



Deutsche  
Wohnen

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INTERIM REPORT AS AT  
30 SEPTEMBER 2014

*performance*

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# GROUP KEY FIGURES

of the Deutsche Wohnen AG

Profit and loss statement		9m/2014	9m/2013
Earnings from Residential Property Management	in EUR m	385.9	208.2
Earnings from Disposals	in EUR m	38.8	17.9
Earnings from Nursing and Assisted Living	in EUR m	12.4	9.9
Corporate expenses	in EUR m	-66.8	-34.4
EBITDA	in EUR m	351.6	193.4
EBT (adjusted)	in EUR m	209.3	99.9
EBT (as reported)	in EUR m	169.5	96.7
Profit for the period after taxes	in EUR m	144.9	66.5
Profit for the period after taxes <sup>1)</sup>	EUR per share	0.48	0.41
FFO (without disposals)	in EUR m	166.3	86.3
FFO (without disposals) <sup>1)</sup>	EUR per share	0.58	0.53
FFO (incl. disposals)	in EUR m	205.1	104.2
FFO (incl. disposals) <sup>1)</sup>	EUR per share	0.72	0.64

Balance sheet		30/09/2014	31/12/2013
Investment properties	in EUR m	8,882.5	8,937.1
Current assets	in EUR m	759.5	400.6
Equity	in EUR m	4,094.2	3,944.3
Net financial liabilities	in EUR m	4,916.2	5,208.4
Loan-to-Value Ratio (LTV)	in %	54.7	57.3
Total assets	in EUR m	10,493.6	10,173.1

Share		30/09/2014	31/12/2013
Share price (closing price)	EUR per share	16.92	14.04
Number of shares	m	289.20	286.22
Market capitalisation	in EUR billion	4.9	4.0

Net Asset Value (NAV)		30/09/2014	31/12/2013
EPRA NAV	in EUR m	4,146.7	4,004.7
EPRA NAV	EUR per share	14.34 <sup>2)</sup>	13.99 <sup>3)</sup>

Fair values		30/09/2014	31/12/2013
Fair value of real estate properties <sup>4)</sup>	in EUR m	8,750	8,881
Fair value per sqm of residential and commercial areas <sup>4)</sup>	EUR per sqm	952	944

<sup>1)</sup> Based on an average number of around 286.35 million issued shares in 9m/2014 or of around 162.87 million issued shares in 9m/2013

<sup>2)</sup> Based on around 289.20 million issued shares as at reporting date

<sup>3)</sup> Based on around 286.22 million issued shares as at reporting date

<sup>4)</sup> Only comprises residential and commercial properties

## 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 residential property companies in Europe. Our property portfolio consists of around 148,000 residential and commercial units as well as nursing homes with around 2,200 nursing places and a fair value of around EUR 8.8 billion in total. The company is listed in the MDAX of the German Stock Exchange. Consistent with our

business strategy the focus is on residential and nursing care 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 for value creation.

### Stock market and Deutsche Wohnen share

#### Economy

In its Autumn Guidelines 2014 the German Institute for Economic Research (DIW) and the economic research institutes involved in the study are forecasting a slow-down in the German economy after the year got off to a strong start. Accordingly, Gross Domestic Product will probably grow by 1.3% in 2014. For 2015 the forecast is for 1.2%, a lower level of growth than previously expected. According to the DIW, the rate of growth in the global economy is likely to remain modest during this period.

Growth in the German economy is currently being held back by weaker global growth and a cautious investment climate domestically. The underlying cause is a lack of confidence arising from the current geo-political crises. Exports are expected to rise only modestly – and more slowly than imports – with the result that the contribution of exports to the increase in Gross Domestic Product in 2014 and 2015 will be negative. Because the inflation rate in Germany continues to be low – the forecast sees 1.0% inflation in 2014 and 1.4% in 2015 – and because the increase in disposable income is expected to be 2% this year and probably 2.8% next year, the level of consumption in private households will continue to rise. Given a slight increase in the savings ratio, it is assumed that the actual rise in private consumption will be 0.9% in 2014. With almost no change to the savings ratio in 2015, private consumption is anticipated to rise next year by 1.4%. The current weak growth in the economy is also having an impact on the job market in Germany. The rate

of growth in employment has slowed down and most recently there has been a slight increase in the number of registered unemployed. An unemployment rate of 6.7% is forecast for this year, and of 6.8% for 2015. In 2014 and 2015 residential construction is likely to be the mainstay of the construction sector, even though more moderate rates of growth are anticipated for this period. The general job market situation is stable, disposable incomes are rising, mortgage interest rates continue to be at historically low levels and credit conditions continue to be favourable.

#### Financial markets

Following a positive first half year in 2014, the stock market fell back in the third quarter of the year. Accordingly, the DAX lost 3.6% in the third quarter, closing at 9,474 points – slightly down by around 1% in comparison to the end of 2013. The MDAX lost around 3.5% in the first nine months, closing at 15,995 points.

In the third quarter the capital markets were mainly encouraged by the continuing policy of the European Central Bank (ECB) of providing monetary stimuli, by the stable economic figures of the US economy and by dynamic IPO and M&A activities.

Uncertainty on the stock markets was caused among others by the ongoing crisis in Ukraine and Russia, the current unrest in Hong Kong and the armed conflicts in Iraq and Syria. Furthermore, weaker economic figures than expected in the Eurozone and a slow-down in growth in China proved to be negative factors in the third quarter.

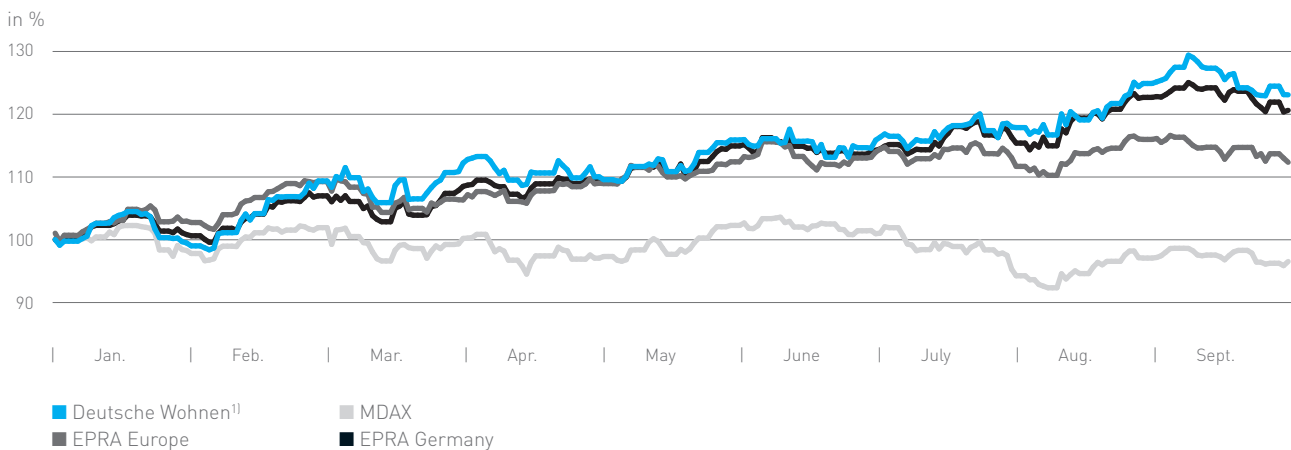
## The Deutsche Wohnen AG share

Following a record closing price of EUR 17.79 on 8 September 2014, the Deutsche Wohnen share completed the third quarter of 2014 with a closing price of EUR 16.92, thus achieving an increase<sup>1)</sup> of approximately 23% compared with its price at the beginning of the year. This means that the Deutsche Wohnen share performed significantly better than the MDAX. Overall, the Deutsche Wohnen share strengthened its position within the index due to the continued rise in its free float market capitalisation and in its trading volume.

