DEUTSCHE WOHNEN

People. Approach. Values.

Consolidated Interim Statement as of 30 September 2019

Contents

GROUP KEY FIGURES

Income statement		9M 2019	9M 2018	Change
Contracted rental income	EUR m	622.5	585.0	6.4%
Earnings from Residential Property Management	EUR m	549.6	500.2	9.9%
Earnings from Disposals	EUR m	24.8	13.5	83.7%
Earnings from Nursing and Assisted Living	EUR m	65.4	37.6	73.9%
Corporate expenses	EUR m	–72.5	–63.8	13.6%
EBITDA	EUR m	560.6	484.4	15.7%
EBT (adjusted)	EUR m	426.1	401.2	6.2%
EBT (as reported)	EUR m	853.1	1,018.4	–16.2%
Earnings after taxes	EUR m	634.7	756.7	–16.1%
Earnings after taxes[1]	EUR per share	1.73	2.06	–16.2%
FFO I	EUR m	416.3	369.2[2]	12.8%
FFO I[1]	EUR per share	1.16	1.04[2]	11.5%
FFO II	EUR m	438.7	380.6	15.3%
FFO II[1]	EUR per share	1.23	1.07	15.0%

Balance sheet		30/09/2019	31/12/2018	Change
Investment properties	EUR m	24,688.3	23,781.7	906.6
Current assets	EUR m	1,506.7	984.0	522.7
Equity	EUR m	12,241.8	11,908.1	333.7
Net financial liabilities	EUR m	9,712.5	8,749.4	963.1
Loan-to-Value ratio (LTV)	in %	38.0	36.0	2.0
Total assets	EUR m	26,639.1	25,057.9	1,581.2

Share		30/09/2019	31/12/2018	Change
Share price (closing price)	EUR per share	33.49	40.00	–16.3%
Number of shares	m	359.71	357.01	2.69
Market capitalisation	EUR bn	12.0	14.3	–16.1%

Net asset value (NAV)		30/09/2019	31/12/2018	Change
EPRA NAV (undiluted)	EUR m	15,654.4	15,087.8	566.6
EPRA NAV (undiluted)	EUR per share	43.52	42.26	3.0%
EPRA NAV (diluted)	EUR per share	43.52	42.26	3.0%

Fair values		30/09/2019	31/12/2018	Change
Fair value properties[3]	EUR m	23,415	22,190	1,207
Fair value per sqm living and usable space[3]	EUR per sqm	2,241	2,157	3.8%

1 Based on a weighted average of approximately 357.77 million shares in circulation in 2019 and approximately 355.29 million in 2018
2 Calculation method changed: staff, general and administration expenses are no longer included in FFO I – the previous year's figures have been amended accordingly
3 Only includes residential and commercial buildings, without Nursing and Assisted Living and without right-of-use assets under leases measured according to IFRS 16

GROUP INTERIM MANAGEMENT REPORT

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

Its property portfolio comprises approximately 170,000 residential and commercial units and has a fair value of some EUR 23.4 billion[1]. Our holdings also include nursing properties with a fair value of around EUR 1.3 billion comprising approximately 12,200 beds and apartments for assisted living. The focus of our investment is on residential properties in metropolitan areas and conurbations in Germany. Economic growth, positive net immigration and insufficient new building activity in these regions form the basis for the further development of our portfolio value. We see the addition of nursing properties as another growth area, particularly in view of the demographic trends.

Deutsche Wohnen on the capital market

Downturn for the German economy

DIW Berlin (German Institute for Economic Research) estimates that the German economy will grow by just 0.5% this year. This means the DIW has revised its forecast from summer 2019 down by 0.4 percentage points. The main reasons are a weaker world economy, along with the uncertainty caused by Brexit and global trade disputes, which depress demand for capital goods and so weigh on the export-oriented German economy. Significant monetary intervention and good employment figures, on the other hand, had a positive effect. The unemployment rate is expected to be 5% this year and to decline slightly in the years thereafter. Inflation is predicted to remain low in 2019 at 1.4%. It is expected to rise slightly in the years ahead.[2]

Thanks to tax reductions, payroll deductions are lower. Including higher social security benefits, disposable household income is expected to grow by 2.8% this year.[2]

Persistent pressure on German and European stock markets

Whereas the German economy contracted marginally overall in the third quarter, the euro area reported a slightly positive performance. Continuous setbacks in the trade conflict between the USA and China put pressure on share prices. Lower global interest rates and the decreasing probability of a no-deal Brexit had a positive impact, however.

The German Purchasing Managers Index fell to a ten-year low of 41.4, while the Purchasing Managers Index for the euro area plumbed a six-year low at 45.6.

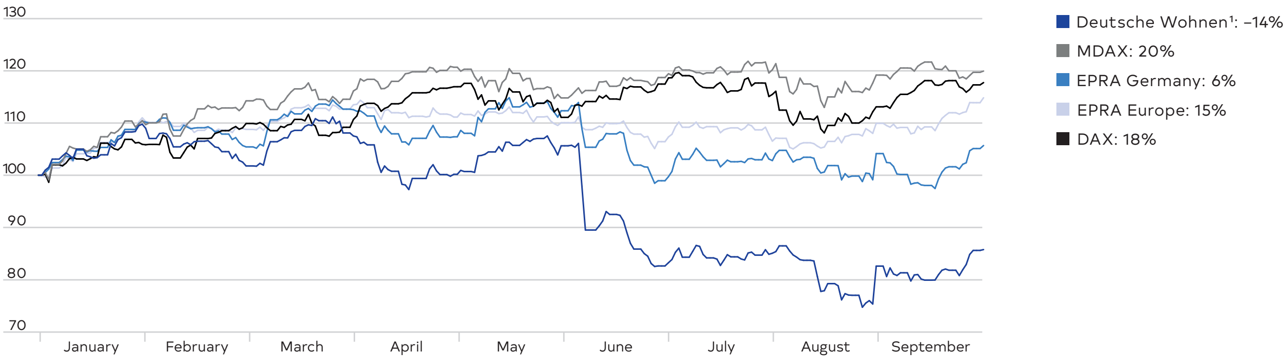
1 Excluding deposits received, units under construction and undeveloped land
2 DIW: baseline of economic development in autumn 2019

