Group interim report
as of 30 June 2018

Deutsche
Wohnen

Creating today the city of tomorrow

Contents

Group key figures

Profit and loss statement		H1 2018	H1 2017	Change
Rental income	EUR m	387.3	366.5	5.7%
Earnings from Residential Property Management	EUR m	331.3	306.3	8.2%
Earnings from Disposals	EUR m	9.0	20.5	–56.1%
Earnings from Nursing and Assisted Living	EUR m	23.8	24.7	–3.6%
Corporate expenses	EUR m	–41.1	–39.9	3.0%
EBITDA	EUR m	322.5	311.1	3.7%
EBT (adjusted)	EUR m	270.9	247.0	9.7%
EBT (as reported)	EUR m	880.4	986.1	–10.7%
Earnings after taxes	EUR m	652.7	672.0	–2.9%
Earnings after taxes[1]	EUR per share	1.78	1.85	–4.0%
FFO I	EUR m	248.5	220.8	12.5%
FFO I (undiluted)[1]	EUR per share	0.70	0.63	11.1%
FFO I (diluted)[2]	EUR per share	0.70	0.60	16.7%
FFO II	EUR m	257.5	241.3	6.7%
FFO II (undiluted)[1]	EUR per share	0.73	0.69	5.8%
FFO II (diluted)[2]	EUR per share	0.73	0.65	12.3%

		30/06/2018	31/12/2017	Change
Balance sheet				
Investment properties	EUR m	20,719.8	19,628.4	1,091.4
Current assets	EUR m	931.1	772.9	158.2
Equity	EUR m	10,582.3	10,211.0	371.3
Net financial liabilities	EUR m	7,104.4	6,883.6	220.8
Loan-to-value ratio (LTV)	in %	33.8	34.5	–0.7
Total assets	EUR m	21,834.1	20,539.4	1,294.7
Share				
Share price (closing price)	EUR per share	41.40	36.46	13.5%
Number of shares	m	354.67	354.67	0.00
Market capitalisation	EUR bn	14.7	12.9	14.0%
Net asset value (NAV)				
EPRA NAV	EUR m	13,270.6	12,676.8	593.8
EPRA NAV	EUR per share	37.42	35.74	4.7%
Fair values				
Fair value real estate properties[3]	EUR m	19,716	18,864	852
Fair value per sqm living and usable space[3]	EUR per sqm	1,961	1,886	4.0%

1 Based on an average of approximately 354.67 million issued shares in 2018 and approximately 349.54 million in 2017
2 Based on an average of approximately 354.67 million issued shares in 2018 and approximately 368.98 million in 2017; assuming conversion of "in the money" convertible bonds in each case
3 Only includes residential and commercial buildings, without Nursing and Assisted Living

Group interim management report

Deutsche Wohnen SE, including its subsidiaries (hereinafter reffered to "Deutsche Wohnen" or "Group") is currently the third-largest publicly listed property company in Europe by market capitalisation. The company is listed in the MDAX of the German Stock Exchange.

The property portfolio comprises around 164,000 residential and commercial units with a total fair value of some EUR 19.7 billion.It also includes nursing properties with a fair value of around EUR 0.8 billion with around 7,440 nursing places and apartments for assisted living. The focus of our investment is on residential properties in metropolitan areas and conurbations in Germany. Economic growth, positive net immigration and insufficient new building activity in these regions form a very good basis for the further increase of the portfolio value. We see the expansion of our nursing and commercial properties as another growth area, particularly in view of demographic trends.

Deutsche Wohnen on the capital market

German economy on a moderate growth trajectory

The DIW Berlin (German Institute for Economic Research) estimates that the German economy will grow by 1.9% this year – 0.5 percentage points less than what was forecasted in March.

The introduction of trade restrictions and concern about escalating trade policy conflicts between the USA and other economic areas are curbing the rate of expansion. Furthermore, concerns surrounding the integrity of the European monetary union have risen further following the elections in Italy and the political tension in Spain. Last but not least, the Brexit negotiations continue to cause great uncertainty.

The expected reduction in the growth rate mainly reflects the sharp increase in uncertainty regarding the economic policy framework, which is impairing investing activities around the world and holding exports in particular in check.

Although the German economy is weakening slightly, capacity utilisation remains very high. Incomes are rising noticeably thanks to the good situation on the labour market. Accordingly, personal disposable income is set to rise by 3.2% in 2018. The unemployment rate is expected to fall to 5.2% this year and 4.9% in the following year. Moderate inflation of 1.9% is forecasted for 2018.[1]

Pressure on stock markets

The eurozone was affected by weak macroindicators in the first half-year. An impending trade dispute with the USA, political uncertainty in Italy and the political discord in Germany concerning migration policy all placed pressure on the stock markets.

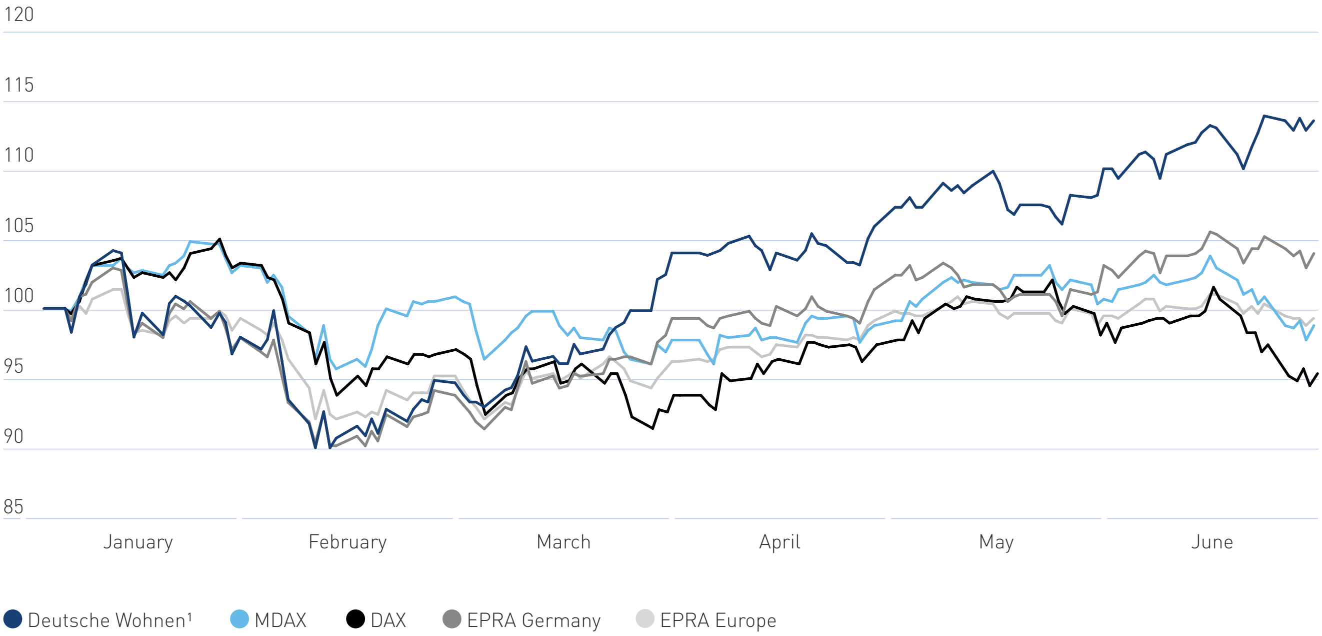
Despite the ECB's promise to keep the base rate at a record low until at least summer 2019 and the smaller than expected reduction in the bond buy-back scheme the DAX was only able to close the first half-year with a loss of 4.7%. The MDAX also fell in the first six months, losing 1.3%.

1 DIW: Baseline of economic development in summer 2018

Deutsche Wohnen SE share outperforms benchmark indices

The Deutsche Wohnen share finished the first half-year 2018 with a closing price of EUR 41.40. With a share price performance of approximately 13.6%[2], the Deutsche Wohnen share significantly outperformed Germany's stock market indices, DAX (–4.7%) and MDAX (–1.3%), along with the property indices EPRA Germany (+4.0%) and EPRA Europe (–0.7%). As of the end of June 2018, the market capitalisation of Deutsche Wohnen SE rose to EUR 14.7 billion. Average daily turnover via the Xetra platform increased again by roughly 10% from EUR 27.8 million in the first half-year 2017 to EUR 30.6 million the first half-year of 2018.