In the first nine months of the year the real estate indices EPRA Europe and EPRA Germany developed positively. EPRA Europe closed the third quarter of 2014 at around 1,792 points, which represents an increase of 12.4%. EPRA Germany completed the first nine months at 650 points and an increase of around 21%.

Compared with the end of the third quarter in 2013, the market capitalisation of Deutsche Wohnen more than doubled to reach EUR 4.9 billion. This increase is due to the takeover of GSW. The average daily trading volume on the Xetra platform rose by almost 63% – from around EUR 5 million in the first nine months of 2013 to around EUR 8 million in the first nine months of 2014.

### Share price performance 9m/2014 (indexed)



<sup>1)</sup> Performance of bearer share DE000A0HN5C6 adjusted for dividend payment in June 2014

Key figures bearer shares (ISIN DE000A0HN5C6)	9m/2014	9m/2013
Number of shares in m	approx. 289.2	approx. 168.9
Closing price at the end of Q3 <sup>1)</sup> in EUR	16.92	13.23 [12.95] <sup>3)</sup>
Market capitalisation in EUR billion	approx. 4.9	approx. 2.2
Highest share price <sup>1)</sup> during 9-month period in EUR	17.79	15.76 [15.22] <sup>3)</sup>
Lowest share price <sup>1)</sup> during 9-month period in EUR	13.81 [13.52] <sup>3)</sup>	12.42 [12.16] <sup>3)</sup>
Average daily traded volume on Xetra <sup>2)</sup>	521,064	365,597
Average daily traded volume on alt. trading platforms <sup>2)</sup>	608,422	635,713

Source: Bloomberg, as at 2 October 2014, no liability assumed

<sup>1)</sup> Xetra closing price

<sup>2)</sup> Traded shares

<sup>3)</sup> Prices in parentheses adjusted for any capital increases and dividend payments

<sup>1)</sup> Adjusted for dividend payment in June 2014

## Analyst coverage

The development of the Deutsche Wohnen AG is currently<sup>2)</sup> being evaluated by a total of 21 analysts. The current<sup>2)</sup> target prices range from EUR 15.70 to EUR 21.00 per share. However, all 21 analysts value the share with a target price of EUR 15.00 per share or higher, 18 of them are assuming a target price of EUR 17.00 per share or higher. The average of all analyst evaluations is currently EUR 17.87 – a slightly higher price than the closing price at the end of the first nine-month period.

The following table summarises the current<sup>2)</sup> ratings:

Rating	number
Buy/Kaufen/Overweight	5
Halten/Hold/Neutral	14
Sell/Underperform	2

## Entry of the domination agreement into the commercial register

The domination agreement concluded on 30 April 2014 between Deutsche Wohnen AG as the controlling company and GSW Immobilien AG as the controlled company was entered into the commercial register at the District Court of Charlottenburg in Berlin on 4 September 2014 and thus entered into force. The shareholders of both companies had already approved this agreement with a large majority at their respective Annual General Meetings on 11 June 2014 and 18 June 2014.

## Settlement offer to the shareholders of GSW Immobilien AG

Under the domination agreement, Deutsche Wohnen AG undertook – upon request by minority shareholders of GSW Immobilien AG – to acquire three shares of GSW Immobilien AG in exchange for seven no-par value bearer shares in Deutsche Wohnen AG, each representing a notional value of EUR 1.00 in the share capital of Deutsche Wohnen AG. As at 7 November 2014, 4.7% of the shareholders of GSW Immobilien AG had taken advantage of this settlement offer. Therefore, Deutsche Wohnen AG now holds 91.7% of the shares in GSW Immobilien AG.

## Alternative fair compensation for the shareholders of GSW Immobilien AG

Deutsche Wohnen AG guarantees the minority shareholders of GSW Immobilien AG who do not accept the settlement offer a fixed annual payment in the form of a guaranteed dividend as fair compensation for the duration of the domination agreement. The guaranteed dividend for each GSW Immobilien AG financial year and each bearer share in GSW Immobilien AG, representing a notional value of EUR 1.00 of the share capital, amounts to EUR 1.40 (derived from a gross amount of EUR 1.66 less any corporate income tax and solidarity surcharge at the prevailing rate for the relevant financial year).

<sup>2)</sup> Status: 7/11/2014

Individual shareholders of GSW Immobilien AG have made applications to initiate a special legal review procedure ("Spruchverfahren") in which the court will examine the appropriateness of the compensation and the settlement on offer. Therefore, in accordance with section 305, subsection 4, sentence 3 of the German Companies Act (AktG), GSW shareholders can exchange their GSW shares for Deutsche Wohnen shares on the basis of the terms of the offer or of the decision of the legal review procedure or of an amicable agreement reached on this matter until up to two months after publication of the final decision of the legal review procedure in the Federal Gazette. If a higher level of compensation and/or a higher settlement is decided upon by the court, then, subject to statutory provisions, minority shareholders of GSW Immobilien AG can demand an addition to the compensation or settlement they have already received.

### **Consolidation of the two classes of shares**

Following the payment of the dividend and with effect from 12 June 2014 the "young" Deutsche Wohnen shares<sup>3)</sup> with dividend rights from 1 January 2014 were consolidated with the "old" Deutsche Wohnen shares<sup>4)</sup>.

Following the implementation of the corresponding resolution of the Annual General Meeting to convert the existing registered shares into bearer shares with effect from 5 September 2014, the company now has only one bearer share.

### **Investor Relations activities**

Deutsche Wohnen is in open and regular dialogue with its shareholders and investors. We report on the development of Deutsche Wohnen AG at a large number of national and international conferences and roadshows. Following the publication of our H1 2014 report, Deutsche Wohnen presented its business model to interested investors on roadshows in Great Britain and the USA. Moreover, in September and October Deutsche Wohnen was represented at several conferences in New York, London, Munich and Frankfurt/Main. Further conferences are planned for the fourth quarter of 2014.

For further details, please see the financial calendar on page 32. 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 future as well.

<sup>3)</sup> DE000A1X3R56

<sup>4)</sup> DE000A0HN5C6

## Portfolio

The residential portfolio of Deutsche Wohnen comprised 146,822 units as at 30 September 2014. It is focused on dynamic conurbations and metropolitan areas in Germany.

Residential	30/09/2014			30/09/2013		
	Residential units number	Area sqm k	Share of total portfolio in %	Residential units number	Area sqm k	Share of total portfolio in %
<b>Strategic core and growth regions</b>	<b>144,672</b>	<b>8,780</b>	<b>99</b>	<b>83,944</b>	<b>5,119</b>	<b>95</b>
Core+	117,510	7,068	80	58,674	3,515	66
Core	27,162	1,712	18	25,270	1,604	28
Non-Core	2,150	141	1	4,751	306	5
<b>Total</b>	<b>146,822</b>	<b>8,921</b>	<b>100</b>	<b>88,695</b>	<b>5,425</b>	<b>100</b>

Around 80% of the holdings are in Core+ regions and 18% in Core regions. Only 1% of the residential holdings are in scattered locations or shrinking markets.

Residential	30/09/2014			
	Residential units number	Share of total portfolio in %	In-place rent <sup>1)</sup> in EUR/sqm	Vacancy rate in %
<b>Strategic core and growth regions</b>	<b>144,672</b>	<b>99</b>	<b>5.66</b>	<b>2.3</b>
Core+	117,510	80	5.75	2.2
Core	27,162	18	5.29	3.1
Non-Core	2,150	1	4.98	10.0
<b>Total</b>	<b>146,822</b>	<b>100</b>	<b>5.65</b>	<b>2.4</b>

<sup>1)</sup> Contractually owed rent from rented apartments divided by the rented area

The average in-place rent in the total portfolio rose in comparison to the corresponding period of the previous year from EUR 5.59 per sqm to EUR 5.65 per sqm. The average vacancy rate for the total portfolio fell by 0.6 percentage points in comparison to the corresponding period of the previous year. For a detailed analysis we would refer to the like-for-like figures, which show these developments adjusted for transactions.