Deutsche Wohnen share continues to suffer from regulatory uncertainty

The Deutsche Wohnen share closed the first nine months of 2019 at a closing price of EUR 33.49, representing a loss of approximately 14%. Reasons for the poor performance included mainly uncertainty surrounding the planned rent cap in Berlin and disagreement within the governing coalition concerning the practical form that corresponding legislation should take. The share therefore underperformed both the German DAX (+18%) and MDAX (+20%) indices. In the reporting period the real estate indices EPRA Germany and EPRA Europe rose by 6% and 15% respectively.

The market capitalisation of Deutsche Wohnen SE fell by nearly 19% year-on-year to EUR 12.0 billion at the end of the third quarter 2019. Average daily turnover in Xetra trading grew by roughly 20% from EUR 29 million in the first nine months of 2018 to EUR 34.8 million in the first nine months of 2019. The average Xetra trading volume for the Deutsche Wohnen share was 0.9 million shares per day. On average, over 1.1 million shares per day were also traded on alternative platforms.

Share price performance 9M 2019 (indexed)



1 Share price, adjusted for dividend

Key figures for the share	9M 2019	9M 2018
Number of shares in m	approx. 359.70	approx. 356.91
Price at end of 9M[1] in EUR	33.49	41.32
Market capitalisation in EUR bn	approx. 12.0	approx. 14.7
Nine-month high[1] in EUR	43.39	43.75
Nine-month low[1] in EUR	29.19	32.72
Average daily Xetra trading volume[2]	929,399	751,566

1 Closing price in Xetra trading
2 Shares traded
Source: Bloomberg, as of 02/10/2019

Broad analyst coverage

A total of 28 analysts are currently[3] tracking the performance of Deutsche Wohnen SE. Current[3] price targets range from EUR 26.50 to EUR 59.40 per share. The consensus price target is EUR 38.00[3] per share, or some 14% above the closing price as of 30 September 2019.

Rating	Number
Buy/Outperform/Overweight	15
Equal Weight/Hold/Neutral	9
Sell	3
No rating	1

Intensive dialogue with analysts and investors

Deutsche Wohnen maintains intensive dialogue with its shareholders and investors. It makes particular use of investor conferences and roadshows both in Germany and abroad to do this. In the first nine months of 2019 we presented our business model in New York, London, Paris, Amsterdam, Brussels and Copenhagen. Further conferences and roadshows are planned for the fourth quarter of 2019.

For more details, please refer to the financial calendar on page 28. This is regularly updated on our Investor Relations website.

Property portfolio

Deutsche Wohnen manages one of the largest property portfolios in Germany, comprising approximately 166,700 residential and 2,800 commercial units (approximately 4% of its overall floor space). We focus on fast-growing metropolitan regions and conurbations, which are known as Core^{+} markets, and make up nearly 90% of the portfolio.

As of 30 September 2019, the average in-place rent for the properties in Deutsche Wohnen's portfolio amounted to EUR 6.82 per sqm (previous year: EUR 6.55 per sqm), with a consistently low vacancy rate of 2.1% (previous year: 2.1%).

3 As of 30/09/2019

30/09/2019					Residential		Commercial
	Residential units	Area	Share of total portfolio	In-place rent[1]	Vacancy rate	Commercial units	Area
	number	in thousand sqm	in %	EUR/sqm	in %	number	in thousand sqm
Strategic core and growth regions	**166,573**	**10,041**	**99.9**	**6.83**	**2.1**	**2,807**	**412**
Core+	**147,464**	**8,859**	**88.5**	**6.94**	**2.0**	**2,604**	**379**
Greater Berlin	115,791	6,897	69.5	6.85	1.8	1,860	250
Rhine-Main	10,740	645	6.4	8.58	2.0	170	32
Dresden/Leipzig	8,959	580	5.4	6.08	4.0	453	67
Rhineland	6,312	390	3.8	6.95	2.8	64	16
Mannheim/ Ludwigshafen	4,719	294	2.8	6.21	2.3	43	12
Other Core+	943	54	0.6	10.58	1.0	14	1
Core	**19,109**	**1,183**	**11.5**	**6.00**	**3.0**	**203**	**32**
Hanover/Brunswick	9,110	588	5.5	6.11	2.8	85	14
Kiel/Lübeck	4,947	293	3.0	6.09	3.0	12	2
Other Core	5,052	302	3.0	5.70	3.7	106	16
Non-Core	**144**	**9**	**0.1**	**5.14**	**4.8**	**0**	**0**
Total	166,717	10,050	100.0	6.82	2.1	2,807	412

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

Portfolio development

Acquisitions

In the first nine months of 2019, we signed contracts for some 4,400 residential and commercial units for a total purchase price of approximately EUR 960 million. The majority of these are in Core+ markets such as Frankfurt/Main, Cologne and Düsseldorf. The acquisitions were primarily late nineteenth-century 'Altbau' and post-war buildings in central locations, which make a further contribution to improving the quality of our portfolio.