Share price performance, H1 2018 (indexed)



1 Share price, adjusted for dividend

Key share figures	H1 2018	H1 2017
Number of shares in m	approx. 354.67	approx. 354.66
Closing price at end of H1[1] in EUR	41.40	33.49
Market capitalisation in EUR bn	approx. 14.7	approx. 11.9
6-month high[1] in EUR	41.50	35.24
6-month low[1] in EUR	32.72	28.71
Average daily Xetra trading volume[2]	819,827	876,786
Average daily trading volume on alternative trading platforms[3]	826,181	870,664

1 Xetra closing price
2 Shares traded
3 Average volume on all alternative trading platforms (Bloomberg, 02/07/2018)

2 Adjusted for dividend

Broad analyst coverage

A total of 29 analysts are currently[3] monitoring the performance of Deutsche Wohnen SE. Price targets range from EUR 33.50 to EUR 53.00 per share. At EUR 41.50[3], the median of all the analysts' evaluations is marginally higher than the closing price at the end of the first half-year 2018.

Rating	Number
Buy/Outperform/Overweight	15
Equal Weight/Hold//Neutral	12
Sell	1
Not specified	1

Results of the Annual General Meeting and dividend

The Annual General Meeting 2018 of Deutsche Wohnen SE was held in Frankfurt/Main on 15 June 2018. Of the company's issued capital, 79.5% was represented. The shareholders approved all of the proposed resolutions on the agenda with the necessary majorities. Amongst other things, the Annual General Meeting resolved to distribute a dividend in the amount of EUR 0.80 per bearer share for the 2017 financial year. This corresponds to a total of approximately EUR 283.7 million and a share of roughly 66% of FFO I for the 2017 financial year. Considered alongside the volume-weighted average share price of EUR 33.89 for 2017, this is a dividend yield of 2.4%.

For the first time, Deutsche Wohnen shareholders could choose between a cash dividend and a script dividend this year. During the subscription period, shareholders holding around 31% of the dividend-bearing shares opted for the scrip dividend. Accordingly, 2,241,061 new shares have been issued for around 111.2 million contributed dividend entitlements in an equivalent amount of around EUR 88.9 million.

Furthermore, a new authorised capital 2018/I in the amount of EUR 110 million and a new contingent capital 2017/I in the amount of EUR 35 million were created. These two types of capital should enable the company to keep raising the funds needed for its further development in the short term by issuing new shares and/or convertible bonds or similar instruments and to make flexible use of favourable market conditions to cover future financing needs.

In addition, the members of the Supervisory Board elected Matthias Hünlein as the new Chairman of the Supervisory Board of Deutsche Wohnen SE. Matthias Hünlein succeeds Uwe E. Flach, whose mandate ended at the close of the Annual General Meeting 2018. Tina Kleingarn has been elected as a new member by the shareholders to the Supervisory Board at the Annual General Meeting.

Intensive dialogue with analysts and investors

Deutsche Wohnen maintains intensive dialogue with its shareholders and investors. It makes particular use of conferences and roadshows both in Germany and abroad to do this. In the first half-year 2018, Deutsche Wohnen presented its business model at roadshows and investors' conferences in New York, Chicago, Boston, London, Paris, Frankfurt, Amsterdam, Brussels and elsewhere. Further conferences and roadshows are planned for the second half of the year.

For more details, please refer to the financial calendar on page 36. This is regularly updated on our Investor Relations website.

3 As of: 02/07/2018

Property portfolio

The property portfolio of Deutsche Wohnen comprised some 161,500 residential and approximately 2,500 commercial units as of 30 June 2018. A total of 99% of our properties are situated in strategic core and growth regions. Our principal region is Greater Berlin, which accounts for 71% of the residential units in the total portfolio (by number of residential units).

The average monthly in-place rent for the residential total portfolio was EUR 6.51 per sqm as of 30 June 2018 (previous year: EUR 6.23 per sqm) with an average vacancy rate of 2.1% (previous year: 2.0%). Around 0.5% of vacancies are due to investments.

Property holdings
30/06/2018

	Residential					Commercial	
	Residential units number	Area sqm k	Share of total portfolio in %	In-place rent[1] EUR/sqm	Vacancy in %	Commercial units number	Area sqm k
Strategic core and growth regions	**160,209**	**9,638**	**99.2**	**6.53**	**2.1**	**2,454**	**341**
Core+	**141,323**	**8,473**	**87.5**	**6.63**	**2.0**	**2,263**	**311**
Greater Berlin	114,226	6,789	70.7	6.58	2.0	1,784	213
Rhine-Main	9,938	597	6.2	7.80	2.2	125	27
Dresden/Leipzig	6,080	398	3.8	5.85	3.1	259	44
Rhineland	5,380	338	3.3	6.32	0.9	34	14
Mannheim/Ludwigshafen	4,756	297	2.9	6.03	2.7	44	12
Other Core+	943	54	0.6	10.46	0.8	17	1
Core	**18,886**	**1,165**	**11.7**	**5.81**	**2.4**	**191**	**30**
Hanover/Brunswick	9,128	589	5.7	5.89	2.0	87	14
Kiel/Lübeck	4,946	293	3.1	5.88	2.4	13	2
Other Core	4,812	283	3.0	5.55	3.4	91	14
Non-Core	**1,259**	**85**	**0.8**	**4.87**	**5.4**	**20**	**4**
Total	**161,468**	**9,723**	**100.0**	**6.51**	**2.1**	**2,474**	**345**

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

Portfolio development

Acquisitions

In 2018 we have to date acquired approximately 2,900 residential and commercial units for a total purchase price of some EUR 500 million, almost exclusively in Core+ markets. Approximately 1,600 of these units are in Berlin, while some 1,200 are located in Dresden and Leipzig. As of 30 June 2018, risks and rewards had been transferred for around 1,400 units.

Disposals

A total of 501 residential units were sold and the associated risks and rewards transferred in the first half-year. Of these, 179 were sold in connection with privatisation while institutional sales accounted for 322. A large proportion of the institutional sales – 226 units – related to properties in Kaiserslautern.

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

Operational development

The following table shows the development of the in-place rents and vacancies on a like-for-like basis, i.e. only for residential holdings that were managed continuously by the company in the past 12 months.

Like-for-like

		30/06/2018	30/06/2017		30/06/2018	30/06/2017
	Residential units	In-place rent[1]	In-place rent[1]	Development	Vacancy	Vacancy
	number	EUR/sqm	EUR/sqm	in %	in %	in %
Total	**158,347**	**6.50**	**6.22**	**4.5**	**2.0**	**1.8**
Letting portfolio[2]	**154,170**	**6.52**	**6.24**	**4.6**	**1.9**	**1.7**
Core+	**135,931**	**6.62**	**6.32**	**4.7**	**1.8**	**1.7**
Greater Berlin	112,453	6.58	6.25	5.3	1.9	1.8
Rhine-Main	9,144	7.79	7.55	3.1	1.6	1.5
Rhineland	4,906	6.32	6.19	2.1	0.7	0.8
Mannheim/Ludwigshafen	4,401	6.01	5.89	1.9	1.4	0.6
Dresden/Leipzig	4,084	5.55	5.41	2.6	2.3	2.2
Other Core+	943	10.46	10.39	0.7	0.8	0.7
Core	**18,239**	**5.80**	**5.62**	**3.2**	**2.4**	**2.1**
Hanover/Brunswick	8,646	5.88	5.71	3.0	2.0	1.7
Kiel/Lübeck	4,945	5.88	5.57	5.6	2.4	2.1
Other Core	4,648	5.56	5.49	1.1	3.4	3.0

1 Contractually owed rent for residential units divided by rental area
2 Excluding disposal and non-core properties

Like-for-like growth in the letting portfolio came to 4.6%; in Greater Berlin the figure reached 5.3%.

The vacancy rate in the letting portfolio remained low at 1.9% (previous year: 1.7%). The slight increase resulted from vacancies due to refurbishment work in the course of our investment projects.

Portfolio investments

In the first six months of 2018, EUR 143.9 million or EUR 28.66 per sqm (previous year: EUR 124.9 million or EUR 25.27 per sqm) was invested in the maintenance and modernisation of the property portfolio. Investments here will continue to increase in future in view of our extensive modernisation programme.

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

EUR m	H1 2018	H1 2017
Maintenance	**44.0**	**49.7**
in EUR/sqm p.a.	8.76[1]	10.05
Modernisation	**99.9**	**75.2**
in EUR/sqm p.a.	19.90[1]	15.21
Maintenance and modernisation	**143.9**	**124.9**
in EUR/sqm p.a.	28.66[1]	25.27

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

Portfolio valuation

The strong demand for residential property continued in 2018 and was combined with a consistently low level of supply. This surplus demand and the persistently positive trend in rents are reflected in an increase of some EUR 678 million in the value of our property portfolio as of 30 June 2018.

The overview below shows key valuation figures for our property portfolio as of 30 June 2018.

