1	20.5
Internal lease income	11.2	10.9
Other	9.6	9.0
	106.3	100.8
Expenses		
Nursing and corporate expenses	-17.3	-15.8
Staff expenses	-40.1	-36.9
Leased properties	-0.1	-0.3
Internal lease expenses	-11.2	-10.9
	-68.7	-63.9
Earnings from Nursing and Assisted Living	37.6	36.9

¹ Previous year's figure altered due to first-time application of IFRS 15. Nursing services and rental income are presented separately, regardless of whether they arise in full in-patient care facilities (shown under "Nursing" last year) or in assisted living (shown under "Residential" last year).

Corporate expenses

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

EUR m	9M 2018	9M 2017
Staff expenses	-42.1	-37.6
Long-term remuneration component (share-based)	0.0	-1.2
General and administration expenses	-21.7	-19.3
Total corporate expenses	-63.8	-58.1

Corporate expenses represent approximately 10.9% of rental income (previous year period: 10.5%).

Financial result

The financial result is made up as follows:

EUR m	9M 2018	9M 2017
Current interest expenses	-74.8	-74.8
Accrued interest on liabilities and pensions	-9.5	-17.2
Transaction-related interest expenses	-2.6	-32.8
Fair value adjustment of derivative financial instruments	0.1	3.2
Fair value adjustment of convertible bonds	-55.3	-181.5
	-142.1	-303.1
Interest income	3.4	1.3
Financial result	-138.7	-301.8

Compared with the previous years' first nine months, lower transaction-related interest expenses incurred. In the previous year period, this figure included prepayment penalties for the early refinancing of loans and interest rate hedging products (EUR 18.9 million) and expenses for the placement of two convertible bonds (EUR 13.1 million).

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

The current share price is lower than the conversion prices of the two outstanding convertible bonds, so that they are not "in the money". As of the current reporting date – and as of 31 December 2017 – the calculation of the financial indicator EPRA NAV on a diluted basis therefore had no effect on the convertible bonds.

Income taxes

Income taxes of EUR 261.7 million (previous year period: EUR 337.8 million) comprise EUR 230.3 million (previous year period: EUR 307.6 million) in deferred taxes along with current income taxes of EUR 31.4 million (previous year period: EUR 30.2 million).

Deferred tax expenses relate primarily to the valuation uplift on investment properties. In the previous year period, they also stemmed from the redemption of a convertible bond.

Financial position

Selected figures from the consolidated balance sheet:

	30/09/2018		31/12/2017	
	EUR m	in %	EUR m	in %
Investment properties	21,220.1	93	19,628.4	96
Other non-current assets	193.7	1	138.1	0
Total non-current assets	21,413.8	94	19,766.5	96
Current assets	662.9	3	409.2	2
Cash and cash equivalents	674.2	3	363.7	2
Total current assets	1,337.1	6	772.9	4
Total assets	22,750.9	100	20,539.4	100
Equity	10,776.4	47	10,211.0	50
Financial liabilities	5,742.1	25	4,751.1	23
Convertible bonds	1,714.4	8	1,669.6	8
Corporate bonds	1,135.0	5	826.6	4
Tax liabilities	54.3	0	27.2	0
Employee benefit liabilities	63.8	0	65.7	0
Deferred tax liabilities	2,730.9	13	2,496.7	12
Other liabilities	534.0	2	491.5	3
Total liabilities	11,974.5	53	10,328.4	50
Total assets and liabilities	22,750.9	100	20,539.4	100

Investment properties remain the largest balance sheet item. Compared with 31 December 2017, the figure rose mainly due to the revaluation as of 30 June 2018 as well as acquisitions and modernisation work.

Long-term contracts for leasing property, plant and equipment by Deutsche Wohnen, which were classified as finance leases under IFRS, resulted in an increase in other non-current assets.

Current assets rose, primarily due to the acquisition of land and buildings held for sale.

Group equity went up by EUR 565.4 million in absolute terms in the first nine months of 2018. The balance sheet extension of EUR 2.2 billion caused the equity ratio to fall to approximately 47%. In the first nine months of the 2018 financial year, around 9.1 thousand bearer shares were issued in exchange for approximately 3.9 thousand bearer shares in GSW Immobilien AG. This share swap took place in accordance with the provisions of the control agreement between the two companies on the put options held by outside shareholders. Furthermore, total comprehensive income of EUR 767.2 million in the first nine months of 2018 increased the capital of Deutsche Wohnen, while the dividend for the 2017 financial year reduced it by EUR 283.7 million. For the first time, Deutsche Wohnen offered shareholders the option of a script dividend. This was issued in July 2018 and amounted to some 2,241 thousand shares with an equivalent value of EUR 88.9 million.