Disposals

In terms of disposals, we were able to exploit the ongoing high demand with sales of 729 residential units with a transfer of risks and rewards in the first nine months of 2019. Of these, 250 apartments were sold in connection with privatisation while institutional sales accounted for 479. Contracts were also signed in the third quarter of 2019 for the sale of 6,350 residential and commercial units for a price of EUR 615 million. The sales price is around one-third higher than the current carrying amount and implies an in-place rent multiple of around 22. The residential units are mostly located in Kiel, Lübeck, Erfurt and Chemnitz, so outside Germany's metropolitan areas. It is expected that the associated risks and rewards will be transferred by the end of 2019.

For further details of the segment earnings from Disposals, please refer to page 11.

Operating performance

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

Like-for-like		30/09/2019	30/09/2018		30/09/2019	30/09/2018
	Residential units	In-place rent[1]	In-place rent[1]	Development	Vacancy rate	Vacancy rate
	number	EUR/sqm	EUR/sqm	in %	in %	in %
Total	**160,684**	**6.78**	**6.55**	**3.4**	**1.9**	**2.0**
Letting portfolio[2]	**148,621**	**6.82**	**6.59**	**3.5**	**1.7**	**1.9**
Core+	**136,083**	**6.90**	**6.67**	**3.5**	**1.6**	**1.9**
Greater Berlin	110,445	6.87	6.63	3.6	1.6	1.9
Rhine-Main	9,239	8.19	7.89	3.8	1.4	1.1
Dresden/Leipzig	6,096	6.02	5.83	3.2	2.9	3.1
Rhineland	4,855	6.29	6.18	1.8	0.9	0.9
Mannheim/ Ludwigshafen	4,556	6.21	6.04	2.7	1.4	2.0
Other Core+	892	10.63	10.45	1.7	1.1	0.6
Core	**12,538**	**5.99**	**5.83**	**2.8**	**2.9**	**2.3**
Hanover/Brunswick	8,922	6.11	5.92	3.3	2.7	2.1
Other Core	3,616	5.68	5.60	1.4	3.7	2.8

1 Contractually owed rent for let apartments divided by let surface area
2 Without disposal and Non-Core properties

Like-for-like rental growth was 3.4% in the reporting period. Rent increases for existing tenants were moderate at 1.5%.

The vacancy rate for our like-for-like letting portfolio remained very low at 1.7% (previous year: 1.9%), with 0.6% of this total standing vacant due to refurbishment in connection with our investment programme.

Portfolio investments

In the first nine months of 2019 we spent some EUR 300.1 million or around EUR 38.54 per sqm on maintenance and refurbishment. Of the total refurbishment costs of EUR 231.1 million, around EUR 98.9 million were for work completed between tenancies and EUR 132.2 million were for complex refurbishment projects. Around 70% of the total was capitalised as maintenance costs and some 30% will be charged to tenants as modernisation expenses.

The following table illustrates the maintenance expenses as well as the refurbishment measures for the past financial year in comparison with the previous year.

EUR m	9M 2019	9M 2018
Maintenance	**69.0**	**67.0**
in EUR per sqm p.a.	8.86[1]	8.85[1]
Refurbishment	**231.1**	**190.8**
in EUR per sqm p.a.	29.68[1]	25.21[1]
Maintenance and refurbishment	**300.1**	**257.8**
in EUR per sqm p.a.	38.54[1]	34.06[1]

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

Nursing properties

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

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

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

Nursing business: properties and operations

Nursing properties operated by KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG

				Beds	
Region	Facilities	Nursing	Assisted living	Total	Occupancy 30/09/2019
	number	number	number	number	in %
Hamburg region	17	3,163	157	3,320	92.3
Berlin region	12	1,071	371	1,442	98.2
Saxony region	8	523	71	594	97.3
Total – operated through participations	**37**	**4,757**	**599**	**5,356**	**94.5**

Nursing properties with other operators

				Beds	
Federal state	Facilities	Nursing	Assisted living	Total	WALT[1]
	number	number	number	number	
Bavaria	14	1,704	46	1,750	9.9
North Rhine-Westphalia	10	1,185	242	1,427	12.7
Rhineland-Palatinate	6	669	208	877	11.7
Lower Saxony	5	771	0	771	8.7
Baden-Württemberg	6	662	16	678	10.2
Hesse	4	528	0	528	10.0
Other	7	788	48	836	8.7
Total – operated by other operators	**52**	**6,307**	**560**	**6,867**	**10.5**
Total nursing	**89**	**11,064**	**1,159**	**12,223**	

1 Weighted average lease term

Notes on the financial performance and financial position

Financial performance

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

EUR m	9M 2019	9M 2018
Earnings from Residential Property Management	549.6	500.2
Earnings from Disposals	24.8	13.5
Earnings from Nursing and Assisted Living	65.4	37.6
Corporate expenses	–72.5	–63.8
Other expenses/income	–6.7	–3.1
Operating result (EBITDA)	**560.6**	**484.4**
Depreciation and amortization	–29.9	–6.0
Adjustment to the fair value of investment properties	451.3	677.5
Gains/losses from companies valued at equity	1.7	1.2
Financial result	–130.6	–138.7
Earnings before taxes (EBT)	**853.1**	**1,018.4**
Current taxes	–29.7	–31.4
Deferred taxes	–188.7	–230.3
Profit/loss for the period	**634.7**	**756.7**

The profit for the period fell year-on-year by EUR 122.0 million to EUR 634.7 million, largely because of the lower contribution from fair value adjustments to investment properties.

Earnings before taxes adjusted for non-recurring and valuation effects shows the normalised earnings increase of EUR 24.9 million or 6.2%.