In the cluster Core+ we include the most dynamic markets with strong rental growth. In addition to Greater Berlin, our cluster Core+ comprises the metropolitan areas of Rhine-Main, including Frankfurt/Main, and the Rhineland with its focus on Düsseldorf.

Residential	30/09/2014			
	Residential units number	Share of total portfolio in %	In-place rent <sup>1)</sup> in EUR/sqm	Vacancy rate in %
<b>Core+</b>	<b>117,510</b>	<b>80</b>	<b>5.75</b>	<b>2.2</b>
Letting portfolio	113,403	77	5.76	2.0
Privatisation	4,107	3	5.56	6.5
<b>Greater Berlin</b>	<b>106,780</b>	<b>73</b>	<b>5.63</b>	<b>2.1</b>
Letting portfolio	103,649	71	5.64	2.0
Privatisation	3,131	2	5.24	5.4
<b>Rhine-Main</b>	<b>8,915</b>	<b>6</b>	<b>7.08</b>	<b>2.1</b>
Letting portfolio	8,084	6	7.15	1.5
Privatisation	831	1	6.43	8.4
<b>Rhineland</b>	<b>1,815</b>	<b>1</b>	<b>6.64</b>	<b>3.6</b>
Letting portfolio	1,670	1	6.62	2.5
Privatisation	145	0	6.83	11.3

<sup>1)</sup> Contractually owed rent from rented apartments divided by the rented area

The cluster Core includes markets with moderately rising rents and stable rent development forecasts. The Core regions include Hanover/Brunswick/Magdeburg, Rhine Valley South and North, and Central Germany with Dresden (around 2,100 residential units), Leipzig (around 800 residential units), Halle (Saale) (around 700 residential units) and Erfurt (around 600 residential units).

Residential	30/09/2014			
	Residential units number	Share of total portfolio in %	In-place rent <sup>1)</sup> in EUR/sqm	Vacancy rate in %
<b>Core</b>	<b>27,162</b>	<b>18</b>	<b>5.29</b>	<b>3.1</b>
Letting portfolio	25,188	17	5.28	2.8
Privatisation	1,974	1	5.40	6.4
<b>Hanover/Brunswick/Magdeburg</b>	<b>10,986</b>	<b>7</b>	<b>5.36</b>	<b>3.5</b>
Letting portfolio	10,211	7	5.32	3.2
Privatisation	775	1	5.91	6.9
<b>Rhine Valley South</b>	<b>4,819</b>	<b>3</b>	<b>5.58</b>	<b>1.3</b>
Letting portfolio	4,650	3	5.58	1.0
Privatisation	169	0	5.68	7.2
<b>Rhine Valley North</b>	<b>2,942</b>	<b>2</b>	<b>5.22</b>	<b>1.9</b>
Letting portfolio	2,845	2	5.22	1.5
Privatisation	97	0	5.51	10.4
<b>Central Germany</b>	<b>5,720</b>	<b>4</b>	<b>5.04</b>	<b>3.4</b>
Letting portfolio	5,720	4	5.04	3.4
Privatisation	0	0	0.00	0.0
<b>Other<sup>2)</sup></b>	<b>2,695</b>	<b>2</b>	<b>5.06</b>	<b>5.4</b>
Letting portfolio	1,762	1	5.12	5.4
Privatisation	933	1	4.96	5.4

<sup>1)</sup> Contractually owed rent from rented apartments divided by the rented area

<sup>2)</sup> Essentially Kiel/Lübeck

The cluster Non-Core consists of residential properties which are to be sold in the medium term for reasons of portfolio strategy. Particularly the residential holdings in the sub-cluster "Disposal" are intended to be sold off more quickly because of structural risks.

Residential	30/09/2014			
	Residential units number	Share of total portfolio in %	In-place rent <sup>1)</sup> in EUR/sqm	Vacancy rate in %
<b>Non-Core</b>	<b>2,150</b>	<b>1</b>	<b>4.98</b>	<b>10.0</b>
Disposal	380	0	5.14	16.9
Other	1,770	1	4.95	8.5

<sup>1)</sup> Contractually owed rent from rented apartments divided by the rented area

## Notes on financial performance and financial position

### Financial performance

The following table provides an overview of the development of business operations in individual segments as well as further items in the Group profit and loss statement for the first nine months of the financial year 2014 in comparison to the corresponding period of the previous year.

in EUR m	9m/2014	9m/2013
Earnings from Residential Property Management	385.9	208.2
Earnings from Disposals	38.8	17.9
Earnings from Nursing and Assisted Living	12.4	9.9
Corporate expenses	-66.8	-34.4
Other operating expenses/income	-18.7	-8.2
<b>Operating result (EBITDA)</b>	<b>351.6</b>	<b>193.4</b>
Depreciation and amortisation	-4.5	-4.0
Financial result	-177.6	-92.7
<b>Earnings before taxes (EBT)</b>	<b>169.5</b>	<b>96.7</b>
Current taxes	-14.9	-9.3
Deferred taxes	-9.7	-20.9
<b>Profit for the period</b>	<b>144.9</b>	<b>66.5</b>

Due to the acquisition of GSW and the contributions to earnings associated with this takeover, it was possible to improve the profit for the period in comparison to the equivalent period of the previous year by EUR 78.4 million to EUR 144.9 million.

Thus, earnings before taxes, adjusted for extraordinary effects and valuation effects, also increased significantly.

in EUR m	9m/2014	9m/2013
<b>Earnings before taxes (EBT)</b>	<b>169.5</b>	<b>96.7</b>
Restructuring and reorganisation expenses	12.7	0.0
Gains/losses from fair value adjustments of derivative financial instruments and of convertible bonds	22.0	-0.2
Transaction and one-off financing costs	5.1	3.4
<b>Adjusted earnings before taxes</b>	<b>209.3</b>	<b>99.9</b>

The restructuring and reorganisation expenses relate to the integration of GSW. They consist predominantly of expenses for settlements on the basis of a social plan that was agreed in September 2014.

With regard to gains/losses from fair value adjustments of derivative financial instruments and of convertible bonds, we would refer to our notes on the financial result.

In the previous year the transaction and one-off financing costs consisted of transaction costs for the takeover of GSW. In the current financial year they consist of the costs for the launch of a convertible bond – which Deutsche Wohnen AG issued in September 2014 in a nominal amount of EUR 400 million – and also one-off compensation sums for premature repayment arising from the early redemption of bank loans. These redeemed bank loans are part of a process of refinancing current loans. It is planned to complete this process by the end of the year.

### Earnings from Residential Property Management

Earnings from Residential Property Management increased by EUR 177.7 million or 85% in comparison to the corresponding period of the previous year.

in EUR m	9m/2014	9m/2013
<b>Current gross rental income</b>	<b>469.3</b>	<b>259.5</b>
Non-recoverable expenses	-9.9	-5.7
Rental loss	-5.8	-2.6
Maintenance	-61.4	-38.9
Other	-6.3	-4.1
<b>Earnings from Residential Property Management</b>	<b>385.9</b>	<b>208.2</b>
Staff and general and administration expenses	-31.4	-19.2
<b>Operating result (Net Operating Income, NOI)</b>	<b>354.5</b>	<b>189.0</b>
NOI-margin in %	75.5	72.8
NOI in EUR per sqm and month <sup>1)</sup>	4.25	3.94
Change in %	7.9	

<sup>1)</sup> Based on the average floor space on a quarterly basis for period under review; the average area was adjusted in the case of significant acquisitions within a quarter.

At 76% the NOI-margin improved compared to the equivalent period of the previous year. The monthly NOI in EUR per sqm increased by 7.9%. This was due, amongst other reasons, to the changes to the overall portfolio structure brought about by the takeover of GSW.