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

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

Deferred tax liabilities rose year on year due largely to the revaluation of investment properties.

EPRA NAV changed as follows:

EUR m	30/09/2018	31/12/2017
Equity (before non-controlling interests)	10,434.0	9,888.2
Fair values of derivative financial instruments	1.8	2.0
Deferred taxes	3,041.9	2,786.6
EPRA NAV (undiluted)	13,477.7	12,676.8
Number of shares (undiluted) in million	356.9	354.7
EPRA NAV (undiluted) in EUR per share	37.76	35.74
Effects from the conversion of convertible bonds	0.0	0.0
EPRA NAV (diluted)	13,477.7	12,676.8
Number of shares (diluted) in million	356.9	354.7
EPRA NAV (diluted) in EUR per share	37.76	35.74

EPRA NAV (undiluted) rose by EUR 800.9 million in absolute terms and EUR 2.02 per share, principally due to consolidated comprehensive income of EUR 742.1 million attributable to shareholders of the parent company for the first nine months of 2018. This figure contains the revenues and deferred taxes from the revaluation of investment properties as of 30 June 2018.

Neither of the convertible bonds outstanding as of the reporting date is "in the money", so EPRA NAV is not diluted.

The loan-to-value ratio (LTV) changed as follows compared with 31 December 2017:

EUR m	30/09/2018	31/12/2017
Financial liabilities	5,742.1	4,751.1
Convertible bonds	1,714.4	1,669.6
Corporate bonds	1,135.0	826.6
	8,591.5	7,247.3
Cash and cash equivalents	-674.2	-363.7
Net financial liabilities	7,917.3	6,883.6
Investment properties	21,220.1	19,628.4
Non-current assets held for sale	68.1	28.7
Land and buildings held for sale	431.8	295.8
	21,720.0	19,952.9
Loan-to-value ratio in %	36.5	34.5

The loan-to-value ratio was approximately 36.5% as of the reporting date. The average interest rate on the credit portfolio, including the convertible loans and corporate bonds, was approximately 1.3% as of 30 September 2018, with a hedging ratio of around 88%.

The Group's cash flow was as follows:

EUR m	9M 2018	9M 2017
Net cash flows from operating activities	289.2	312.2
Net cash flows from investing activities	-1,007.6	-735.5
Net cash flows from financing activities	1,028.9	626.1
Net change in cash and cash equivalents	310.5	202.8
Opening balance cash and cash equivalents	363.7	192.2
Closing balance cash and cash equivalents	674.2	395.0

Net cash flows from investment activities in the first nine months of the 2018 financial year included investment payments in the amount of EUR 1,064.9 million, of which EUR 798.9 million are related to payments for acquisitions and EUR 190.9 million to modernisation work. This was offset by sales proceeds for investment properties of EUR 57.5 million.

In the reporting period, the net cash flows from financing activities included new loans of EUR 973.1 million and loan repayments of EUR 52.4 million. The figure also comprised proceeds of EUR 315.0 million from the issue of bearer bonds. Of the dividend which was resolved by the Annual General Meeting for the 2017 financial year, EUR 194.8 million was paid out and EUR 88.9 million was converted into shares in a non-cash transaction.

The decisive key figure Funds from Operations (FFO I) rose by approximately 11% in absolute terms and by approximately 10% per share on an undiluted basis and 16% on a diluted basis.

EUR m	9M 2018	9M 2017
EBITDA	484.4	463.6
Other one-off expenses and income	3.5	-0.1
Restructuring and reorganisation costs	0.2	0.3
EBITDA (adjusted)	488.1	463.8
Earnings from Disposals	-13.5	-28.5
Long-term remuneration component (share-based)	0.0	1.2
Finance leasing broadband cable networks	1.7	0.0
At-equity valuation	1.2	1.3
Interest expense/income	-72.6	-74.2
Income taxes	-33.2	-28.8
Non-controlling interests	-4.6	-4.8
FFO I	367.1	330.0
Earnings from Disposals	13.5	28.5
FFO II	380.6	358.5
FFO I per share in EUR (undiluted) ¹	1.03	0.94
FFO I per share in EUR (diluted) ²	1.03	0.89
FFO II per share in EUR (undiluted) ¹	1.07	1.02
FFO II per share in EUR (diluted) ²	1.07	0.97