Fair value 30/06/2018

Macro-cluster	Residential units number	Fair value EUR m	Fair value in %	Fair value EUR/sqm	Multiple in-place rent	Multiple market rent
Core+ result	**141,323**	**18,285**	**92.7**	**2,085**	**26.3**	**19.5**
Core+						
Greater Berlin	114,226	15,282	77.5	2,186	27.8	20.2
Rhine-Main	9,938	1,238	6.3	1,989	21.6	16.2
Dresden/Leipzig	6,080	766	3.9	1,732	24.3	19.7
Rhineland	5,380	466	2.4	1,326	17.2	14.8
Mannheim/Ludwigshafen	4,756	358	1.8	1,162	16.1	13.3
Other Core+	943	176	0.9	3,177	25.0	21.1
Core result	**18,886**	**1,376**	**7.0**	**1,151**	**16.6**	**13.8**
Core						
Hanover/Brunswick	9,128	703	3.6	1,165	16.6	13.4
Kiel/Lübeck	4,946	359	1.8	1,218	17.3	14.4
Other Core	4,812	314	1.6	1,055	16.1	14.2
Non-Core	1,259	54	0.3	613	11.4	8.7
Total	**161,468**	**19,716**	**100.0**	**1,961**	**25.2**	**18.9**

Fair value

	30/06/2018		30/06/2017	
	Fair value EUR m	Multiple in-place rent	Fair value EUR m	Multiple in-place rent
Strategic core and growth regions	**19,661**	**25.3**	**16,994**	**22.8**
Core+	18,285	26.3	15,732	23.8
Core	1,376	16.6	1,262	15.7
Non-Core	**54**	**11.4**	**72**	**12.9**
Total	**19,716**	**25.2**	**17,066**	**22.8**

Nursing properties

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

On 1 May 2018, a newly built nursing facility was opened in Chemnitz with just under 90 beds. This facility is operated by KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH.

Additionally, we acquired a portfolio consisting of seven nursing facilities with around 730 places in the first half-year 2018. These facilities are let on long-term leases to the Korian Group, generating annual lease income of around EUR 3.7 million. The transfer of risks and rewards took place on 1 May 2018.

Furthermore, the company acquired a total of 30 additional nursing facilities with some 4,700 places. Almost 90% of the facilities are located in attractive metropolitan areas. A large proportion of the facilities acquired – 13 – are in Hamburg. To manage the Hamburg facilities, the company initially took a minority interest in Pflegen & Wohnen Hamburg GmbH. The other 17 facilities are let to well-known operators on long leases. The obligations from purchase agreements total approximately EUR 680 million. This corresponds to a return on the anticipated EBITDA of almost 5% following the properties' integration. It is expected that the associated risks and rewards will be transferred in the fourth quarter of 2018.

Nursing properties operated by KATHARINENHOF®

				Places		
Federal state	Facilities	Nursing	Assisted living	Total[1]	Occupancy 30/06/2018[2]	Fair value 30/06/2018
	number	number	number	number	in %	EUR m[3]
Greater Berlin	12	1,070	371	1,441	100.0	171.1
Saxony	8	522	56	578	100.0	26.0
Hamburg region	4	466	157	623	96.1	72.3
Total KATHARINENHOF® facilities	**24**	**2,058**	**584**	**2,642**	**99.2**	**269.4**

Nursing properties with other operators

				Places		
Federal state	Facilities	Nursing	Assisted living	Total	WALT	Fair value 30/06/2018
	number	number	number	number		EUR m
Bavaria	13	1,576	34	1,610	11.6	149.0
North Rhine-Westphalia	5	721	187	908	12.2	121.5
Lower Saxony	4	661	0	661	9.7	74.7
Rhineland-Palatinate	4	409	208	617	11.9	65.6
Baden-Württemberg	5	557	16	573	12.4	56.4
Other	4	447	48	495	9.6	49.3
Total other operators	**35**	**4,371**	**493**	**4,864**	**11.4**	**516.5**
Total nursing	**59**	**6,429**	**1,077**	**7,506**		**785.9**

1 In addition, KATHARINENHOF® currently has the capacity to care for 319 outpatients; total figure excludes 48 day-care places
2 Excluding the KATHARINENHOF® AM ALBERTPARK facility in Chemnitz, which recently went online: ramp-up phase commenced in May 2018 and is ongoing with occupancy currently at 1/3
3 Excluding a leased facility in Saxony which is owned by a third party

Notes on the financial performance and financial position

Financial performance

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

EUR m	H1 2018	H1 2017
Earnings from Residential Property Management	331.3	306.3
Earnings from Disposals	9.0	20.5
Earnings from Nursing and Assisted Living	23.8	24.7
Corporate expenses	–41.1	–39.9
Other expenses/income	–0.5	–0.5
Operating result (EBITDA)	**322.5**	**311.1**
Depreciation and amortisation	–4.0	–3.5
Fair value adjustment of investment properties	677.5	885.9
Gains/losses from companies valued at equity	1.1	0.7
Financial result	–116.7	–208.1
Earnings before taxes (EBT)	**880.4**	**986.1**
Current taxes	–19.7	–20.6
Deferred taxes	–208.0	–293.5
Profit/loss for the period	**652.7**	**672.0**

The profit for the period fell year on year by EUR 19.3 million to EUR 652.7 million. This was mainly attributable to lower fair value adjustments for investment properties and a reduction in Earnings from Disposals. By contrast, higher earnings from Residential Property Management and the improved financial result had a positive effect on the profit for the period.

Earnings before taxes, adjusted for one-off and valuation effects, shows the normalised results:

EUR m	H1 2018	H1 2017
Earnings before taxes	**880.4**	**986.1**
Gains/losses from the valuation of properties	–677.5	–885.9
Gains/losses from fair value adjustments to derivative financial instruments and from convertible bonds	63.8	124.7
One-off expenses and earnings	4.2	22.1
Adjusted earnings before taxes	**270.9**	**247.0**

One-off expenses and earnings in the amount of EUR 4.2 million in the first six months of 2018 primarily include one-off project and transaction-related expenses. In the same period of the previous year, the non-recurring expenses and earnings predominantly comprised expenses incurred for the early redemption of loans and interest rate hedging products and in connection with the issue of a convertible bond.

Earnings from Residential Property Management

Earnings from Residential Property Management rose year on year by EUR 25.0 million or 8.2% to EUR 331.3 million.

EUR m	H1 2018	H1 2017
Contracted rental income	387.3	366.5
Income from operating costs	162.3	180.7[2]
Rental income	**549.6**	**547.2**
Operating costs	–167.4	–186.0[2]
Rental loss	–3.4	–2.5
Maintenance	–44.0	–49.7
Other	–3.5	–2.7
Earnings from Residential Property Management	**331.3**	**306.3**
Staff, general and administration expenses	–23.6	–22.6
Operating result (NOI)	**307.7**	**283.7**
NOI margin in %	79.4	77.4
NOI in EUR per sqm and month[1]	5.11	4.78
Change in %	6.9	

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

Acquisitions and rent increases in the portfolio resulted in an increase in in-place rents of nearly 5.7% compared with the first half of the previous year.

Maintenance expenses came to EUR 44.0 million (previous year period: EUR 49.7 million) or EUR 8.76 per sqm p.a. (previous year period: EUR 10.05 per sqm p.a.[4]). Maintenance expenses accounted for some 11.4% of contracted rental income (previous year period: approximately 13.6%[4]) while staff, general and administration expenses made up around 6.1% (previous year period: approximately 6.2%).

Earnings from Disposals

A total of 617 units were sold up to 30 June 2018. The transfer of risks and rewards is expected to take place in 2018. Of the total, 391 units were sold on the basis of contracts signed in 2017.

	Units	Transaction volume	IFRS carrying amount of assets sold	Gross margin	
	number	EUR m	EUR m	EUR m	in %
Privatisation	295	55.3	39.5	15.8	40
Institutional sales	322	24.7	22.2	2.5	11
	617	**80.0**	**61.7**	**18.3**	**30**

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

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

Of the 617 units sold, the transfer of risks and rewards for 501 units took place in the first six months of the 2018 financial year (previous year period: 1,807) and so are recognised in Earnings from Disposals:

EUR m	H1 2018	H1 2017
Sales proceeds	60.6	151.1
Cost of sales	–3.6	–4.6
Net sales proceeds	**57.0**	**146.5**
Carrying amount of assets sold	–48.0	–126.0
Earnings from Disposals	**9.0**	**20.5**

Sales prices for privatised apartments came to an average of EUR 2,411 per sqm in the first half-year 2018 (previous year period: EUR 1,925 per sqm).