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

Like-for-like (DW stand-alone)	Residential units number	In-place rent <sup>1)</sup> in EUR/sqm		Development in %	Vacancy rate in %	
		30/09/2014	30/09/2013		30/09/2014	30/09/2013
<b>Strategic core and growth regions (letting portfolio)</b>	<b>77,631</b>	<b>5.77</b>	<b>5.64</b>	<b>2.5</b>	<b>2.0</b>	<b>2.3</b>
Core+	54,616	5.98	5.82	2.6	1.7	1.7
Greater Berlin	44,993	5.74	5.61	2.5	1.7	1.4
Rhine-Main	8,082	7.15	6.97	2.6	1.5	2.4
Rhineland	1,541	6.57	6.27	4.7	2.4	3.0
Core	23,015	5.32	5.20	2.2	2.8	3.8
Hanover/Brunswick/Magdeburg	10,029	5.32	5.16	3.0	3.2	5.3
Rhine Valley South	4,650	5.58	5.49	1.7	1.0	1.6
Rhine Valley North	2,798	5.20	5.13	1.3	1.5	0.9
Central Germany	3,776	5.15	5.06	1.7	3.8	3.6
Other	1,762	5.12	5.06	1.1	5.4	6.0
<b>Privatisation</b>	<b>4,720</b>	<b>5.59</b>	<b>5.57</b>	<b>0.4</b>	<b>6.9</b>	<b>3.3</b>
<b>Non-Core</b>	<b>2,148</b>	<b>4.98</b>	<b>4.95</b>	<b>0.4</b>	<b>9.9</b>	<b>7.9</b>
<b>Total</b>	<b>84,499</b>	<b>5.74</b>	<b>5.61</b>	<b>2.3</b>	<b>2.5</b>	<b>2.5</b>

<sup>1)</sup> Contractually owed rent from rented apartments divided by the rented area

The in-place rents in the overall letting portfolio rose by 2.3% on a like-for-like basis. At 2.5% the like-for-like vacancy rate is at a consistently low level.

In the letting portfolio of the Core+ regions we can report rental growth on a like-for-like basis of 2.6% with a vacancy rate of 1.7%.

Taking into consideration the 54,978 residential units which the GSW Group managed throughout the last twelve months in Greater Berlin with a rental increase of 3.7%, pro forma like-for-like figures of a 2.8% increase for the overall portfolio and a 3.0% increase for the letting portfolio emerge.

In the Core+ letting portfolio not subject to rent controls, the new-letting rents of the first nine months of the financial year were almost 24 % higher than the in-place rents.

Residential	30/09/2014		
	New-letting rent <sup>1)</sup>	In-place rent <sup>2)</sup>	Rent potential <sup>3)</sup>
	in EUR/sqm	in EUR/sqm	in %
<b>Core+ (letting portfolio)</b>	<b>7.11</b>	<b>5.76</b>	<b>23.5</b>
Greater Berlin	6.85	5.64	21.5
Rhine-Main	8.95	7.15	25.2
Rhineland	8.07	6.62	22.0

<sup>1)</sup> Contractually owed rent from newly concluded rent agreements in non-rent restricted units, effective in 2014

<sup>2)</sup> Contractually owed rent from rented apartments divided by the rented area

<sup>3)</sup> New-letting rent in comparison to the in-place rent

### Earnings from Disposals

Demand for property as a form of investment for owner-occupiers and investors continues to be on a high level. In the first nine months of this year a total of 4,089 units were sold. The transfer of risks and rewards for these units is expected to have taken place by the end of 2014, whereby 1,319 of these units were already notarised in the previous financial year.

	Units number	Transaction volume in EUR m	Fair Value in EUR m	Gross margin	
				in EUR m	in %
Privatisation	2,037	162.3	112.7	49.6	44
Institutional sales	2,052	86.1	77.4	8.7	11
	<b>4,089</b>	<b>248.4</b>	<b>190.1</b>	<b>58.3</b>	<b>31</b>

Of these 4,089 residential units the transfer of risks and rewards took place in respect of 3,452 residential units in the first nine months of the financial year and so are included in the Disposals results:

in EUR m	9m/2014	9m/2013
Sales proceeds	205.7	101.0
Cost of sales	-9.1	-6.5
<b>Net sales proceeds</b>	<b>196.6</b>	<b>94.5</b>
Carrying amount of assets sold	-157.8	-76.6
<b>Earnings from Disposals</b>	<b>38.8</b>	<b>17.9</b>

### Earnings from Nursing and Assisted Living

The Nursing and Assisted Living segment is managed by the KATHARINENHOF® Group. The business model concentrates primarily on the management of residential and nursing facilities in the five federal states of Berlin, Brandenburg, Saxony, Lower Saxony and Rhineland-Palatinate. As at 30 September 2014 the KATHARINENHOF® Group managed 21 facilities, of which Deutsche Wohnen owns 18 with a fair value of EUR 144.9 million.

in EUR m	9m/2014	9m/2013
<b>Income</b>		
Nursing	41.5	38.3
Living	4.5	1.5
Other	4.8	3.1
	<b>50.8</b>	<b>42.9</b>
<b>Costs</b>		
Nursing and corporate expenses	-13.4	-11.0
Staff expenses	-25.0	-22.0
	<b>-38.4</b>	<b>-33.0</b>
<b>Segment earnings</b>	<b>12.4</b>	<b>9.9</b>
Attributable current interest	-2.9	-2.6
<b>Segment earnings after interest</b>	<b>9.5</b>	<b>7.3</b>

The changes in income and costs are also connected to the five facilities acquired in 2013. Four facilities with around 425 places were acquired in the first quarter of 2013. In the fourth quarter of 2013 a further facility with around 250 places was acquired.

The average occupancy rate of the facilities during the first nine months of the financial year 2014 was 96.0% (equivalent period of previous year: 96.7%) and thus continues to be at a high level.

### Corporate expenses

Corporate expenses include staff and general and administration expenses without the segment Nursing and Assisted Living. They are made up as follows:

in EUR m	9m/2014	9m/2013
<b>Staff expenses</b>		
Holding	-17.4	-7.3
Disposals	-1.5	-1.4
Property management	-23.0	-11.9
<b>Total staff expenses</b>	<b>-41.9</b>	<b>-20.6</b>
<b>General and administration expenses</b>	<b>-24.9</b>	<b>-10.9</b>
<b>Total staff and general and administration expenses</b>	<b>-66.8</b>	<b>-31.5</b>
Property management by third parties	0.0	-2.9
<b>Total corporate expenses</b>	<b>-66.8</b>	<b>-34.4</b>

The absolute increase is primarily due to the takeover of the GSW Group. In relation to the gross rental income, the cost ratio was 14.2% compared to 17.3% – the latter figure being calculated on the basis of the pro forma earnings figures for the financial year 2013.

### Financial result

The financial result is made up as follows:

in EUR m	9m/2014	9m/2013
Current interest expenses	-138.9	-84.9
Accrued interest on liabilities and pensions	-12.3	-8.6
One-off financing costs	-5.1	0.0
Fair value adjustments of derivative financial instruments	-16.5	0.2
Fair value adjustments of convertible bonds	-5.5	0.0
	<b>-178.3</b>	<b>-93.3</b>
Interest income	0.7	0.6
<b>Financial result</b>	<b>-177.6</b>	<b>-92.7</b>

The higher fair value adjustments of the derivative financial instruments compared to the equivalent period of the previous year results from the interest rate hedge transactions of GSW. No convertible bonds were issued in the equivalent period of the previous year.

### Current taxes

The current taxes of EUR 24.6 million comprise EUR 9.7 million of deferred taxes, EUR 14.5 million of current income taxes and EUR 0.4 million of non-cash tax expenses arising from the capital increase.