EUR m	9M 2019	9M 2018
Earnings before taxes	**853.1**	**1,018.4**
Gains/losses from the valuation of properties	–450.7	–677.5
Gains/losses from fair value adjustments to derivative financial instruments and convertible bonds	6.8	55.2
Non-recurring expenses and revenues	16.9	5.1
Adjusted earnings before taxes	**426.1**	**401.2**

As in the previous year, non-recurring expenses and revenues in the first nine months of 2019 mainly consist of project and transaction-related expenses in connection with the repayment of loans (EUR 9.0 million, previous year: EUR 2.2 million) and in the second quarter 2019 the partial redemption of a corporate bond (EUR 4.5 million interest expenses).

Earnings from Residential Property Management

Earnings from Residential Property Management rose year-on-year by EUR 49.4 million or 9.9% to EUR 549.6 million.

EUR m	9M 2019	9M 2018
Contracted rental income	622.5	585.0
Income from operating costs	286.1	266.7
Rental income	**908.6**	**851.7**
Operating costs	–279.5[2]	–273.8
Rental loss	–5.8	–5.2
Maintenance	–69.0	–67.0
Other	–4.7[2]	–5.5
Earnings from Residential Property Management	**549.6**	**500.2**
Staff, general and administration expenses	–39.4[2]	–35.7
Operating result (NOI)	**510.2**	**464.5**
NOI margin in %	82.0	79.4
NOI in EUR per sqm and month[1]	5.46	5.11
Change in NOI in EUR per sqm and month in %	6.8	

1 Based on average surface area on a quarterly basis in each period (annualized)
2 Comparison with the same period last year is limited by the absence of lease expenses due to first-time application of IFRS 16 since 1 January 2019

Acquisitions and rent increases in the portfolio resulted in an increase in contract rental income of roughly 6% compared with the first nine months of the previous year.

Income from operating costs was higher than expenses for operating costs, because the change in accounting rules for leases meant that various expenses are no longer included in operating costs. For the first nine months of financial year 2019 these consisted of lease expenses of EUR 14.2 million for metering and heat contracting. This also contributed to the increase of around 3 percentage points in the NOI margin to 82.0%.

Earnings from Disposals

A total of 7,307 units were sold up to 30 September 2019. The transfer of risks and rewards is expected to take place in 2019. Of the total, 204 units were sold on the basis of contracts signed in 2018.

	Units	Transaction volume	IFRS carrying amount of assets sold	Gross margin	
	number	EUR m	EUR m	EUR m	in %
Privatisation	314	88.3	55.4	32.9	59
Institutional sale	6,993	680.3	515.4	164.9	32
	7,307	**768.6**	**570.8**	**197.8**	**35**

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

Of the 7,307 units sold, the transfer of risks and rewards for 729 took place in the first nine months of the 2019 financial year (previous year period: 586) and so are recognised in earnings from Disposals.

EUR m	9M 2019	9M 2018
Sales proceeds	122.3	78.6
Cost of sales	–8.0	–5.5
Net sales proceeds	**114.3**	**73.1**
Carrying amount of assets sold	–89.5	–59.6
Earnings from Disposals	**24.8**	**13.5**

Sales prices for privatised apartments came to an average of EUR 3,425 per sqm in the first nine months of 2019 (previous year period: EUR 2,463 per sqm). The higher average sales price per sqm was due to a privatisation in a central location of Berlin.

Of the 6,578 units sold for which risks and rewards had not been transferred as of 30 September 2019, some 6,350 units relate to a portfolio transaction, largely focused on Kiel and Erfurt, where the transfer of risks and rewards is expected to take place in late December 2019.

Earnings from Nursing and Assisted Living

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

EUR m	9M 2019	9M 2018
Income		
Nursing care	110.7	40.5
Rental income	44.5	22.9
Lease income	34.1	22.1
Internal lease income	19.9	11.2
Other	13.6	9.6
	222.8	**106.3**
Costs		
Nursing and corporate expenses	–31.7[1]	–17.3
Staff expenses	–103.9	–40.1
Leased assets	–1.9	–0.1
Internal lease expenses	–19.9	–11.2
	–157.4	**–68.7**
Earnings from Nursing and Assisted Living	**65.4**	**37.6**

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

37 nursing facilities are managed by the KATHARINENHOF Group, in which we hold a 49% equity interest, and the PFLEGEN & WOHNEN HAMBURG Group, which has been a wholly owned subsidiary of Deutsche Wohnen since 2 January 2019. Earnings in the Nursing and Assisted Living segment from the properties managed by the two operating groups came to EUR 34.8 million before rental expenses (EBITDAR) for the first nine months of financial year 2019 (previous year period: EUR 10.7 million). This represents an EBITDAR margin of 20.6%. Operating EBITDA after lease expenses stood at EUR 14.1 million (previous year period: EUR 5.6 million).

A further 52 nursing facilities were owned by Deutsche Wohnen (previous year: 35 nursing facilities) and are let to well-known operators on long leases. EBITDA from properties totalled EUR 51.3 million (previous year: EUR 32.0 million).

Corporate expenses

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

EUR m	9M 2019	9M 2018
Staff expenses	–45.2	–42.1
General and administration expenses	–27.3	–21.7
Total corporate expenses	**–72.5**	**–63.8**

Corporate expenses, not including the staff, general and administration expenses of disposals, accounted for about 11.3% of rental income (previous year period: 10.5%).

Depreciation and amortization

Depreciation and amortization rose from EUR 6.0 million in the first nine months of 2018 to EUR 29.9 million in the first nine months of 2019. The increase is due to the change in lease accounting and the right-of-use assets recognised in connection with leases, which are depreciated. Other additional depreciation and amortization mainly related to acquisitions, firstly the purchase of last-mile broadband cable and secondly customer contracts acquired as part of the business combination with the PFLEGEN & WOHNEN HAMBURG Group.

