Deutsche Wohnen

ANNUAL REPORT 2015

PERFECT

IS NOT ENOUGH.

GROUP KEY FIGURES OF THE DEUTSCHE WOHNEN AG

Profit and loss statement		2015	2014	Change
Current gross rental income	EUR m	634.0	626.3	1.2%
Earnings from Residential Property Management	EUR m	519.2	505.8	2.6%
Earnings from Disposals	EUR m	68.9	52.4	31.5%
Earnings from Nursing and Assisted Living	EUR m	15.6	16.3	–4.3%
Corporate expenses	EUR m	–74.7	–90.5	17.5%
EBITDA	EUR m	465.0	454.5	2.3%
EBT (adjusted)	EUR m	384.4	283.3	35.7%
EBT (as reported)	EUR m	1,787.2	1,021.5	75.0%
Group profit (after taxes)	EUR m	1,206.6	889.3	35.7%
Group profit (after taxes)[1]	EUR per share	3.62	2.93[2]	23.3%
FFO I	EUR m	303.0	217.6	39.2%
FFO I [1]	EUR per share	0.94	0.75[2]	25.3%
FFO II	EUR m	371.9	270.0	37.7%
FFO II [1]	EUR per share	1.16	0.93[2]	24.7%
EPRA Earnings	EUR m	227.9	184.1	23.8%

Balance sheet		31/12/2015	31/12/2014	Change
Investment properties	EUR m	11,859.1	9,611.0	2,248.1
Current assets	EUR m	901.2	882.9	18.3
Equity	EUR m	6,872.0	4,876.1	1,995.9
Net financial liabilities	EUR m	4,582.5	5,131.3	–548.8
Loan-to-Value Ratio (LTV)	in %	38.0	51.0	–13.0 pp
Total assets	EUR m	13,700.1	11,446.2	2,253.9

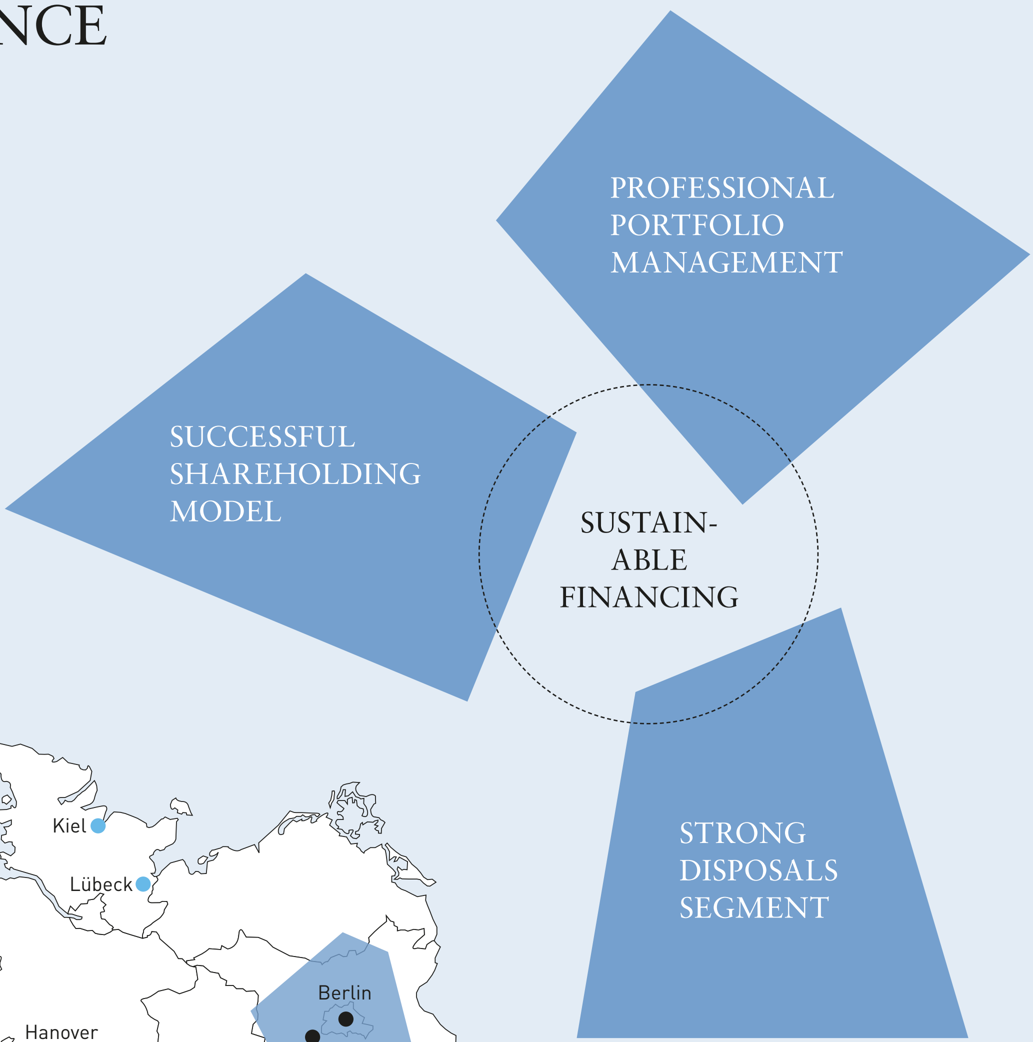
Share		31/12/2015	31/12/2014	Change
Share price (closing price)	EUR per share	25.62	19.58	30.8%
Number of shares	m	337.41	294.26	43.2
Market capitalisation	EUR bn	8.6	5.8	48.3%