¹ Based on a weighted average of approximately 355.28 million shares outstanding in 2018 and approximately 351.26 million in 2017

² Based on a weighted average of approximately 355.28 million shares outstanding in 2018 and approximately 370.71 million in 2017; assuming conversion of "in-the-money" convertible bonds in each case

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

Deutsche Wohnen concluded contracts to purchase 30 nursing facilities with approximately 4,700 beds in the second quarter of 2018. Risks and rewards for these properties were transferred as of 1 October 2018. The minority interest in PFLEGEN & WOHNEN HAMBURG GmbH was successfully acquired as of 1 October 2018.

Events after the reporting date

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

Given the positive business development in the first nine months of the 2018 financial year we slightly increase the forecast for FFO I to result between EUR 473 million and EUR 478 million. Furthermore we expect a valuation uplift of the portfolio up to EUR 1.5 billion in the second half of the 2018 financial year.

Forecast

Berlin, 13 November 2018

Deutsche Wohnen SE
Management Board



Michael Zahn
Chairman of the
Management Board



Lars Wittan
Deputy Chairman of the
Management Board



Philip Grosse
Management Board

Consolidated interim financial statements

19	Consolidated balance sheet
21	Consolidated profit and loss statement
22	Consolidated statement of comprehensive income
23	Consolidated statement of cash flows
24	Consolidated statement of changes in equity

Consolidated balance sheet

as of 30 September 2018

EUR m	30/09/2018	31/12/2017
Assets		
Investment properties	21,220.1	19,628.4
Property, plant and equipment	98.5	92.3
Intangible assets	21.6	19.0
Derivative financial instruments	6.2	3.3
Other non-current financial assets	67.1	23.1
Deferred tax assets	0.3	0.4
Non-current assets	21,413.8	19,766.5
Land and buildings held for sale	431.8	295.8
Other inventories	3.9	4.4
Trade receivables	21.1	15.5
Income tax receivables	93.0	47.5
Derivative financial instruments	0.1	0.0
Other financial assets	29.7	9.3
Other non-financial assets	15.2	8.0
Cash and cash equivalents	674.2	363.7
Subtotal current assets	1,269.0	744.2
Non-current assets held for sale	68.1	28.7
Current assets	1,337.1	772.9
Total assets	22,750.9	20,539.4

EUR m	30/09/2018	31/12/2017
Equity and liabilities		
Equity attributable to shareholders of the parent company		
Issued share capital	356.9	354.7
Capital reserve	3,165.4	3,078.6
Other reserves	-9.2	-19.7
Retained earnings	6,920.9	6,474.6
Total equity attributable to the shareholders of the parent company	10,434.0	9,888.2
Non-controlling interests	342.4	322.8
Total equity	10,776.4	10,211.0
Non-current financial liabilities	5,649.7	4,697.4
Convertible bonds	1,710.4	1,667.3
Corporate bonds	1,129.8	819.3
Employee benefit liabilities	63.8	65.7
Derivative financial instruments	0.3	1.2
Other provisions	13.4	13.6
Other financial liabilities	211.9	217.8
Deferred tax liabilities	2,730.9	2,496.7
Total non-current liabilities	11,510.2	9,979.0
Current financial liabilities	92.4	53.7
Convertible bonds	4.0	2.3
Corporate bonds	5.2	7.3
Trade payables	217.1	177.7
Other provisions	8.1	6.6
Derivative financial instruments	7.8	4.1
Tax liabilities	54.3	27.2
Other financial liabilities	39.3	44.1
Other non-financial liabilities	36.1	26.4
Total current liabilities	464.3	349.4
Total equity and liabilities	22,750.9	20,539.4