Financial result

The financial result is made up as follows:

EUR m	9M 2019	9M 2018
Current interest expenses	–96.7	–74.8
Accrued interest on liabilities and pensions	–17.5	–9.5
Transaction-related interest expenses	–14.2	–2.6
Fair value adjustment of derivative financial instruments	–39.6	0.1
Fair value adjustment of convertible bonds	32.8	–55.3
	–135.2	**–142.1**
Interest income	4.6	3.4
Financial result	**–130.6**	**–138.7**

Current interest expenses were higher, mainly due to higher financing volumes for financial liabilities and corporate bonds (30 September 2019: EUR 8.4 billion, 30 September 2018: EUR 6.9 billion).

Transaction-related interest expense consists of early repayment penalties for loans refinanced ahead of schedule and the partial redemption in the second quarter 2019 of corporate bonds maturing in July 2020.

Since long-term interest rates have fallen, the negative market value of derivative financial instruments (interest rate hedges) has risen. To the extent that these financial instruments do not form part of an effective hedging relationship, the fair value adjustment is recognised as an expense in the financial result.

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 tracks the share price of Deutsche Wohnen SE. The convertible bonds are held at fair value in the consolidated balance sheet. The decline in the Deutsche Wohnen share price therefore resulted in a valuation gain on the convertible bonds.

The coverage ratio of current interest expenses less interest income to EBITDA (adjusted) before disposals went down due to the higher debt and is as follows:

EUR m	9M 2019	9M 2018
EBITDA (adjusted) before disposals	544.6[1]	476.7[1]
Current interest expenses and interest income	93.2[2]	71.4
Interest cover ratio (ICR)	**5.8**	**6.7**

1 Calculation method changed: staff, general and administration expenses are no longer included in EBITDA (adjusted) before disposals. The previous year's figures have been amended accordingly.
2 Current interest expenses and interest income do not include interest income from finance leases for broadband cable networks.

Income taxes

Income taxes of EUR 218.4 million (previous year period: EUR 261.7 million) comprise EUR 188.7 million (previous year period: EUR 230.3 million) in deferred taxes along with current income taxes of EUR 29.7 million (previous year period: EUR 31.4 million). The amount of deferred taxes is particularly due to the adjustment to the fair value of investment properties.

Assets and financial position

Here are some selected figures from the consolidated balance sheet:

	30/09/2019		31/12/2018	
	EUR m	in %	EUR m	in %
Investment properties	24,688.3	93	23,781.7	95
Other non-current assets	444.1	2	292.2	1
Total non-current assets	**25,132.4**	**95**	**24,073.9**	**96**
Current assets	1,165.1	4	651.2	3
Cash and cash equivalents	341.6	1	332.8	1
Total current assets	**1,506.7**	**5**	**984.0**	**4**
Total assets	**26,639.1**	**100**	**25,057.9**	**100**
Equity	**12,241.8**	**46**	**11,908.1**	**48**
Financial liabilities	6,452.5	24	6,184.6	25
Convertible bonds	1,692.9	6	1,697.2	7
Corporate bonds	1,908.7	7	1,200.4	5
Tax liabilities	58.6	0	36.0	0
Employee benefit liabilities	107.5	1	63.4	0
Deferred tax liabilities	3,417.4	13	3,244.7	12
Other liabilities	759.7	3	723.5	3
Total liabilities	**14,397.3**	**54**	**13,149.8**	**52**
Total equity and liabilities	**26,639.1**	**100**	**25,057.9**	**100**

Investment properties remain the largest balance sheet item. Compared with 31 December 2018, the figure went up mainly due to the revaluation as of 30 June 2019 and due to acquisitions and capitalised refurbishment work.

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

The increase in current assets stems from a change in the presentation of non-current assets held for sale due to a signed portfolio transaction, with assets mainly in Kiel and Erfurt, for which the transfer of risks and rewards is due to take place in late December 2019.

Group equity went up by EUR 333.7 million in absolute terms in the first nine months of 2019. The balance sheet extension of EUR 1.6 billion caused the equity ratio to fall to approximately 46%. In the reporting period around 62.7 thousand bearer shares in Deutsche Wohnen SE were issued to Management Board members following their exercise of share options, and a further 11.2 thousand bearer shares were issued in exchange for some 4.7 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 581.7 million in the first nine months of 2019 increased the capital of Deutsche Wohnen, while the dividend voted for the 2018 financial year reduced it by EUR 310.6 million. Shareholders had a choice between receiving the dividend in cash or shares. The cash dividend of EUR 225.7 million was paid and 2,617.3 thousand new shares with a total value of EUR 84.9 million were issued in July 2019.

Financial liabilities increased due to new borrowing in excess of capital repayments.

Liabilities from convertible bonds decreased due to fluctuations in market value, offset by a simultaneous increase resulting from accrued interest. The nominal amount of outstanding convertible bonds was EUR 1,600 million as of the reporting date.

Liabilities under corporate bonds increased following the issue of registered and bearer bonds with long maturities, offset by the voluntary partial redemption of the corporate bond maturing in July 2020.

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

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

EPRA NAV

EPRA NAV changed as follows:

EUR m	30/09/2019	31/12/2018
Equity (before non-controlling interests)	11,881.0	11,559.1
Market value of derivative financial instruments	79.2	14.6
Deferred taxes	3,694.2	3,514.1
EPRA NAV (undiluted)	**15,654.4**	**15,087.8**
Number of shares (undiluted) in m	359.7	357.0
EPRA NAV (undiluted) in EUR per share	**43.52**	**42.26**
Effects from the conversion of convertible bonds	0.0	0.0
EPRA NAV (diluted)	**15,654.4**	**15,087.8**
Number of shares (diluted) in m	359.7	357.0
EPRA NAV (diluted) in EUR per share	**43.52**	**42.26**

EPRA NAV (undiluted) rose by EUR 566.6 million in absolute terms and by EUR 1.26 per share. This is mainly due to the valuation gains from the fair value adjustment as of 30 June 2019 and the comprehensive income for the first nine months of the financial year 2019 of EUR 564.6 million attributable to the shareholders of the parent company. It was offset by the payment of the cash dividend of EUR 225.7 million for the financial year 2018.