Earnings from Nursing and Assisted Living

The Nursing and Assisted Living segment comprises the nursing facilities and especially our investment in the KATHARINENHOF® Group, which managed 24 facilities in the first six months of the 2018 financial year. Of these, 23 are owned by Deutsche Wohnen and were held in the balance sheet at a fair value of EUR 269.4 million on the reporting date. A newly built home with some 90 nursing places in Chemnitz (Saxony) opened on 1 May 2018.

Earnings in the Nursing and Assisted Living segment from the properties managed by the KATHARINENHOF® Group came to EUR 10.7 million before rental expenses (EBITDAR) for the first six months of the financial year 2018. This represents an EBITDAR margin of 22.3%. Operating EBITDA after lease expenses stood at EUR 3.0 million (previous year period: EUR 4.2 million).

A further 35 nursing homes with a fair value of EUR 516.5 million are owned by Deutsche Wohnen and are let to other well-known external operators. Of the 35 properties, seven were acquired as of 1 May 2018, meaning that lease income from them was included in the earnings figure pro rata temporis for a two-month period. EBITDA from properties totalled EUR 20.8 million (previous year period: EUR 20.5 million).

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

EUR m	H1 2018	H1 2017
Income		
Nursing care	26.6	25.1[1]
Rental income	15.1	14.7[1]
Lease income	14.4	13.6
Internal lease income	7.5	7.3
Other	6.2	6.1
	69.8	**66.8**
Expenses		
Nursing and corporate expenses	–11.4	–10.5
Staff expenses	–26.7	–24.2
Leased properties	–0.4	–0.1
Internal lease expenses	–7.5	–7.3
	–46.0	**–42.1**
Earnings from Nursing and Assisted Living	**23.8**	**24.7**

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

Corporate expenses

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

EUR m	H1 2018	H1 2017
Staff expenses	–27.4	–25.3
Long-term remuneration component (share-based)	0.0	–1.2
General and administration expenses	–13.7	–13.4
Total corporate expenses	**–41.1**	**–39.9**

Corporate expenses represent approximately 10.6% of rental income (previous year period: 10.9%).

Financial result

The financial result is made up as follows:

EUR m	H1 2018	H1 2017
Current interest expenses	–47.8	–49.8
Accrued interest on liabilities and pensions	–6.6	–11.9
Transaction-related interest expenses	–1.2	–22.7
Fair value adjustment of derivative financial instruments	–4.0	4.4
Fair value adjustment of convertible bonds	–59.8	–129.1
	–119.4	**–209.1**
Interest income	2.7	1.0
Financial result	**–116.7**	**–208.1**

The decline in current interest expenses stems mainly from the refinancing of loans with improved terms which was completed in the course of the last financial year. Deutsche Wohnen also continues to profit from the current low interest rates on its variable interest rate loans.

Compared with the first half of the previous year, transaction-related interest expenses were down. In the previous year period, this figure included prepayment penalties for the early refinancing of loans and interest rate hedging products (EUR 15.3 million) and expenses for the placement of a convertible bond (EUR 7.4 million).

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

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

Income taxes

Income taxes of EUR 227.7 million (previous year period: EUR 314.1 million) comprise EUR 208.0 million (previous year period: EUR 293.5 million) in deferred taxes along with current income taxes of EUR 19.7 million (previous year period: EUR 20.6 million).

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

Financial position

Selected figures from the consolidated balance sheet:

	30/06/2018		31/12/2017	
	EUR m	in %	EUR m	in %
Investment properties	20,719.8	95	19,628.4	96
Other non-current assets	183.2	1	138.1	0
Total non-current assets	**20,903.0**	**96**	**19,766.5**	**96**
Current assets	441.8	2	409.2	2
Cash and cash equivalents	489.3	2	363.7	2
Total current assets	**931.1**	**4**	**772.9**	**4**
Total assets	**21,834.1**	**100**	**20,539.4**	**100**
Equity	**10,582.3**	**48**	**10,211.0**	**50**
Financial liabilities	4,998.9	23	4,751.1	23
Convertible bonds	1,717.0	8	1,669.6	8
Corporate bonds	877.8	4	826.6	4
Tax liabilities	43.4	0	27.2	0
Employee benefit liabilities	65.0	0	65.7	0
Deferred tax liabilities	2,708.9	13	2,496.7	12
Other liabilities	840.8	4	491.5	3
Total liabilities	**11,251.8**	**52**	**10,328.4**	**50**
Total assets and liabilities	**21,834.1**	**100**	**20,539.4**	**100**

Investment properties remain the largest balance sheet item. Compared with 31 December 2017, the figure was up as of 30 June 2018. This was mainly due to the valuation uplift on investment properties as well as due to acquisitions and modernisation work.

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

In absolute terms, Group equity went up by EUR 371.3 million in the first six months of 2018. The balance sheet extension of EUR 1.3 billion caused the equity ratio to fall to approximately 48%. In the first six months of the 2018 financial year, around 4.3 thousand bearer shares were issued in exchange for approximately 1.8 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 664.1 million in the first six months of 2018 increased the capital of Deutsche Wohnen. Meanwhile, carrying the dividend for the 2017 financial year as a liability reduced the capital by EUR 283.7 million. For the first time, Deutsche Wohnen offered shareholders the option of a script dividend. As a consequence, the dividend resolved by the Annual General Meeting on 15 June 2018 was paid out in July 2018, after the reporting date, if shareholders have not converted their dividend entitlement into new shares.

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

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

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

Other liabilities include the dividend liability of EUR 283.7 million for the 2017 financial year.

EPRA NAV changed as follows:

EUR m	30/06/2018	31/12/2017
Equity (before non-controlling interests)	10,244.3	9,888.2
Fair values of derivative financial instruments	5.9	2.0
Deferred taxes	3,020.4	2,786.6
EPRA NAV (undiluted)	**13,270.6**	**12,676.8**
Number of shares (undiluted) in million	354.7	354.7
EPRA NAV (undiluted) in EUR per share	**37.42**	**35.74**

EPRA NAV (undiluted) rose by EUR 593.8 million in absolute terms and EUR 1.68 per share, principally due to consolidated comprehensive income of EUR 641.2 million attributable to shareholders of the parent company for the first six months of 2018. This figure contains the revenues and deferred taxes from the revaluation of investment properties as of 30 June 2018.

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

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

EUR m	30/06/2018	31/12/2017
Financial liabilities	4,998.9	4,751.1
Convertible bonds	1,717.0	1,669.6
Corporate bonds	877.8	826.6
	7,593.7	**7,247.3**
Cash and cash equivalents	–489.3	–363.7
Net financial liabilities	**7,104.4**	**6,883.6**
Investment properties	20,719.8	19,628.4
Non-current assets held for sale	13.6	28.7
Land and buildings held for sale	294.7	295.8
	21,028.1	**19,952.9**
Loan-to-value ratio in %	**33.8**	**34.5**

The loan-to-value ratio was approximately 33.8% 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 June 2018, with a hedging ratio of around 89%.

The Group's cash flow was as follows:

EUR m	H1 2018	H1 2017
Net cash flows from operating activities	288.1	240.4
Net cash flows from investing activities	–447.2	–635.8
Net cash flows from financing activities	284.7	526.3
Net change in cash and cash equivalents	**125.6**	**130.9**
Opening balance cash and cash equivalents	363.7	192.2
Closing balance cash and cash equivalents	**489.3**	**323.1**

Net cash flows from investment activities in the first six months of the 2018 financial year included payments for investments in the amount of EUR 489.2 million, of which EUR 329.4 million related to payments for acquisitions and EUR 99.8 million to modernisations. This was offset by incoming payments in connection with disposals of properties held for sale in the amount of EUR 43.8 million.

In the reporting period, the net cash flows from financing activities included new loans of EUR 286.4 million and loan repayments of 41.6 million. The figure also comprised proceeds of EUR 50.0 million from the issue of bearer bonds. The dividend for the 2017 financial year which was resolved by the Annual General Meeting was paid out after the reporting date because shareholders had to choose between a cash dividend and a script dividend until July 2018.