## Financial position

	30/09/2014		31/12/2013	
	in EUR m	in %	in EUR m	in %
Investment properties	8,882.5	85	8,937.1	88
Other non-current assets	851.6	8	835.4	8
<b>Total non-current assets</b>	<b>9,734.1</b>	<b>93</b>	<b>9,772.5</b>	<b>96</b>
Current assets	139.2	1	204.2	2
Cash and cash equivalents	620.3	6	196.4	2
<b>Total current assets</b>	<b>759.5</b>	<b>7</b>	<b>400.6</b>	<b>4</b>
<b>Total assets</b>	<b>10,493.6</b>	<b>100</b>	<b>10,173.1</b>	<b>100</b>
<b>Equity</b>	<b>4,094.2</b>	<b>39</b>	<b>3,944.3</b>	<b>39</b>
Financial liabilities	4,881.9	47	5,154.6	51
Convertible bond	654.6	6	250.2	2
Tax liabilities	35.8	0	62.6	1
Liabilities to limited partners in funds	6.5	0	4.0	0
Employee benefit liabilities	61.7	1	55.3	1
Other liabilities	758.9	7	702.1	7
<b>Total liabilities</b>	<b>6,399.4</b>	<b>61</b>	<b>6,228.8</b>	<b>61</b>
<b>Total equity and liabilities</b>	<b>10,493.6</b>	<b>100</b>	<b>10,173.1</b>	<b>100</b>

Investment properties represent the largest asset position. This figure has decreased due to disposals.

The other non-current assets include in particular the goodwill in the amount of EUR 491.6 million arising from the GSW transaction in 2013.

Of the cash and cash equivalents in the amount of EUR 620.3 million, a sum of around EUR 48.3 million is restricted. In addition to cash and cash equivalents, Deutsche Wohnen has access to credit lines in an amount of around EUR 110 million, which are callable at short notice. As at the reporting date these credit lines had not been used.

As at the reporting date of the previous year the sum of EUR 38.1 million of the tax liabilities was apportionable to the present value of liabilities from the lump-sum taxation of EK-02 holdings. These tax liabilities were discharged in the full amount in September 2014.



The Group's equity ratio remains unchanged at 39%. In the third quarter of 2014 Deutsche Wohnen AG issued 2,981,032 new bearer shares in exchange for 1,277,586 bearer shares of GSW Immobilien AG, which corresponds to a share of GSW of approximately 2.25%. This share exchange was carried out on the basis of the provisions of the domination agreement between the two companies regarding the put option rights of the minority shareholders of GSW. The EPRA NAV has developed as follows:

in EUR m	30/09/2014	31/12/2013
Equity (before non-controlling interests)	3,858.7	3,777.8
Effects from exercising options, convertible bonds and other rights on equity	0.0	0.0
Diluted NAV	3,858.7	3,777.8
Fair value adjustment of the convertible bond	4.0	-2.2
Fair values of derivative financial instruments	218.3	156.5
Deferred taxes (net)	65.7	72.6
<b>EPRA NAV (undiluted)</b>	<b>4,146.7</b>	<b>4,004.7</b>
Number of shares (in m)	289.20	286.22
<b>EPRA NAV (undiluted) in EUR per share</b>	<b>14.34</b>	<b>13.99</b>

In accordance with the EPRA Best Practice Recommendations the effects arising from the exercise of the convertible bond are not taken into consideration because the bond is "out of the money". The Adjusted NAV, which has been reduced by the goodwill arising from the GSW transaction, amounts to EUR 3,655.1 million or EUR 12.64 per share.

In comparison to the end of 2013 financial liabilities have decreased. This is substantially due to scheduled repayments and also to unscheduled repayments occasioned by asset disposals.

The liabilities arising from the issue of convertible bonds increased, aside from the effects of variations in market value, due to the issue of a further convertible bond in September 2014 with a notional value of EUR 400.0 million.

The debt ratio (expressed as Loan-to-Value) developed in comparison to 31 December 2013 as follows:

in EUR m	30/09/2014	31/12/2013
Financial liabilities	4,881.9	5,154.6
Convertible bond	654.6	250.2
	<b>5,536.5</b>	<b>5,404.8</b>
Cash and cash equivalents	-620.3	-196.4
<b>Net financial liabilities</b>	<b>4,916.2</b>	<b>5,208.4</b>
Investment properties	8,882.5	8,937.1
Non-current assets held for sale	29.7	57.5
Land and buildings held for sale	70.4	97.1
	<b>8,982.6</b>	<b>9,091.7</b>
<b>Loan-to-Value Ratio in %</b>	<b>54.7</b>	<b>57.3</b>

As at the reporting date the Loan-to-Value Ratio was around 54.7%. The average interest rate on the credit portfolio was 3.2% as at 30 September 2014 with a hedging rate of 92%. Overall, the financing structure of Deutsche Wohnen is stable and robust.

The other liabilities cover the following items:

in EUR m	30/09/2014	31/12/2013
Derivative financial instruments	218.5	159.3
Deferred tax liabilities	362.8	353.1
Trade payables	98.7	120.6
Miscellaneous	78.9	69.1
<b>Total</b>	<b>758.9</b>	<b>702.1</b>

The cash flows of the Group break down as follows:

in EUR m	9m/2014	9m/2013
Net cash flows from operating activities before EK-02 payments	147.0	59.3
EK-02 payments	-38.5	-9.3
Net cash flows from operating activities after EK-02 payments	108.5	50.0
Net cash flows from investing activities	263.2	-351.5
Net cash flows from financing activities	52.2	323.0
<b>Net change in cash and cash equivalents</b>	<b>423.9</b>	<b>21.5</b>
Opening balance cash and cash equivalents	196.4	90.6
<b>Closing balance cash and cash equivalents</b>	<b>620.3</b>	<b>112.0</b>

The net cash flows from operating activities rose in comparison to the corresponding period of the previous year because of the increased number of properties to be managed.

The EK-02 payments consist of the annual instalment for 2014 of EUR 10.4 million as well as the remaining payment sums of approximately EUR 28.1 million. This final payment has replaced the annual instalments which originally were due until 2017.

Net cash flows from investing activities in the first nine months of 2014 contain, in addition to inflows in the amount of EUR 209.0 million arising from disposals and outflows for investment in an amount of EUR 48.9 million, the purchase price payment of EUR 103.1 million by Deutsche Bank AG to Deutsche Wohnen AG for the sale of approximately 5.02% of the shares in GSW Immobilien AG.

Net cash flows from financing activities contain mainly repayments of financial liabilities in the amount of EUR 366.2 million, inflows from the taking out of new financial liabilities (EUR 53.3 million) and from the issue of convertible bonds (EUR 400.0 million), and the payment of the dividend for the financial year 2013 in the amount of EUR 57.4 million. The capital increase arising from the issue of new shares in exchange for GSW shares is a non-cash item, apart from the costs associated with this capital increase.

The decisive key figure for us, Funds from Operations (FFO) without disposals, rose by approximately 92.7% in comparison to the corresponding period of the previous year:

in EUR m	9m/2014	9m/2013
<b>Profit for the period</b>	<b>144.9</b>	<b>66.5</b>
Earnings from Disposals	-38.8	-17.9
Depreciation and amortisation	4.5	4.0
Fair value adjustments of derivative financial instruments and of convertible bonds	22.0	-0.2
Non-cash financial expenses	12.3	8.6
Deferred taxes	9.7	20.9
Tax benefit from capital increase costs	0.4	1.0
Transaction costs and one-off financing costs	5.1	3.4
FFO (without disposals) allocated to non-controlling interests	-6.5	0.0
Restructuring costs	12.7	0.0
<b>FFO (without disposals)</b>	<b>166.3</b>	<b>86.3</b>
FFO (without disposals) per share in EUR	0.58	0.53
Average number of shares issued (in m)	286.4	162.9
<b>FFO (including disposals)</b>	<b>205.1</b>	<b>104.2</b>
FFO (including disposals) per share in EUR	0.72	0.64
Average number of shares issued (in m)	286.4	162.9

## Events after the reporting date

Following the reporting date and up to 7 November 2014, we issued a further 3,230,244 bearer shares of Deutsche Wohnen AG in exchange for 1,384,392 bearer shares of GSW Immobilien AG in the context of the put option provisions of the domination agreement concluded between the two companies. Therefore, in total 4.7% of the shareholders of GSW Immobilien AG had taken advantage of the settlement offer and tendered 2,661,978 GSW shares until 7 November 2014. Deutsche Wohnen AG now holds 91.7% of the shares in GSW Immobilien AG.