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

Goodwill of EUR 150.1 million was carried as of the reporting date (31 December 2018: EUR 22.2 million). This goodwill did not result from business combinations with property holding companies, but from business combinations with service companies, mainly in the nursing care sector (EUR 140.0 million). Only goodwill relating to properties was deducted to calculate EPRA NAV adjusted for goodwill. The EPRA NAV adjusted for goodwill (Adjusted EPRA NAV) of Deutsche Wohnen SE as of the reporting date was therefore the same as EPRA NAV.

Loan-to-Value ratio

The Loan-to-Value ratio changed as follows compared with 31 December 2018:

EUR m	30/09/2019	31/12/2018
Financial liabilities	6,452.5	6,184.6
Convertible bonds	1,692.9	1,697.2
Corporate bonds	1,908.7	1,200.4
	10,054.1	**9,082.2**
Cash and cash equivalents	–341.6	–332.8
Net financial liabilities	**9,712.5**	**8,749.4**
Investment properties	24,688.3	23,781.7
Less right-of-use assets held as investment properties from leases[1]	–65.8	0.0
Non-current assets held for sale	498.4	33.0
Land and buildings held for sale	470.5	477.1
	25,591.4	**24,291.8**
Loan-to-Value ratio in %	**38.0**	**36.0**

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

The Loan-to-Value ratio was approximately 38.0% 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 2019, with a hedging ratio[4] of around 89%.

Cash flow

The Group's cash flow was as follows:

EUR m	9M 2019	9M 2018
Cash flow from operating activities	280.2	289.2
Cash flow from investing activities	–986.2	–1,007.6
Cash flow from financing activities	714.8	1,028.9
Net change in cash and cash equivalents	**8.8**	**310.5**
Opening balance cash and cash equivalents	332.8	363.7
Closing balance cash and cash equivalents	**341.6**	**674.2**

Net cash flow from investing activities in the first nine months of the 2019 financial year included payments for business combinations of EUR 83.2 million and for investments of EUR 1,019.7 million, of which outflows of EUR 738.6 million related to payments for acquisitions and EUR 232.7 million to refurbishment work. This was offset by sales proceeds for investment properties of EUR 115.4 million.

4 The ratio of financial liabilities, convertible bonds and corporate bonds at fixed interest rates or with interest rate hedges to the total nominal value of financial liabilities, convertible bonds and corporate bonds

In the reporting period, the net cash flow from financing activities included new loans of EUR 423.1 million and loan repayments of EUR 163.9 million. The figure also comprised proceeds of EUR 1,059.5 million from the issue of registered and bearer bonds and redemptions of corporate bonds of EUR 341.2 million. Of the dividend of EUR 310.6 million for financial year 2018 voted at the Annual General Meeting, EUR 225.7 million was paid in cash. The difference was paid in shares, since shareholders had a choice between a cash and scrip dividend.

FFO

The Funds from Operations (FFO I) indicator, which is relevant for us, rose by approximately 12.8% in absolute terms and by approximately 11.5% on a per share basis.

EUR m	9M 2019	9M 2018
EBITDA before gains/losses from fair value adjustments of investment properties	**560.6**	**484.4**
Valuation of current assets (properties)	0.6	0.0
Other one-off expenses and income	2.9	3.5
Restructuring and reorganisation costs	2.9	0.2
EBITDA (adjusted)	**567.0**	**488.1**
Earnings from Disposals	–24.8	–13.5
Staff, general and administration expenses of disposals	2.4	2.1[2]
EBITDA (adjusted) before disposals	**544.6**	**476.7[2]**
Finance leasing broadband cable networks	2.1	1.7
At-equity valuation	1.7	1.2
Interest expense/income	–97.4	–72.6
Income taxes	–29.5	–33.2
Non-controlling interests	–5.2	–4.6
FFO I	**416.3**	**369.2[2]**
Earnings from Disposals	24.8	13.5
Staff, general and administration expenses of disposals	–2.4	–2.1
FFO II	**438.7**	**380.6**
FFO I per share in EUR[1]	1.16	1.04[2]
FFO II per share in EUR[1]	1.23	1.07

1 Based on a weighted average of approximately 357.77 million shares in circulation in 2019 and approximately 355.29 million in 2018
2 Calculation method changed: staff, general and administration expenses are no longer included in FFO I – the previous year's figures have been amended accordingly

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

Events after the reporting date

The Senate of Berlin passed a law on 22 October 2019, governing the revision of rent regulation which still has to be decided by the House of Representatives. This can significantly influence future rent development in Berlin and in some cases even lead to rent reductions.

Deutsche Wohnen has received a fine notice issued by the Berlin Commissioner for Data Protection and Freedom of Information (Berliner Beauftragter für Datenschutz und Informationsfreiheit) after the reporting date, which Deutsche Wohnen will have judicially reviewed.