The key figure Funds from Operations (FFO I), which is relevant for us, rose by approximately 13% in absolute terms and by approximately 11% per share on an undiluted basis and 17% on a diluted basis:

EUR m	H1 2018	H1 2017
EBITDA	**322.5**	**311.1**
Other one-off expenses and income	4.0	–0.2
Restructuring and reorganisation expenses	0.2	0.3
EBITDA (adjusted)	**326.7**	**311.2**
Earnings from Disposals	–9.0	–20.5
Long-term remuneration component (share-based)	0.0	1.2
Finance leasing broadband cable networks	0.9	0.0
At-equity valuation	1.1	0.7
Interest expense/revenues	–46.3	–49.5
Income taxes	–21.7	–19.2
Non-controlling interests	–3.2	–3.1
FFO I	**248.5**	**220.8**
Earnings from Disposals	9.0	20.5
FFO II	**257.5**	**241.3**
FFO I per share in EUR (undiluted)[1]	0.70	0.63
FFO I per share in EUR (diluted)[2]	0.70	0.60
FFO II per share in EUR (undiluted)[1]	0.73	0.69
FFO II per share in EUR (diluted)[2]	0.73	0.65

1 Based on a weighted average of approximately 354.67 million shares outstanding in 2018 and approximately 349.54 million in 2017
2 Based on a weighted average of approximately 354.67 million shares outstanding in 2018 and approximately 368.98 million in 2017; assuming conversion of "in the money" convertible bonds in each case

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

This year, for the first time, Deutsche Wohnen SE offered its shareholders the choice of having their dividend paid out in cash or in the form of new shares in Deutsche Wohnen. During the subscription period, shareholders accounting for around 31% of the dividend-bearing shares opted for the script dividend.

Consequently, 2,241,061 new shares with an equivalent value of some EUR 88.9 million were issued for approximately 111.2 million dividend entitlements when the capital increase was entered in the Commercial Register on 18 July 2018.

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

Forecast

The first half-year 2018 went according to plan for Deutsche Wohnen. We therefore stand by the forecast we made in March 2018 when the figures for 2017 were published and expect an FFO I of around EUR 470 million.

Berlin, 6 August 2018

Deutsche Wohnen SE
Management Board

Michael Zahn Chairman of the Management Board	Lars Wittan Deputy Chairman of the Management Board	Philip Grosse Management Board

Group interim financial statements

Consolidated balance sheet

as at 30 June 2018

EUR m	30/06/2018	31/12/2017
Assets		
Investment properties	20,719.8	19,628.4
Property, plant and equipment	94.3	92.3
Intangible assets	20.2	19.0
Derivative financial instruments	1.6	3.3
Other non-current financial assets	66.8	23.1
Deferred tax assets	0.3	0.4
Non-current assets	**20,903.0**	**19,766.5**
Land and buildings held for sale	294.7	295.8
Other inventories	4.6	4.4
Trade receivables	29.3	15.5
Income tax receivables	81.6	47.5
Derivative financial instruments	0.1	0.0
Other financial assets	12.9	9.3
Other non-financial assets	5.0	8.0
Cash and cash equivalents	489.3	363.7
Subtotal current assets	**917.5**	**744.2**
Non-current assets held for sale	13.6	28.7
Current assets	**931.1**	**772.9**
Total assets	**21,834.1**	**20,539.4**

EUR m	30/06/2018	31/12/2017
Equities and liabilities		
Equity attributable to shareholders of the parent company		
Issued share capital	354.7	354.7
Capital reserve	3,078.7	3,078.6
Other reserves	–8.3	–19.7
Retained earnings	6,819.2	6,474.6
Total equity attributable to shareholders of the parent company	**10,244.3**	**9,888.2**
Non-controlling interests	338.0	322.8
Total equity	**10,582.3**	**10,211.0**
Non-current financial liabilities	4,948.1	4,697.4
Convertible bonds	1,712.3	1,667.3
Corporate bonds	869.6	819.3
Employee benefit liabilities	65.0	65.7
Derivative financial instruments	2.3	1.2
Other provisions	13.5	13.6
Other financial liabilities	248.3	217.8
Deferred tax liabilities	2,708.9	2,496.7
Total non-current liabilities	**10,568.0**	**9,979.0**
Current financial liabilities	50.8	53.7
Convertible bonds	4.7	2.3
Corporate bonds	8.2	7.3
Trade payables	218.4	177.7
Other provisions	9.5	6.6
Derivative financial instruments	5.3	4.1
Tax liabilities	43.4	27.2
Other financial liabilities	317.4	44.1
Other non-financial liabilities	26.1	26.4
Total current liabilities	**683.8**	**349.4**
Total equity and liabilities	**21,834.1**	**20,539.4**

Consolidated profit and loss statement

for the period from 1 January to 30 June 2018

EUR m	H1 2018	H1 2017	Q2 2018	Q2 2017
Contracted rental income	387.3	366.5[1]	194.4	186.1[1]
Income from operating costs	162.3	180.7[1]	60.5	88.9[1]
Expenses from Residential Property Management	–218.3	–240.9[1]	–87.3	–122.9
Earnings from Residential Property Management	**331.3**	**306.3**	**167.6**	**152.1**
Sales proceeds	60.6	151.1	29.7	98.8
Thereof revenues	17.9	99.0	15.3	71.1
Cost of sales	–3.6	–4.6	–1.9	–2.1
Carrying amount of assets sold	–48.0	–126.0	–23.6	–84.8
Thereof revenues	–14.4	–83.6	–12.2	–61.7
Earnings from Disposals	**9.0**	**20.5**	**4.2**	**11.9**
Income from nursing	32.8	31.2[1]	16.7	15.5[1]
Rental and lease income	29.5	28.3[1]	15.2	14.2[1]
Expenses for Nursing and Assisted Living	–38.5	–34.8	–19.7	–17.5
Earnings from Nursing and Assisted Living	**23.8**	**24.7**	**12.2**	**12.2**
Corporate expenses	–41.1	–39.9	–21.1	–20.8
Other expenses	–6.5	–4.3	–4.3	–2.8
Other income	6.0	3.8	3.3	3.3
Subtotal	**322.5**	**311.1**	**161.9**	**155.9**
Gains/losses from the fair value adjustment of investment properties	677.5	885.9	677.5	885.9
Depreciation and amortisation	–4.0	–3.5	–2.1	–1.8
Earnings before interest and taxes (EBIT)	**996.0**	**1,193.5**	**837.3**	**1,040.0**
Financial income	2.7	1.0	1.9	0.2
Gains/losses from fair value adjustments to derivative financial instruments and convertible bonds	–63.8	–124.7	–60.0	–93.6
Gains/losses from companies valued at equity	1.1	0.7	0.4	0.5
Financial expenses	–55.6	–84.4	–27.4	–36.2
Earnings before taxes (EBT)	**880.4**	**986.1**	**752.2**	**910.9**
Income taxes	–227.7	–314.1	–202.9	–286.2
Profit/loss for the period	**652.7**	**672.0**	**549.3**	**624.7**
Thereof attributable to:				
Shareholders of the parent company	629.8	647.3	528.5	602.0
Non-controlling interests	22.9	24.7	20.8	22.7
	652.7	**672.0**	**549.3**	**624.7**
Earnings per share				
Undiluted in EUR	1.78	1.85	1.49	1.72
Diluted in EUR	1.74	1.85	1.48	1.72

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

Consolidated statement of comprehensive income

for the period from 1 January to 30 June 2018

EUR m	H1 2018	H1 2017	Q2 2018	Q2 2017
Profit/loss for the period	**652.7**	**672.0**	**549.3**	**624.7**
Other comprehensive income				
Items reclassified as affecting net income at a later stage				
Net gain/loss from derivative financial instruments	0.8	6.3	0.2	3.1
Income tax effects	–0.2	–1.9	0.0	–0.9
	0.6	**4.4**	**0.2**	**2.2**
Items not classified as affecting net income at later stage				
Actuarial gains/losses on pensions and impact of caps for assets	0.0	2.3	0.0	0.9
Net gains/losses from convertible bonds	14.8	0.0	13.1	0.0
Income tax effects	–4.0	–0.6	–4.0	–0.3
	10.8	**1.7**	**9.1**	**0.6**
Other comprehensive income after taxes	**11.4**	**6.1**	**9.3**	**2.8**
Total comprehensive income after taxes	**664.1**	**678.1**	**558.6**	**627.5**
Thereof attributable to:				
Shareholders of the parent company	641.2	653.4	537.8	604.8
Non-controlling interests	22.9	24.7	20.8	22.7