In October the Deutsche Wohnen Group concluded financing agreements with Berlin Hyp and Landesbank Hessen-Thüringen totalling EUR 1.36 billion. The payment of these loans for the purpose of refinancing existing loans is planned for the end of this year with the closing of the contracts. The loans have an average term of eight years and no contractual amortisations. The interest rates are fixed at around 1.9% p. a. for approximately 70% of the nominal amount of the loans. As a result of the termination of current interest hedging instruments, compensation payments for premature termination in the amount of approximately EUR 100 million are likely to become due.

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

## Risk report

With regard to the risks which exist for future business development we refer to the information presented in the risk report in the consolidated financial statements as at 31 December 2013.

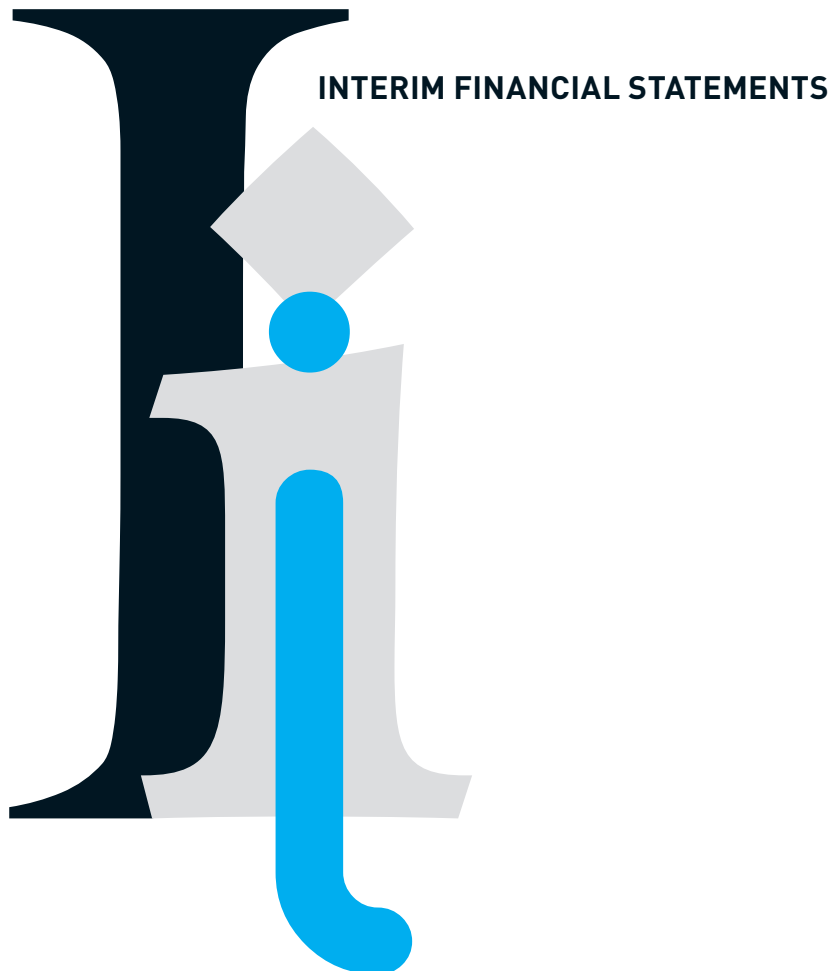
## Forecast

The first nine months of the financial year 2014 were a great operational success for Deutsche Wohnen. Moreover, it is intended to realise further rent potential, particularly in the Core+ regions. Given the forthcoming implementation of the so-called rent cap, we have decided to bring forward or expand our turnover expenses. Therefore, an additional sum of approximately EUR 5 million is being made available.

With regard to the integration of the GSW Group we are ahead of schedule and achieving cost savings sooner than we originally planned. We have made significant progress, particularly in the area of administration expenses. Due to the prompt implementation of the domination agreement, we expect to achieve synergies of more than EUR 10 million in 2014.

We confirm our adjustment of the forecast to EUR 220 million made within the context of the half-year results 2014 which already includes the additional expenses in the amount of EUR 5 million. It does not take the minority holding in the GSW into account.

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## Consolidated balance sheet

as at 30 September 2014

in EUR k	30/09/2014	31/12/2013
<b>ASSETS</b>		
Investment properties	8,882,488	8,937,118
Property, plant and equipment	25,248	26,818
Intangible assets	502,019	503,674
Derivative financial instruments	82	2,656
Other non-current assets	27,121	21,749
Deferred tax assets	297,083	280,509
<b>Non-current assets</b>	<b>9,734,041</b>	<b>9,772,524</b>
Land and buildings held for sale	70,367	97,124
Other inventories	3,394	3,294
Trade receivables	22,744	29,784
Income tax receivables	5,237	2,624
Derivative financial instruments	21	77
Other current assets	7,714	13,706
Cash and cash equivalents	620,289	196,423
<b>Subtotal current assets</b>	<b>729,766</b>	<b>343,032</b>
Non-current assets held for sale	29,685	57,544
<b>Current assets</b>	<b>759,451</b>	<b>400,576</b>
<b>Total assets</b>	<b>10,493,492</b>	<b>10,173,100</b>

in EUR k	30/09/2014	31/12/2013
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to shareholders of the parent company		
Issued share capital	289,198	286,217
Capital reserve	2,649,583	2,601,804
Retained earnings	919,940	889,762
	<b>3,858,721</b>	<b>3,777,783</b>
Non-controlling interests	235,450	166,492
<b>Total equity</b>	<b>4,094,171</b>	<b>3,944,275</b>
Non-current financial liabilities	4,686,231	4,903,262
Convertible bonds	653,957	247,937
Employee benefit liabilities	61,672	55,300
Tax liabilities	0	27,937
Derivative financial instruments	180,070	124,795
Other provisions	6,770	6,458
Deferred tax liabilities	362,798	353,061
<b>Total non-current liabilities</b>	<b>5,951,498</b>	<b>5,718,750</b>
Current financial liabilities	195,688	251,322
Convertible bonds	668	2,244
Trade payables	98,690	120,641
Liabilities to limited partners in funds	6,469	4,004
Other provisions	18,874	9,752
Derivative financial instruments	38,380	34,458
Tax liabilities	35,836	34,653
Other liabilities	53,218	53,001
<b>Total current liabilities</b>	<b>447,823</b>	<b>510,075</b>
<b>Total equity and liabilities</b>	<b>10,493,492</b>	<b>10,173,100</b>

## Consolidated profit and loss statement

for the period from 1 January to 30 September 2014

in EUR k	9m/2014	9m/2013	Q3/2014	Q3/2013
Income from Residential Property Management	469,308	259,518	155,939	91,392
Expenses from Residential Property Management	-83,364	-51,317	-29,661	-22,441
<b>Earnings from Residential Property Management</b>	<b>385,944</b>	<b>208,201</b>	<b>126,278</b>	<b>68,951</b>
Sales proceeds	205,662	101,027	67,279	38,261
Cost of sales	-9,088	-6,569	-3,091	-2,765
Carrying amounts of assets sold	-157,780	-76,584	-51,027	-29,901
<b>Earnings from Disposals</b>	<b>38,794</b>	<b>17,874</b>	<b>13,161</b>	<b>5,595</b>
Income from Nursing and Assisted Living	50,812	42,864	17,011	14,832
Expenses from Nursing and Assisted Living	-38,411	-32,927	-12,869	-11,383
<b>Earnings from Nursing and Assisted Living</b>	<b>12,401</b>	<b>9,937</b>	<b>4,142</b>	<b>3,449</b>
Corporate expenses	-66,777	-34,448	-20,932	-12,285
Other expenses/income	-18,702	-8,193	-11,242	-5,315
<b>Subtotal</b>	<b>351,660</b>	<b>193,371</b>	<b>111,407</b>	<b>60,395</b>
Depreciation and amortisation	-4,547	-4,010	-1,378	-1,304
<b>Earnings before interest and taxes (EBIT)</b>	<b>347,113</b>	<b>189,361</b>	<b>110,029</b>	<b>59,091</b>
Finance income	666	621	198	114
Gains/losses from fair value adjustments of derivative financial instruments and convertible bonds	-21,952	209	2,045	166
Finance expenses	-156,358	-93,564	-56,292	-32,026
<b>Profit before taxes</b>	<b>169,469</b>	<b>96,627</b>	<b>55,980</b>	<b>27,345</b>
Income taxes	-24,581	-30,150	-5,693	-11,058
<b>Profit for the period</b>	<b>144,888</b>	<b>66,477</b>	<b>50,287</b>	<b>16,287</b>
Thereof attributable to:				
Shareholders of the parent company	138,831	66,477	47,298	16,287
Non-controlling interests	6,057	0	2,989	0
	<b>144,888</b>	<b>66,477</b>	<b>50,287</b>	<b>16,287</b>
<b>Earnings per share</b>				
Basic in EUR	0.48	0.41	0.17	0.10
Diluted in EUR	0.45	0.41	0.13	0.10