Consolidated profit and loss statement

for the period from 1 January to 30 September 2018

EUR m	9M 2018	9M 2017	Q3 2018	Q3 2017
Contracted rental income	585.0	553.4 ¹	197.7	186.9 ¹
Income from operating costs	266.7	252.3 ¹	104.4	71.6 ¹
Expenses from Residential Property Management	-351.5	-344.1 ¹	-133.2	-103.2 ¹
Earnings from Residential Property Management	500.2	461.6	168.9	155.3
Sales proceeds	78.6	199.5	18.0	48.4
Thereof revenues	24.3	105.6	6.4	6.6
Cost of sales	-5.5	-6.2	-1.9	-1.6
Carrying amount of assets sold	-59.6	-164.8	-11.6	-38.8
Thereof for revenues	-17.5	-88.6	-3.1	-5.0
Earnings from Disposals	13.5	28.5	4.5	8.0
Income from nursing	50.1	47.3 ¹	17.3	16.1 ¹
Rental and lease income	45.0	42.6 ¹	15.5	14.3 ¹
Expenses for Nursing and Assisted Living	-57.5	-53.0	-19.0	-18.2
Earnings from Nursing and Assisted Living	37.6	36.9	13.8	12.2
Corporate expenses	-63.8	-58.1	-22.7	-18.2
Other expenses	-11.9	-10.8	-5.4	-6.5
Other income	8.8	5.5	2.8	1.7
Subtotal	484.4	463.6	161.9	152.5
Gains/losses from the fair value adjustment of investment properties	677.5	885.9	0.0	0.0
Depreciation and amortisation	-6.0	-5.2	-2.0	-1.7
Earnings before interest and taxes (EBIT)	1,155.9	1,344.3	159.9	150.8
Financial income	3.4	1.3	0.7	0.3
Gains/losses from fair value adjustments to derivative financial instruments and convertible bonds	-55.2	-178.3	8.6	-53.6
Gains/losses from companies valued at equity	1.2	1.3	0.1	0.6
Financial expenses	-86.9	-124.8	-31.3	-40.4
Earnings before taxes (EBT)	1,018.4	1,043.8	138.0	57.7
Income taxes	-261.7	-337.8	-34.0	-23.7
Profit/loss for the period	756.7	706.0	104.0	34.0
Thereof attributable to:				
Shareholders of the parent company	731.6	679.0	101.8	31.7
Non-controlling interests	25.1	27.0	2.2	2.3
	756.7	706.0	104.0	34.0
Earnings per share				
Undiluted in EUR	2.06	1.93	0.28	0.08
Diluted in EUR	2.00	1.90	0.25	0.05

¹ Previous year's figure altered due to first-time application of IFRS 15

Consolidated statement of comprehensive income

for the period from 1 January to 30 September 2018

EUR m	9M 2018	9M 2017	Q3 2018	Q3 2017
Profit/loss for the period	756.7	706.0	104.0	34.0
Other comprehensive income				
Items reclassified as affecting net income at a later stage				
Net gain/loss from derivative financial instruments	1.2	8.9	0.4	2.6
Income tax effects	-0.4	-2.7	-0.2	-0.8
	0.8	6.2	0.2	1.8
Items not classified as affecting net income at a later stage				
Actuarial gains/losses on pensions and impact of caps for assets in pension plans	1.0	1.8	1.0	-0.5
Net gains/losses from convertible bonds	12.2	0.0	-2.6	0.0
Income tax effects	-3.5	-0.5	0.5	0.1
	9.7	1.3	-1.1	-0.4
Other comprehensive income after taxes	10.5	7.5	-0.9	1.4
Total comprehensive income after taxes	767.2	713.5	103.1	35.4
Of which attributable to:				
Shareholders of the parent company	742.1	686.5	100.9	33.1
Non-controlling interests	25.1	27.0	2.2	2.3