Consolidated statement of cash flows

for the period from 1 January to 30 June 2018

EUR m	H1 2018	H1 2017
Operating activities		
Profit/loss for the period	652.7	672.0
Financial income	–2.7	–1.0
Adjustment to derivative financial instruments and convertible bonds	63.8	124.7
Financial expenses	55.6	84.4
Gains/losses from companies valued at equity	–1.1	–0.7
Income taxes	227.7	314.1
Profit/loss for the period before interest and taxes	**996.0**	**1,193.5**
Non-cash expenses/income		
Adjustment to the fair value of investment properties	–677.5	–885.9
Depreciation and amortisation	4.0	3.5
Other non-cash expenses/income	–5.3	–21.3
Changes in net current assets		
Changes in receivables, inventories and other current assets	–46.0	–26.0
Changes in operating liabilities	92.4	–10.4
Net operating cash flows	**363.6**	**253.4**
Proceeds from the disposal of properties held for sale	17.9	99.0
Investment in properties held for sale	–13.2	–24.4
Interest paid	–46.0	–50.1
Interest received	2.7	1.0
Taxes paid	–45.9	–42.0
Taxes received	9.0	3.5
Net operating cash flows	**288.1**	**240.4**
Investing activities		
Sales proceeds	43.8	58.3
Purchases of property, plant and equipment	–489.2	–694.2
Proceeds from dividends from shareholdings and joint ventures	0.1	0.1
Payments for business combinations less cash and cash equivalents acquired	–3.3	0.0
Other proceeds of investing activities	1.4	0.0
Net cash flows from investing activities	**–447.2**	**–635.8**
Financing activities		
Proceeds of borrowings	286.4	199.2
Loan repayments	–41.6	–351.7
Proceeds from the issue of convertible bonds	0.0	800.0
Repayment of convertible bonds	0.0	–472.0
Proceeds from the issue of corporate bonds	140.0	490.0
Repayment of corporate bonds	–90.0	–378.0
One-off financing payments	–1.2	–38.9
Proceeds from the sale of non-controlling interests	0.0	99.5
Payments for the purchase of non-controlling interests	0.0	–94.8
Proceeds of the capital increase	0.0	545.3
Other payments from financing activities	–1.4	–0.2
Costs of the capital increase	0.0	–4.4
Dividend paid to shareholders of Deutsche Wohnen SE	0.0	–262.4
Dividends paid to shareholders of non-controlling interests	–7.5	–5.3
Net cash flows from financing activities	**284.7**	**526.3**
Net change in cash and cash equivalents	**125.6**	**130.9**
Opening balance cash and cash equivalents	**363.7**	**192.2**
Closing balance cash and cash equivalents	**489.3**	**323.1**

Consolidated statement of changes in equity

as at 30 June 2018

EUR m	Issued share capital	Capital reserve	Pensions and convert-ible bonds	Cash flow hedge reserve	Total other reserves comprehen-sive income	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
Equity as of 1 January 2017	**337.5**	**3,445.3**	**–17.7**	**–19.2**	**–36.9**	**4,219.7**	**7,965.6**	**268.4**	**8,234.0**
Profit/loss for the period						672.0	672.0		672.0
Thereof non-controlling interests						–24.7	–24.7	24.7	0.0
Other comprehensive income after tax			1.7	4.4	6.1		6.1		6.1
Thereof non-controlling interests			0.0	0.0	0.0		0.0	0.0	0.0
Total comprehensive income			**1.7**	**4.4**	**6.1**	**647.3**	**653.4**	**24.7**	**678.1**
Capital increase	17.2	528.3					545.5		545.5
Cost of capital increase, less tax effect		–2.9					–2.9		–2.9
Contribution in connection with Management Board members remuneration		1.2					1.2		1.2
Change in non-controlling interests						4.5	4.5	9.5	14.0
Dividend						–262.4	–262.4		–262.4
Other						–95.7	–95.7		–95.7
Equity as of 30 June 2017	**354.7**	**3,971.9**	**–16.0**	**–14.8**	**–30.8**	**4,513.4**	**8,809.2**	**302.6**	**9,111.8**
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						652.7	652.7		652.7
Thereof non-controlling interests						–22.9	–22.9	22.9	0.0
Other comprehensive income after tax			10.8	0.6	11.4		11.4		11.4
Thereof non-controlling interests			0.0	0.0	0.0		0.0	0.0	0.0
Total comprehensive income			**10.8**	**0.6**	**11.4**	**629.8**	**641.2**	**22.9**	**664.1**
Capital increase	0.0	0.1					0.1		0.1
Change in non-controlling interests						0.0	0.0	–7.7	–7.7
Dividend						–283.7	–283.7		–283.7
Other						–1.5	–1.5		–1.5
Equity as of 30 June 2018	**354.7**	**3,078.7**	**–6.9**	**–1.4**	**–8.3**	**6,819.2**	**10,244.3**	**338.0**	**10,582.3**

Notes

General information

Deutsche Wohnen SE is a publicly listed property company which is based in Germany and operates nationally. Its headquarters are located at Mecklenburgische Straße 57, Berlin, and it is entered in the Commercial Register held at Berlin-Charlottenburg Local Court, HRB 190322 B. Deutsche Wohnen SE operates solely as a holding company for the entities which make up the Group. Its activities therefore primarily relate to asset management, legal matters, corporate finance, investor relations, communication and human resources. The operating subsidiaries concentrate on Residential Property Management, Disposals, and Nursing and Assisted Living. As part of its business strategy, it focuses on residential and nursing properties in high-growth conurbations and metropolitan areas within Germany.

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

Basic principles and methods used in the consolidated financial statements

The condensed consolidated financial statements for the period from 1 January to 30 June 2018 were prepared in accordance with IAS 34 Interim Financial Reporting as applicable in the European Union (EU). The condensed consolidated financial statements have not been audited or submitted to a 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 for the period ended 31 December 2017.

Amortised cost is generally used when preparing the consolidated financial statements. The main exceptions to this are investment properties, convertible bonds and derivative financial instruments, which are measured at fair value.

The consolidated financial statements comprise the financial statements of Deutsche Wohnen and its subsidiaries as of 30 June 2018. The subsidiaries' financial statements are prepared using uniform accounting policies and valuation methods with the same reporting date as the parent company's financial statements.

When the consolidated financial statements are prepared, the management team makes discretionary decisions, estimates and assumptions which affect the amount posted for revenues, expenses, assets, liabilities and contingent liabilities as of the reporting date. However, the uncertainty entailed in these assumptions and estimates could result in outcomes which require considerable adjustments to be made to the carrying amount of the respective assets or liabilities in the future.

Business activities of Deutsche Wohnen are largely unaffected by seasonal or economic factors.

In the Residential Property Management segment, one entity trading as a company constituted under civil law left the consolidated Group due to a merger. Furthermore, in the Nursing and Assisted Living segment, a newly acquired entity with the legal structure of a limited commercial partnership was fully consolidated in the first six months of the 2018 financial year.

In addition, Deutsche Wohnen acquired a 100% interest in the Helvetica Services GmbH on 1 January 2018. This transaction is a business acquisition as defined in IFRS 3. The company's activities primarily involve the administration and management of rented apartments and commercial space in Greater Berlin.

When Helvetica Services GmbH was first consolidated, the provisional fair value of the assets acquired and liabilities assumed was made up as follows:

EUR m	
Assets	
Receivables and other assets	0.9
	0.9
Liabilities	
Trade payables and other liabilities	–0.3
	–0.3
Net assets	**0.6**

The fair value of the trade receivables and other assets acquired largely corresponds to the carrying amount.

The purchase price for the interest in Helvetica Services GmbH was EUR 3.3 million. Deducting the provisional net assets of EUR 0.6 million from the purchase price of the holding results in provisional goodwill of EUR 2.7 million.

As the entity acquired did not have any material cash assets as of 1 January 2018, the cash payment of EUR 3.3 million included in the net cash flows from investment activities corresponds to the full purchase price.

Since the company's initial consolidation, it has contributed revenues of approximately EUR 2.5 million and earnings (EBT) of around EUR 0.1 million to the consolidated financial statements of Deutsche Wohnen. As the company's revenues pertain primarily to Group services in the Residential Property Management segment, they have been consolidated.

No material transaction costs occurred in connection with this business combination.

There were no other changes to the group of consolidated companies.

Changes to accounting policies and valuation methods

Deutsche Wohnen largely uses the same accounting policies and valuation methods as it did in the previous year period.

In the first six months of the 2018 financial year, the new standards and interpretations were applied which are mandatory for periods beginning on or after 1 January 2018.

As of 1 January 2018, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers were used for the first time. Listed below are the effects resulting from the first-time application of IFRS 9 and IFRS 15.

The retrospective first-time application of the new IFRS 9 standard with no change in the previous year's figures did not result in any transition effects. The new regulations relate above all to the classification of financial instruments depending on of the business model, the way in which anticipated losses on financial assets are carried in the balance sheet, and a new approach to accounting for hedging relationships.

Based on the business model and the characteristics of the contractual cash flows, IFRS 9 divides financial assets into two measurement categories – "amortised cost" and "fair value" – instead of the four categories previously used under IAS 39. The measurement category "amortised cost" may only be utilised for financial assets which are held in connection with a business model focusing on collecting the contractual cash flows. All other financial assets must be included in the "fair value" measurement category, whose fluctuations in value are recorded through profit and loss in the consolidated income statement. Deutsche Wohnen has elected to report all changes in the value of equity instruments which are not held for trading purposes through other comprehensive income.