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

Forecast

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

Berlin, 5 November 2019

Deutsche Wohnen SE
Management Board

Michael Zahn
Chairman of the
Management Board

Philip Grosse
Member of the
Management Board

Lars Urbansky
Member of the
Management Board

Henrik Thomsen
Member of the
Management Board

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

as of 30 September 2019

EUR m	30/09/2019	31/12/2018
Assets		
Investment properties	24,688.3	23,781.7
Property, plant and equipment	185.9	146.5
Intangible assets	192.6	31.4
Derivative financial instruments	2.5	0.9
Other non-current financial assets	63.0	113.3
Deferred tax assets	0.1	0.1
Non-current assets	**25,132.4**	**24,073.9**
Land and buildings held for sale	470.5	477.1
Other inventories	5.9	4.2
Trade receivables	27.0	22.4
Income tax receivables	117.8	83.1
Derivative financial instruments	0.3	0.1
Other financial assets	33.4	22.3
Other non-financial assets	11.8	9.0
Cash and cash equivalents	341.6	332.8
Subtotal of current assets	**1,008.3**	**951.0**
Non-current assets held for sale	498.4	33.0
Current assets	**1,506.7**	**984.0**
Total assets	**26,639.1**	**25,057.9**

EUR m	30/09/2019	31/12/2018
Equity and liabilities		
Equity attributable to shareholders of the parent company		
Issued share capital	359.7	357.0
Capital reserve	3,000.6	2,918.1
Other reserves	–45.6	7.1
Retained earnings	8,566.3	8,276.9
Total equity attributable to the shareholders of the parent company	**11,881.0**	**11,559.1**
Non-controlling interests	360.8	349.0
Total equity	**12,241.8**	**11,908.1**
Non-current financial liabilities	6,292.6	6,112.3
Convertible bonds	1,688.9	1,691.3
Corporate bonds	1,420.7	1,130.3
Employee benefit liabilities	107.5	63.4
Derivative financial instruments	72.2	7.3
Other provisions	15.7	15.2
Other financial liabilities	332.5	296.7
Deferred tax liabilities	3,417.4	3,244.7
Total non-current liabilities	**13,347.5**	**12,561.2**
Current financial liabilities	159.9	72.3
Convertible bonds	4.0	5.9
Corporate bonds	488.0	70.1
Trade payables	227.2	302.4
Other provisions	9.7	9.4
Derivative financial instruments	9.8	8.3
Tax liabilities	58.6	36.0
Other financial liabilities	59.4	54.9
Other non-financial liabilities	33.2	29.3
Total current liabilities	**1,049.8**	**588.6**
Total equity and liabilities	**26,639.1**	**25,057.9**

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the period from 1 January to 30 September 2019

EUR m	9M 2019	9M 2018	Q3 2019	Q3 2018
Contracted rental income	622.5	585.0	211.4	197.7
Income from operating costs	286.1	266.7	81.2	104.4
Expenses from Residential Property Management	–359.0	–351.5	–108.1	–133.2
Earnings from Residential Property Management	**549.6**	**500.2**	**184.5**	**168.9**
Sales proceeds	122.3	78.6	18.0	18.0
Of which revenues from property holdings	10.7	24.3	1.7	6.4
Cost of sales	–8.0	–5.5	–1.7	–1.9
Carrying amount of assets sold	–89.5	–59.6	–15.1	–11.6
Of which for revenues from property holdings	–7.5	–17.5	–1.3	–3.1
Earnings from Disposals	**24.8**	**13.5**	**1.2**	**4.5**
Income from nursing	124.3	50.1	41.7	17.3
Rental and lease income	78.6	45.0	26.2	15.5
Expenses for Nursing and Assisted Living	–137.5	–57.5	–46.4	–19.0
Earnings from Nursing and Assisted Living	**65.4**	**37.6**	**21.5**	**13.8**
Corporate expenses	–72.5	–63.8	–25.1	–22.7
Other expenses	–25.5	–11.9	–9.8	–5.4
Other income	18.8	8.8	6.4	2.8
Subtotal (EBITDA before result of fair value adjustment) of investment properties	**560.6**	**484.4**	**178.7**	**161.9**
Gains/losses from the fair value adjustment of investment properties	451.3	677.5	0.0	0.0
Depreciation and amortization	–29.9	–6.0	–10.2	–2.0
Earnings before interest and taxes (EBIT)	**982.0**	**1,155.9**	**168.5**	**159.9**
Financial income	4.6	3.4	3.5	0.7
Gains/losses from fair value adjustments to derivative financial instruments and convertible bonds	–6.8	–55.2	–65.4	8.6
Gains/losses from companies valued at equity	1.7	1.2	–0.2	0.1
Financial expenses	–128.4	–86.9	–44.9	–31.3
Earnings before taxes (EBT)	**853.1**	**1,018.4**	**61.5**	**138.0**
Income taxes	–218.4	–261.7	–29.9	–34.0
Profit/loss for the period	**634.7**	**756.7**	**31.6**	**104.0**
Of which attributable to:				
Shareholders of the parent company	617.3	731.6	29.5	101.8
Non-controlling interests	17.4	25.1	2.1	2.2
	634.7	**756.7**	**31.6**	**104.0**
Earnings per share				
Undiluted in EUR	1.73	2.06	0.08	0.28
Diluted in EUR	1.53	2.00	0.08	0.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 30 September 2019