Consolidated statement of cash flows

for the period from 1 January to 30 September 2018

EUR m	9M 2018	9M 2017
Operating activities		
Profit/loss for the period	756.7	706.0
Finance income	-3.4	-1.3
Adjustment to derivative financial instruments and convertible bonds	55.2	178.3
Finance expenses	86.9	124.8
Gains/losses from companies valued at equity	-1.2	-1.3
Income taxes	261.7	337.8
Profit/loss for the period before interest and taxes	1,155.9	1,344.3
Non-cash expenses/income		
Adjustment to the fair value of investment properties	-677.5	-885.9
Depreciation and amortisation	6.0	5.2
Other non-cash expenses/income	-11.4	-29.5
Changes in net current assets		
Changes in receivables, inventories and other current assets	-72.8	-22.9
Changes in operating liabilities	77.9	-22.2
Net operating cash flows	478.1	389.0
Proceeds from the disposal of properties held for sale	24.3	105.6
Investment in properties held for sale	-82.7	-52.1
Interest paid	-84.2	-81.7
Interest received	3.4	1.3
Taxes paid	-60.1	-53.9
Taxes received	10.4	4.0
Net cash flows from operating activities	289.2	312.2
Investing activities		
Sales proceeds	57.5	138.4
Purchases of property, plant and equipment	-1,064.9	-889.2
Receipt of investment subsidies	0.8	0.0
Proceeds from dividends from shareholdings and joint ventures	0.1	0.1
Payments for business combinations less cash and cash equivalents acquired	-3.3	0.0
Other proceeds of investing activities	2.7	15.2
Payments to limited partners in funds	-0.5	0.0
Net cash flows from investing activities	-1,007.6	-735.5
Financing activities		
Proceeds from borrowings	973.1	377.4
Loan repayments	-52.4	-409.0
Proceeds from the issue of convertible bonds	0.0	800.0
Repayment of convertible bonds	0.0	-472.0
Proceeds from the issue of corporate bonds	465.0	520.0
Repayment of corporate bonds	-150.0	-418.0
One-off financing payments	-2.6	-49.2
Proceeds from the sale of non-controlling interests	0.0	99.5
Payments for the purchase of non-controlling interests	0.0	-94.8
Proceeds of the capital increase	0.0	545.3
Other payments from financing activities	-1.4	-0.6
Costs of the capital increase	-0.5	-4.4
Dividend paid to shareholders of Deutsche Wohnen SE	-194.8	-262.4
Dividends paid to shareholders of non-controlling interests	-7.5	-5.7
Net cash flows from financing activities	1,028.9	626.1
Net change in cash and cash equivalents	310.5	202.8
Opening balance of cash and cash equivalents	363.7	192.2
Closing balance of cash and cash equivalents	674.2	395.0

Consolidated statement of changes in equity

as of 30 September 2018

	Issued capital	Capital reserves	Pensions and convertible bonds	Reserve for cash flow hedge	Total other comprehensive income	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
EUR m									
Equity as of 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						706.0	706.0		706.0
Thereof non-controlling interests						-27.0	-27.0	27.0	0.0
Other comprehensive income			1.3	6.2	7.5		7.5		7.5
Thereof non-controlling interests			0.0	0.0	0.0		0.0	0.0	0.0
Total comprehensive income			1.3	6.2	7.5	679.0	686.5	27.0	713.5
Capital increase	17.2	528.5					545.7		545.7
Cost of capital increase, less tax effect		-3.0					-3.0		-3.0
Contribution in connection with remuneration of Management Board members		1.2					1.2		1.2
Change in non-controlling interests						4.7	4.7	9.0	13.7
Dividend						-262.4	-262.4		-262.4
Other						-96.1	-96.1		-96.1
Equity as of 30 September 2017	354.7	3,972.0	-16.4	-13.0	-29.4	4,544.9	8,842.2	304.4	9,146.6
Equity as of 1 January 2018	354.7	3,078.6	-17.7	-2.0	-19.7	6,474.6	9,888.2	322.8	10,211.0
Profit/loss for the period						756.7	756.7		756.7
Thereof non-controlling interests						-25.1	-25.1	25.1	0.0
Other comprehensive income			9.7	0.8	10.5		10.5		10.5
Thereof non-controlling interests			0.0	0.0	0.0		0.0	0.0	0.0
Total comprehensive income			9.7	0.8	10.5	731.6	742.1	25.1	767.2
Capital increase	2.2	87.1					89.3		89.3
Cost of capital increase, less tax effect		-0.3					-0.3		-0.3
Change in non-controlling interests						-0.1	-0.1	-5.5	-5.6
Dividend						-283.7	-283.7		-283.7
Other						-1.5	-1.5		-1.5
Equity as of 30 September 2018	356.9	3,165.4	-8.0	-1.2	-9.2	6,920.9	10,434.0	342.4	10,776.4

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Financial calendar

19–23/11/2018	Roadshow, Asia
27–28/11/2018	UBS Global Real Estate Conference, London
03/12/2018	Berenberg European Corporate Conference, London
10–11/12/2018	HSBC Global Real Estate Conference, Cape Town
26/03/2019	Publication of the consolidated/separate financial statements 2018 – annual report 2018
14/05/2019	Publication of the interim statement as of 31/03/2019/Q1 2019
18/06/2019	Annual General Meeting 2019

Disclaimer

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