There were no material changes in the categorisation of financial liabilities under IFRS 9. However, a new regulation requires fluctuations in the fair value of financial liabilities for which the option of fair value valuation is chosen to be reported in other comprehensive income, provided they were caused by changes in the counterparty risk.

The amended categorisation resulted in the following changes to the reporting as of 1 January 2018:

EUR m	Valuation category in accordance with IAS 39	Total balance sheet items as of 31/12/2017	Valuation category in accordance with IFRS 9	Total balance sheet items as of 01/01/2018
		Carrying amount		Carrying amount
Trade receivables	LaR	15.5	AC	15.5
Other assets				
Financial assets	AfS	0.4	FVOCI	0.4
Financial assets	n/a	14.6	n/a	14.6
Lendings	LaR	4.2	AC	4.2
Other financial assets	LaR	13.2	AC	13.2
Derivative financial instruments	FAHfT	3.3	FVTPL	3.3
Cash and cash equivalents	LaR	363.7	AC	363.7
Total financial assets		**414.8**		**414.8**
Financial liabilities	FLaC	4,751.1	AC	4,751.1
Convertible bonds	FLHfT	1,669.6	FVTPL/FVOCI	1,669.6
Corporate bond	FLaC	826.6	AC	826.6
Trade payables	FLaC	177.7	AC	177.7
Other liabilities				
Liabilities from finance leases	n/a	65.6	n/a	65.6
Other financial liabilities	FLaC	196.3	AC	196.3
Derivative financial instruments				
Interest rate hedging instruments (not hedge accounting)	FLHfT	4.7	FVTPL	4.7
Cash flow hedges (interest rate swaps)	n/a	0.6	n/a	0.6
Total financial liabilities		**7,692.2**		**7,692.2**

AfS – Financial assets available for sale
LaR – Loans and receivables
FAHfT – Financial assets held for trading, measured at fair value through profit and loss
FLaC – Financial liabilities at cost
FLHfT – Financial liabilities held for trading, measured at fair value through profit and loss
AC – Financial assets measured at amortised cost
FVTPL – Fair value through profit and loss
FVOCI – Fair value through other comprehensive income

The switch to the impairment model based on expected losses did not have a material impact as outstanding receivables were already impaired in accordance with IAS 39 at the end of the month due to the property-specific debit entry of rent receivables at the beginning of the month. Likewise, application of the revised accounting method for hedging relationships in accordance with IFRS 9 did not have any material consequences for Deutsche Wohnen because the company only hedges cash flows arising from future interest payments.

In line with IFRS 15 Revenue from Contracts with Customers, revenues are recognised when control of the agreed goods and services passes to the client. Furthermore, the revenue is valued using the amount of consideration which the company expects to receive. IFRS 15 will supersede a number of standards, including IAS 18 and IAS 11, and also contains extensive new disclosure requirements. Deutsche Wohnen adopted IFRS 15 on 1 January 2018. The first-time application of the standard has only led to changes in presentation relating to the Residential segment and the Nursing and Assisted Living segment. These changes in presentation do not affect the financial performance indicators of Deutsche Wohnen and the previous year's figures have been restated accordingly.

In the Residential Property Management segment, tenancy agreements are concluded which essentially comprise the net rent exclusive of heating expenses plus operating costs. As the net rent exclusive of heating expenses constitutes a leasing relationship, this contractual component is not covered by IFRS 15. For the vast majority of operating costs associated with the tenancy, Deutsche Wohnen acts as a principal as defined in IFRS 15 because the Group acquires control over these goods and services and is therefore responsible for providing a service to the tenant. Accordingly, the expenses for operating costs are no longer offset against the corresponding revenues from the 2018 financial year onwards.

In the Nursing and Assisted Living segment, Deutsche Wohnen concludes tenancy agreements with external operators of nursing properties. These are not covered by IFRS 15 because they are leasing relationships. Furthermore, via its shareholding in the KATHARINENHOF® Group, the Group enters into nursing home contracts with residents of nursing properties which it operates itself. These nursing home contracts fundamentally comprise accommodation and care – two service components which are provided in return for contractually agreed consideration. As the accommodation component of the contract constitutes a leasing relationship but the provision of care is a revenue component as per IFRS 15, Deutsche Wohnen uses two income categories – "rental and lease income" and "income from nursing" – to recognise the Nursing segment's revenues in the consolidated income statement as of 1 January 2018. Rental and lease income comprises revenues from tenancy agreements with external operators, the accommodation component of nursing home contracts and tenancy agreements for assisted living.

Compliance with the newly applicable standards and interpretations did not have any other material consequences.

Selected notes on the consolidated balance sheet

Investment properties make up 95% of the assets held by the Deutsche Wohnen Group. Effective 30 June 2018, the residential and commercial buildings recognised in the balance sheet as investment properties underwent a detailed internal valuation and were entered in the balance sheet at their fair value. For details of the valuation methods and parameters used, please refer to the consolidated financial statements for the period ended 31 December 2017.

Based on the data provided (rent lists, master data, property information), Jones Lang LaSalle SE completed a rough plausibility check of the valuation performed by Deutsche Wohnen SE as of 30 June 2018. In doing so, Jones Lang LaSalle concentrated on the earnings per site. The focus was on analysing the following aspects: in-place rent, value (EUR/sqm), actual multiple and market multiple.

Overall, Jones Lang LaSalle considers the portfolio value as of 30 June 2018 to be plausible and in line with the market.

The principles used for the valuation dated 30 June 2018 were the same as those applied on 31 December 2017 (Level 3 of the fair value hierarchy – measurement on the basis of valuation models).

The table below shows the average of all unobservable inputs incorporated into the internal valuation (Level 3) of the developed plots:

30 June 2018

			Core+	Core	Non-Core	Total
	Berlin	Other	Total	Total	Total	Total
In-place rent (EUR/sqm)	6.58	6.65	6.60	5.80	4.87	6.49
Rental growth p.a. (%)	2.85	1.52	2.61	1.01	0.30	2.5
Vacancy rate (%)	2.3	2.6	2.4	3.0	5.8	2.5
Multiple	28.1	20.2	26.3	16.6	11.4	25.2
Discount factor (%)	4.3	5.6	4.6	5.6	7.8	4.6
Capitalisation factor (%)	4.1	4.9	4.2	5.0	6.6	4.3

An adjustment to the key valuation parameters (market rental growth during the detailed planning phase 20% lower than anticipated; 0.1% rise in the discount rate; and 0.1% increase in the capitalisation rate) would result in the following non-cumulative value adjustments to the carrying amount of the residential and commercial buildings:

30 June 2018

			Core+	Core	Non-Core
	Berlin	Other	Total	Total	Total
Rental growth p.a. (%)	–6.71	–3.11	–6.08	–2.73	–0.85
Discount factor (%)	–0.83	–0.70	–0.81	–0.76	–0.70
Capitalisation factor (%)	–1.78	–1.27	–1.69	–1.27	–0.81

Consequently, a positive change in the various valuation parameters would have positive effects to more or less the same degree.

The following inputs were utilised as of 31 December 2017:

31 December 2017

			Core+	Core	Non-Core	Total
	Berlin	Other	Total	Total	Total	Total
In-place rent (EUR/sqm)	6.47	6.56	6.49	5.68	4.84	6.38
Rental growth p.a. (%)	3.41	1.93	3.16	1.26	0.46	3.0
Vacancy rate (%)	2.3	2.4	2.3	2.6	5.7	2.4
Multiple	27.2	19.9	25.5	16.9	13.1	24.5
Discount factor (%)	4.5	5.8	4.7	6.1	7.3	4.8
Capitalisation factor (%)	4.2	5.0	4.4	5.5	6.1	4.5

An adjustment to the key valuation parameters (market rental growth during the detailed planning phase 20% lower than anticipated; 0.1% rise in the discount rate; 0.1% increase in the capitalisation rate) resulted in the following non-cumulative value adjustments to the carrying amount of the residential and commercial buildings as of 31 December 2017:

31 December 2017

			Core+	Core	Non-Core
	Berlin	Other	Total	Total	Total
Rental growth p.a. (%)	–6.33	–3.27	–5.80	–2.58	–1.01
Discount factor (%)	–0.83	–0.74	–0.81	–0.76	–0.72
Capitalisation factor (%)	–1.68	–1.26	–1.61	–1.12	–0.91

Property, plant and equipment is made up largely of owner-occupied properties (IAS 16), technical equipment, and furniture and fixtures.

Alongside software and licences, intangible assets include goodwill of EUR 14.1 million. There was no indication that the goodwill was impaired as of 30 June 2018.

The derivative financial instruments are interest rate hedging products held at fair value. These are not used for speculative purposes but are taken out solely to minimise the interest rate fluctuation risks – and therefore cash flow risks – posed by floating-rate loans.