EUR m	9M 2019	9M 2018	Q3 2019	Q3 2018
Profit/loss for the period	**634.7**	**756.7**	**31.6**	**104.0**
Other comprehensive income				
Items subsequently reclassified to profit or loss				
Net gain/loss from derivative financial instruments	–25.1	1.2	–7.6	0.4
Income tax effects	6.3	–0.4	1.9	–0.2
	–18.8	**0.8**	**–5.7**	**0.2**
Items not subsequently reclassified to profit or loss				
Actuarial gains/losses on pensions and impact of caps for assets in pension plans	–17.0	1.0	–6.0	1.0
Income tax effects	4.0	0.2	1.4	–0.3
Net gains/losses from convertible bonds	–30.3	12.2	10.3	–2.6
Income tax effects	9.1	–3.7	–3.0	0.8
	–34.2	**9.7**	**2.7**	**–1.1**
Other comprehensive income after taxes	**–53.0**	**10.5**	**–3.0**	**–0.9**
Total comprehensive income after taxes	**581.7**	**767.2**	**28.6**	**103.1**
Of which attributable to:				
Shareholders of the parent company	564.6	742.1	26.5	100.9
Non-controlling interests	17.1	25.1	2.1	2.2

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 January to 30 September 2019

EUR m	9M 2019	9M 2018
Operating activities		
Profit/loss for the period	634.7	756.7
Financial income	–4.6	–3.4
Adjustment to derivative financial instruments and convertible bonds	6.8	55.2
Financial expenses	128.4	86.9
Gains/losses from companies valued at equity	–1.7	–1.2
Income taxes	218.4	261.7
Profit/loss for the period before interest and taxes	**982.0**	**1,155.9**
Non-cash expenses/income		
Fair value adjustment of investment properties	–451.3	–677.5
Depreciation and amortization	29.9	6.0
Other non-cash expenses/income	–21.4	–11.4
Changes in net current assets		
Changes in receivables, inventories and other current assets	–56.0	–72.8
Changes in operating liabilities	–73.7	77.9
Net operating cash flow	**409.5**	**478.1**
Proceeds from the disposal of properties held for sale	10.7	24.3
Investment in properties held for sale	–1.5	–82.7
Interest paid	–115.9	–84.2
Interest received	4.6	3.4
Taxes paid	–54.8	–60.1
Taxes received	27.6	10.4
Net cash flow from operating activities	**280.2**	**289.2**
Investing activities		
Sales proceeds	115.4	57.5
Purchases of property, plant and equipment	–1,019.7	–1,064.9
Receipt of investment subsidies	0.0	0.8
Proceeds from dividends from shareholdings and joint ventures	0.1	0.1
Payments for business combinations less cash and cash equivalents acquired	–83.2	–3.3
Other proceeds of investing activities	1.6	2.7
Payments to limited partners in funds	–0.4	–0.5
Net cash flow from investing activities	**–986.2**	**–1,007.6**
Financing activities		
Proceeds of new borrowing	423.1	973.1
Loan repayments	–163.9	–52.4
Proceeds from the issue of corporate bonds	1,059.5	465.0
Repayment of corporate bonds	–341.2	–150.0
One-off financing payments	–14.7	–2.6
Repayment of lease liabilities	–15.4	0.0
Proceeds of the capital increase	0.1	0.0
Other payments from financing activities	–1.8	–1.4
Costs of the capital increase	–0.4	–0.5
Dividend paid to shareholders of Deutsche Wohnen SE	–225.7	–194.8
Dividends paid to shareholders of non-controlling interests	–4.8	–7.5
Net cash flow from investing activities	**714.8**	**1,028.9**
Net change in cash and cash equivalents	**8.8**	**310.5**
Opening balance of cash and cash equivalents	**332.8**	**363.7**
Closing balance of cash and cash equivalents	**341.6**	**674.2**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as of 30 September 2019

EUR m	Issued capital	Capital reserve	Pensions and con-vertible bonds	Cash flow hedge reserve	Total other compre-hensive income	Retained earnings	Equity attributable to share-holders of the parent company	Non-con-trolling interests	Total equity
Equity as of 1 January 2018	**354.7**	**3,078.6**	**–17.7**	**–2.0**	**–19.7**	**6,474.6**	**9,888.2**	**322.8**	**10,211.0**
Profit/loss for the period						756.7	756.7		756.7
Of which non-controlling interests						–25.1	–25.1	25.1	0.0
Other comprehensive income			9.7	0.8	10.5		10.5		10.5
Of which 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**
Equity as of 1 January 2019	**357.0**	**2,918.1**	**10.5**	**–3.4**	**7.1**	**8,276.9**	**11,559.1**	**349.0**	**11,908.1**
Profit/loss for the period						634.7	634.7		634.7
Of which non-controlling interests						–17.4	–17.4	17.4	0.0
Other comprehensive income			–34.2	–18.8	–53.0		–53.0		–53.0
Of which non-controlling interests			0.0	0.3	0.3		0.3	–0.3	0.0
Total comprehensive income			**–34.2**	**–18.5**	**–52.7**	**617.3**	**564.6**	**17.1**	**581.7**
Capital increase	2.7	82.8					85.5		85.5
Cost of capital increase, less tax effect		–0.3					–0.3		–0.3
Change in non-controlling interests						–0.1	–0.1	–5.3	–5.4
Dividend						–310.6	–310.6		–310.6
Other						–17.2	–17.2		–17.2
Equity as of 30 September 2019	**359.7**	**3,000.6**	**–23.7**	**–21.9**	**–45.6**	**8,566.3**	**11,881.0**	**360.8**	**12,241.8**

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

FINANCIAL CALENDAR

25–28/11/2019	Roadshow, Asia
02/12/2019	Morgan Stanley ESG Conference, London
03–04/12/2019	UBS Global Real Estate Conference, London
05/12/2019	Berenberg European Corporate Conference, Pennyhill
14–15/01/2020	Commerzbank German Investment Seminar, New York
21–22/01/2020	UniCredit / Kepler German Corporate Conference, Frankfurt
25/03/2020	Publication of Consolidated/Annual Financial Statements – Annual Report 2019
13/05/2020	Publication of the interim statement as of 31 March 2019 / 1st Quarter
05/06/2020	Annual General Meeting 2020