## Consolidated statement of comprehensive income

for the period from 1 January to 30 September 2014

in EUR k	9m/2014	9m/2013	Q3/2014	Q3/2013
<b>Profit for the period</b>	<b>144,888</b>	<b>66,477</b>	<b>50,287</b>	<b>16,287</b>
<b>Other comprehensive income</b>				
<b>Items reclassified as expense at a later stage</b>				
Net gain/loss from derivative financial instruments	- 45,443	47,807	- 11,652	763
Income tax effects	14,136	- 14,904	3,625	- 265
	<b>- 31,307</b>	<b>32,903</b>	<b>- 8,027</b>	<b>498</b>
<b>Items not reclassified as expense at a later stage</b>				
Actuarial gains/losses with employee benefits and effects of maximum limits for assets	- 7,523	326	- 3,620	- 325
Income tax effects	2,123	- 101	1,022	102
	<b>- 5,400</b>	<b>225</b>	<b>- 2,598</b>	<b>- 223</b>
<b>Other comprehensive income after taxes</b>	<b>- 36,707</b>	<b>33,128</b>	<b>- 10,625</b>	<b>275</b>
<b>Total comprehensive income, net of tax</b>	<b>108,181</b>	<b>99,605</b>	<b>39,662</b>	<b>16,562</b>
Thereof attributable to:				
Shareholders of the parent company	102,486	99,605	36,673	16,562
Non-controlling interests	5,695	0	2,989	0



## Consolidated statement of cash flows

for the period from 1 January to 30 September 2014

in EUR k	9m/2014	9m/2013
<b>Operating activities</b>		
Profit/loss for the period	144,888	66,477
Finance income	-666	-621
Finance expenses	156,358	93,564
Income taxes	24,581	30,150
<b>Profit/loss for the period before interest and taxes</b>	<b>325,161</b>	<b>189,570</b>
Non-cash expenses/income		
Depreciation and amortisation	4,547	4,010
Fair value adjustments to interest rate swaps and convertible bonds	21,952	-209
Other non-cash operating expenses/income	-40,853	-32,479
Change in net working capital		
Change in receivables, inventories and other current assets	6,275	1,582
Change in operating liabilities	-26,550	-11,709
<b>Net operating cash flows</b>	<b>290,532</b>	<b>150,765</b>
Interest paid	-140,750	-88,136
Interest received	666	621
Taxes paid/received – without EK-02 payments	-3,465	-3,974
<b>Net cash flows from operating activities before EK-02 payments</b>	<b>146,983</b>	<b>59,276</b>
EK-02 payments	-38,535	-9,325
<b>Net cash flows from operating activities</b>	<b>108,448</b>	<b>49,951</b>
<b>Investing activities</b>		
Sales proceeds	208,969	115,335
Payments for investments	-48,909	-466,735
Inflows from investment subsidies	157	0
Proceeds from sale of non-controlling interests	103,090	0
Payments to limited partners in funds	-54	-49
<b>Net cash flows from investing activities</b>	<b>263,253</b>	<b>-351,449</b>
<b>Financing activities</b>		
Proceeds from borrowings	53,260	465,632
Repayment of borrowings	-336,186	-296,444
Proceeds from issue of convertible bonds	400,000	0
Payments arising from repayment of convertible bonds	-1,912	0
One-off financing payments	-5,086	-4,415
Proceeds from capital increase	0	195,100
Costs of capital increase	-483	-3,150
Dividend payment	-57,428	-33,759
<b>Net cash flows from financing activities</b>	<b>52,165</b>	<b>322,964</b>
<b>Net change in cash and cash equivalents</b>	<b>423,866</b>	<b>21,466</b>
<b>Opening balance of cash and cash equivalents</b>	<b>196,423</b>	<b>90,571</b>
<b>Closing balance of cash and cash equivalents</b>	<b>620,289</b>	<b>112,037</b>

## Consolidated statement of changes in equity

as at 30 September 2014

in EUR k	Issued share capital	Capital reserves	Retained earnings			Subtotal	Non-controlling interests	Equity
			Pensions	Reserve for cash flow hedge	Other reserves			
<b>Equity as at 1 January 2013</b>	146,143	859,251	-6,724	-101,213	711,868	1,609,324	346	1,609,670
Profit/loss for the period					66,477	66,477		66,477
Other comprehensive income after tax			225	32,903		33,128		33,128
<b>Total comprehensive income, net of taxes</b>			<b>225</b>	<b>32,903</b>	<b>66,477</b>	<b>99,605</b>		<b>99,605</b>
Capital increase	22,764	276,330				299,094		299,094
Costs of capital increase, less tax effects		-2,142				-2,142		-2,142
Change in non-controlling interests						0	7,831	7,831
Dividend payment					-33,759	-33,759		-33,759
<b>Equity as at 30 September 2013</b>	<b>168,907</b>	<b>1,133,439</b>	<b>-6,499</b>	<b>-68,310</b>	<b>744,586</b>	<b>1,972,122</b>	<b>8,177</b>	<b>1,980,300</b>
<b>Equity as at 1 January 2014</b>	<b>286,217</b>	<b>2,601,804</b>	<b>-6,177</b>	<b>-64,436</b>	<b>960,375</b>	<b>3,777,782</b>	<b>166,492</b>	<b>3,944,274</b>
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			-5,400	-31,307		-36,707		-36,707
Thereof non-controlling interests			8	353		361	-361	0
<b>Total comprehensive income, net of taxes</b>			<b>-5,392</b>	<b>-30,954</b>	<b>138,831</b>	<b>102,485</b>	<b>5,696</b>	<b>108,181</b>
Capital increase	2,981	48,647				51,628		51,628
Costs of capital increase, less tax effects		-868				-868		-868
Change in non-controlling interests					-6,354	-6,354	63,262	56,908
Dividend payment					-57,428	-57,428		-57,428
Other					-8,524	-8,524		-8,524
<b>Equity as at 30 September 2014</b>	<b>289,198</b>	<b>2,649,583</b>	<b>-11,569</b>	<b>-95,390</b>	<b>1,026,900</b>	<b>3,858,721</b>	<b>235,450</b>	<b>4,094,171</b>

## Notes to the consolidated financial statements

### General information

The business activities of Deutsche Wohnen AG are limited to its role as the holding company for the companies in the Group. In particular these activities include Corporate Finance, Finance, Human Resources, Investor Relations and Corporate Communication. Consistent with the business strategy the company concentrates on residential and nursing care properties in dynamic conurbations and metropolitan areas in Germany, such as Greater Berlin, the Rhine-Main region with Frankfurt/Main and the Rhineland with a focus on Düsseldorf, as well as in stable conurbations and metropolitan areas like Hanover/Brunswick/Magdeburg.

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

### Basic principles and policies applied to the consolidated financial statements

The condensed consolidated interim financial statements for the period from 1 January to 30 September 2014 were prepared in accordance with International Accounting Standard (IAS) 34 for interim reporting as applicable in the European Union (EU). The condensed consolidated interim financial statements have not been audited or 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 2013.