All other financial assets (trade receivables, other assets and cash and cash equivalents) and other financial liabilities (non-current and current financial liabilities, long term and short-term corporate bonds, trade payables and other liabilities) are valued at amortised cost. The amortised cost of these assets and liabilities corresponds approximately to their fair value.

The consolidated statement of changes in equity on page 24 shows how equity developed.

Financial liabilities have increased since 31 December 2017 due to reborrowing and new loans.

The convertible bonds are held at fair value based on their price on the reporting date. Carrying amounts increased compared with 31 December 2017 due to a positive share price performance. At present, the conversion prices of the convertible bonds issued by Deutsche Wohnen SE in 2017 are EUR 48.2967 (maturity date: 2024) and EUR 50.8460 (maturity date: 2026); the nominal outstanding amount in each case is EUR 800.0 million.

Employee benefit liabilities were valued using a discount factor of 1.50% p.a. on the reporting date (reporting date 31 December 2017: 1.50% p.a.). This is derived from the yield on fixed-interest industrial loans.

Selected notes on the consolidated income statement

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

EUR m	H1 2018	H1 2017
Potential gross rent	398.0	375.6
Subsidies	0.5	0.5
	398.5	**376.1**
Vacancy losses	–11.2	–9.6
	387.3	**366.5**
Income from operating costs	162.3	180.7[1]
	549.6	**547.2**

1 Previous year's figure altered due to first-time application of IFRS 15. The application of IFRS 15 as of 1 January 2018 means that income from reinvoicing operating costs, which in previous years were offset and recognised as non-recoverable operating costs under expenses from Residential Property Management, are now shown on a gross basis.

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

EUR m	H1 2018	H1 2017
Maintenance costs	–44.0	–49.7
Non-recoverable operating costs	–167.4	–186.0[1]
Rental loss	–3.4	–2.5
Other costs	–3.5	–2.7
	–218.3	**–240.9**

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

Earnings from Disposals comprise the sales proceeds, disposal costs and carrying amounts of investment properties sold and land and buildings held for sale.

Earnings in the Nursing and Assisted Living segment can be broken down as follows:

EUR m	H1 2018	H1 2017
Income from Nursing and Assisted Living	32.8	31.2[1]
Rental and lease income	29.5	28.3[1]
Nursing and corporate expenses	–11.4	–10.5
Staff expenses	–26.7	–24.2
Expenses for leased properties	–0.4	–0.1
	23.8	**24.7**

1 Previous year's figure altered due to first-time application of IFRS 15. Nursing and rental income are reported separately.

Finance expenses are made up as follows:

EUR m	H1 2018	H1 2017
Current interest expenses	–47.8	–49.8
Accrued interest on liabilities and pensions	–6.6	–11.9
Non-recurring expenses arising in connection with refinancing context	–1.2	–22.7
	–55.6	**–84.4**

Notes on the cash flow statement

Other non-cash operating expenses/income primarily consist of the carrying amount profit from disposals.

Cash and cash equivalents are made up of cash in hand and bank balances.

Notes on segment reporting

The table below shows the segment income and segment earnings for the Deutsche Wohnen Group:

EUR m	External revenue		Internal revenue		Total revenue		Segment earnings	
	H1 2018	**H1 2017**	**H1 2018**	**H1 2017**	**H1 2018**	**H1 2017**	**H1 2018**	**H1 2017**
Segments								
Residential Property Management	549.6	547.2	9.6	9.3	559.2	556.5	331.3	306.3
Disposals	60.6	151.1	3.9	4.3	64.5	155.4	9.0	20.5
Nursing and Assisted Living	62.3	59.5	0.0	0.0	62.3	59.5	23.8	24.7
Reconciliation with the consolidated financial statements								
Central function and other operating activities	0.1	1.3	54.4	44.5	54.5	45.8	–41.6	–40.4
Consolidations and other reconciliation	–0.1	–1.3	–67.9	–58.1	–68.0	–59.4	0.0	0.0
	672.5	**757.8**	**0.0**	**0.0**	**672.5**	**757.8**	**322.5**	**311.1**

The following table shows how segment earnings were reconciled with the consolidated profit and loss statement:

EUR m	**H1 2018**	**H1 2017**
Total of segment earnings	364.1	351.5
Corporate expenses	–41.1	–39.9
Other expenses	–6.5	–4.3
Other income	6.0	3.8
Gains/losses from the fair value adjustment of investment properties	677.5	885.9
Depreciation and amortisation	–4.0	–3.5
Earnings before interest and taxes (EBIT)	**996.0**	**1,193.5**
Financial income	2.7	1.0
Gains/losses from fair value adjustments to derivative financial instruments and convertible bonds	–63.8	–124.7
Gains/losses from companies valued at equity	1.1	0.7
Financial expenses	–55.6	–84.4
Earnings before taxes	**880.4**	**986.1**
Income taxes	–227.7	–314.1
Profit/loss for the period	**652.7**	**672.0**

Other notes

Related parties

The composition of the Deutsche Wohnen SE Supervisory Board has changed. Uwe Flach's mandate expired at the close of the Annual General Meeting 2018. The Supervisory Board has elected Matthias Hünlein as Chair of the Supervisory Board. Furthermore, Tina Kleingarn was elected to the Supervisory Board at the Annual General Meeting.

There were no other material changes to the details of related parties provided as of 31 December 2017.

Risk report

For details of the risks to future performance and a description of the risk management system (RMS), please refer to the information provided in the risk report accompanying the consolidated financial statements for the period ended 31 December 2017. The assessment of the overall risk position has not changed since the previous year; there are no concrete risks which jeopardise the company's continued existence.

Financial instruments

The table below shows the categorisation of financial instruments into the corresponding classes as per IFRS 7.6 and the allocation to measurement categories as defined in IFRS 9:

30/06/2018

EUR m	Valuation category in accordance with IFRS 9	Measured at amortised cost		Measured at fair value	Value recognised in the balance sheet as per IAS 17/ IAS 28	Total balance sheet items
		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount
Trade receivables	AC	29.3	29.3	0.0	0.0	29.3
Other assets						
Financial assets	FVOCI	0.3	n/a	0.0	0.0	0.3
Financial assets	n/a	0.0	n/a	0.0	17.8	17.8
Lendings	AC	44.7	44.7	0.0	0.0	44.7
Other financial assets	AC	16.9	0.0	0.0	0.0	16.9
Derivative financial instruments						
Interest rate hedging instruments (not hedge accounting)	FVTPL	0.0	0.0	1.6	0.0	1.6
Cash flow hedges (interest rate swaps)	n/a	0.0	0.0	0.1	0.0	0.1
Cash and cash equivalents	AC	489.3	489.3	0.0	0.0	489.3
Total financial assets		**580.5**	**563.4**	**1.7**	**17.8**	**600.1**
Financial liabilities	AC	4,998.9	5,152.3	0.0	0.0	4,998.9
Convertible bonds	FVTPL/FVOCI	0.0	0.0	1,717.0	0.0	1,717.0
Corporate bond	AC	877.8	873.4	0.0	0.0	877.8
Trade payables	AC	218.4	218.4	0.0	0.0	218.4
Other liabilities						
Liabilities from finance leases	n/a	0.0	0.0	0.0	61.6	61.6
Other financial liabilities	AC	504.1	504.1	0.0	0.0	504.1
Derivative financial instruments						
Interest rate hedging instruments (not hedge accounting)	FVTPL	0.0	0.0	6.4	0.0	6.4
Cash flow hedges (interest rate swaps)	n/a	0.0	0.0	1.2	0.0	1.2
Total financial liabilities		**6,599.1**	**6,748.1**	**1,724.6**	**61.6**	**8,385.4**

AC – Financial assets measured at amortised cost
FVTPL – Fair value through profit and loss
FVOCI – Fair value through other comprehensive income

Please also refer to the disclosures as per IFRS 7 and IAS 39 in the consolidated financial statements for the period ended 31 December 2017.

Berlin, 6 August 2018

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Financial calendar 2018

15/08/2018	Roadshow, London
29/08/2018	Berenberg Real Estate Helsinki Seminar, Helsinki
04–06/09/2018	EPRA Conference, Berlin
25–26/09/2018	Bank of America Merrill Lynch Global Real Estate Conference, New York
27/09/2018	Baader Investment Conference, Munich
08–10/10/2018	Expo Real, Munich
14/11/2018	Publication of the interim statement for the period ended 30/09/2018/Q1–Q3 2018
19–23/11/2018	Roadshow, Asia
27–28/11/2018	UBS Global Real Estate Conference, London
03/12/2018	Berenberg European Corporate Conference, London