The consolidated financial statements have been prepared in principle on an 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 financial statements include the financial statements of Deutsche Wohnen and its subsidiaries as at 30 September 2014. 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 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 at the end of the reporting period. 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 September 2014 the shareholding of Deutsche Wohnen AG in GSW Immobilien AG decreased from its original level of 92.02% to 89.26%. This change is due to the sale by Deutsche Wohnen AG of approximately 5.02% of the GSW shares to Deutsche Bank AG and to the acquisition of 2.25% 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).

## Changes to accounting and valuation methods

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

In the first nine months of the financial year 2014 the new standards and interpretations which must be applied for financial years commencing after 1 January 2014 have been applied in full. There were no changes in comparison to 31 December 2013.

## Selected notes on the consolidated balance sheet

Investment properties comprise 85% of the assets of the Deutsche Wohnen Group. As at 31 December 2013 these investment properties underwent a detailed valuation and were recorded in the balance sheet at fair value. For the purposes of the interim reports the appropriateness of these valuations is monitored on an ongoing basis. As at 31 December 2014 the investment properties will once again undergo a detailed valuation. With regard to the valuation methods and parameters, we refer you to the consolidated financial statements as at 31 December 2013.

The item "Property, plant and equipment" covers mainly owner-occupied property (IAS 16), technical facilities and office furniture and equipment.

The item "Intangible assets" covers, in addition to software and licences, the goodwill in the amount of EUR 491.6 million which resulted from the GSW transaction (financial year 2013).

The convertible bonds are reported on the balance sheet at fair value on the basis of their market price. The current conversion price of the convertible bond issued by Deutsche Wohnen AG in 2013 is EUR 18.3605. 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 20.1016. The nominal sum owing is EUR 400.0 million. The convertible bond of GSW Immobilien AG has been repaid completely.

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 floating-rate loans. The negative market value (net), which was calculated based on the mark-to-market method, has increased in comparison to 31 December 2013 from EUR 156.5 million (net) to EUR 218.3 million (net) – mainly because of the slight decrease in interest rates.

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 equity change statement on page 25.

Financial liabilities have decreased in comparison to 31 December 2013 particularly because of the repayment of loans.

The liabilities arising from convertible bonds have increased in comparison to 31 December 2013 mainly because of the issue of a further convertible bond by Deutsche Wohnen AG in a nominal amount of EUR 400.0 million. Further changes result from the valuation on the basis of the share price as at the reporting date.

The employee benefit liabilities were valued as at the reporting date with a discount rate of 2.55% p. a. (as at 31 December 2013: 3.50% p. a.). This rate derives from the yield of fixed-interest rate corporate bonds.

The tax liabilities mainly refer to liabilities in the previous year from the lump-sum taxation of EK-02 holdings. As at 30 September 2014 these taxes were paid off ahead of schedule and in full.

## Selected notes on the consolidated profit and loss statement

The income from Residential Property Management is made up as follows:

in EUR m	9m/2014	9m/2013
Potential gross rental income	479.8	267.4
Subsidies	5.4	1.8
	<b>485.2</b>	<b>269.2</b>
Vacancy losses	-15.9	-9.7
	<b>469.3</b>	<b>259.5</b>

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

in EUR m	9m/2014	9m/2013
Maintenance costs	-61.4	-38.9
Non-recoverable operating expenses	-9.9	-5.7
Rental loss	-5.8	-2.6
Other income/expenses	-6.3	-4.1
	<b>-83.4</b>	<b>-51.3</b>

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

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

in EUR m	9m/2014	9m/2013
Income from Nursing and Assisted Living	50.8	42.9
Nursing and corporate costs	-13.4	-11.0
Staff expenses	-25.0	-22.0
	<b>12.4</b>	<b>9.9</b>

Financial expenses are made up as follows:

in EUR m	9m/2014	9m/2013
Current interest expenses	-138.9	-84.9
Accrued interest on liabilities and pensions	-12.3	-8.6
One-off financing costs	-5.1	0.0
	<b>-156.3</b>	<b>-93.5</b>

## Notes on the consolidated statement of cash flows

The cash fund is made up of cash at hand and bank deposits. In addition, we have readily available credit facilities with banks in the amount of approximately EUR 110 million.

## Notes on segment reporting

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

in EUR m	External revenue		Internal revenue		Total revenue	
	9m/2014	9m/2013	9m/2014	9m/2013	9m/2014	9m/2013
<b>Segments</b>						
Residential Property Management	469.3	259.5	4.2	3.9	473.5	263.4
Disposals	205.7	101.0	3.3	2.4	209.0	103.4
Nursing and Assisted Living	50.8	42.9	0.0	0.0	50.8	42.9
<b>Reconciliation with consolidated financial statement</b>						
Central functions and other operational activities	5.3	0.3	35.7	37.8	41.0	38.1
Consolidations and other reconciliations	-5.3	-0.3	-43.2	-44.1	-48.5	-44.4
	<b>725.8</b>	<b>403.4</b>	<b>0.0</b>	<b>0.0</b>	<b>725.8</b>	<b>403.4</b>

in EUR m	Segment earnings		Assets	
	9m/2014	9m/2013	30/09/2014	31/12/2013
<b>Segments</b>				
Residential Property Management	385.9	208.2	9,401.1	8,967.3
Disposals	38.8	17.9	104.8	162.9
Nursing and Assisted Living	12.4	9.9	14.3	15.5
<b>Reconciliation with consolidated financial statement</b>				
Central functions and other operational activities	-85.4	-42.6	671.0	744.3
Consolidations and other reconciliations	0.0	0.0	0.0	0.0
	<b>351.7</b>	<b>193.4</b>	<b>10,191.2</b>	<b>9,890.0</b>

## Other information

### Associated parties and companies

Dr Michael Leinwand resigned from his position as member of the Supervisory Board with effect from the end of the Annual General Meeting of 11 June 2014. At the Annual General Meeting of 11 June 2014 the entrepreneur Mr Claus Wisser was elected onto the Supervisory Board. Mr Wisser is a member of the following supervisory boards and controlling bodies as defined in section 285 (2), no. 10 of the German Commercial Code in conjunction with section 125 (1), sentence 5 of the German Companies Act:

- Head of the supervisory board of AVECO Holding AG, Frankfurt/Main.
- Member of the supervisory board of DFV Deutsche Familienversicherung AG, Frankfurt/Main

Mr Michael Zahn assumed the position as chairman of the supervisory board of TLG IMMOBILIEN AG, Berlin on 8 September 2014.

Apart from the above, there have been no significant changes in respect to associated parties and companies in comparison to the information provided as at 31 December 2013.

## Risk report

With regard to the risks which exist for future business development we refer to the information presented in the risk report in the consolidated financial statements as at 31 December 2013.

Frankfurt/Main, November 2014

Deutsche Wohnen AG  
Management Board



Michael Zahn  
Chief Executive Officer



Andreas Segal  
Member of  
the Management  
Board (CFO)



Lars Wittan  
Member of  
the Management  
Board (CIO)

## Responsibility statement

"We hereby declare that, to the best of our knowledge and in accordance with the applicable accounting standards, the consolidated interim financial statements as at 30 September 2014 give a true and fair view of the net assets, financial and earnings position of the Group, 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, November 2014

Deutsche Wohnen AG  
Management Board



Michael Zahn  
Chief Executive Officer



Andreas Segal  
Member of  
the Management  
Board (CFO)



Lars Wittan  
Member of  
the Management  
Board (CIO)

### 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 2014

<b>12/11/2014</b>	Publication of Interim Report as at 30 September 2014/1st – 3rd quarter
<b>13–14/11/2014</b>	Roadshow, London
<b>18/11/2014</b>	Roadshow, New York
<b>19/11/2014</b>	Roadshow, Boston
<b>20/11/2014</b>	Roadshow, Chicago
<b>02/12/2014</b>	UBS European Real Estate Conference, London
<b>03/12/2014</b>	Berenberg Mid Cap Conference, London



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