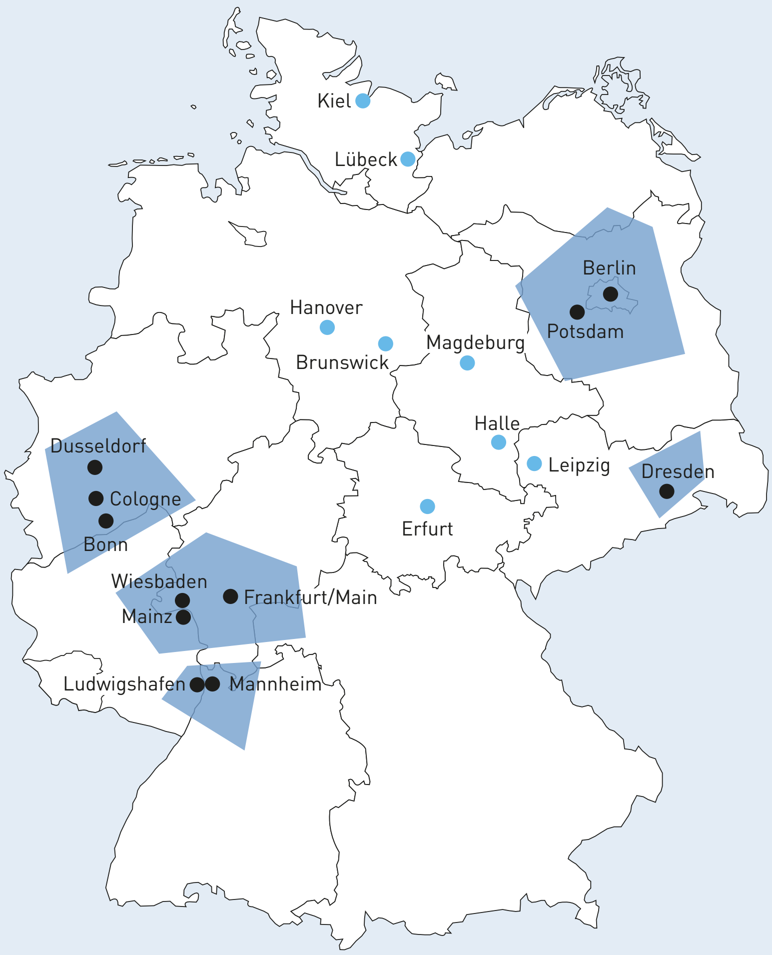
Net Asset Value (NAV)		31/12/2015	31/12/2014	Change
EPRA NAV (undiluted)	EUR m	7,762.4	5,326.0	2,436.4
EPRA NAV (undiluted)	EUR per share	23.01	17.86[2]	28.8%
EPRA NAV (diluted)	EUR per share	23.54	18.40[2]	27.9%

Fair values		31/12/2015	31/12/2014	Change
Fair value of real estate property[3]	EUR m	11,721	9,785	1,936.0
Fair value per sqm residential and commercial area[3]	EUR per sqm	1,282	1,062	20.7%

[1] Based on average number of around 320.85 million issued shares in 2015 and around 291.63 million in 2014
[2] With consideration of the effects arising out of the capital increase in June 2015 (so-called scrip adjustment of approximately 1.01)
[3] Only comprises residential and commercial buildings

DEUTSCHE WOHNEN
AT A GLANCE





PROPERTY PORTFOLIO
IN %

CORE+	87
CORE	11

PROFILE

DEUTSCHE WOHNEN IS ONE OF THE LARGEST PUBLICLY LISTED RESIDENTIAL PROPERTY COMPANIES IN GERMANY AND EUROPE. OUR BUSINESS FOCUS IS ON MANAGING AND DEVELOPING OUR RESIDENTIAL PROPERTY PORTFOLIO THAT IS MAINLY LOCATED IN GERMAN METROPOLITAN REGIONS. HERE WE BENEFIT FROM THE DYNAMIC MARKET DEVELOPMENT AND THE CONTINUING HIGH DEMAND FOR HOUSING. CURRENTLY OUR PORTFOLIO COMPRISES MORE THAN 148,000 RESIDENTIAL AND COMMERCIAL UNITS WITH A TOTAL ASSET VALUE OF ABOUT EUR 12 BILLION.

PERFECT

EUR 12 BN
PORTFOLIO VALUE

EUR 8.6 BN
MARKET CAP.

146,000
RESIDENTIAL UNITS

IS NOT ENOUGH.

We are one of the leading players in the European real estate sector, and our business model is designed to achieve healthy growth with a clear focus on quality and efficiency. All of this is shown by our convincing lettings results, a cost ratio that is unparalleled in the real estate sector and a sound financing structure. Our operational and financial performance sets standards for the entire industry. Moreover, the long-term success of our company rests on a strong foundation of impressive figures. But this isn't the full picture. There is also our uncompromising commitment to improving our performance. This is how we create added value sustainably for our shareholders, tenants and employees.

// PERFORMANCE

HOW WE ACHIEVE FOCUSED GROWTH.

The expansion strategy, which we have pursued consistently for years, of investing in a high-quality property portfolio in growth regions in Germany is paying off. With a scalable platform for residential property that is fine-tuned to achieve efficiency and quality, Deutsche Wohnen can participate in the growth of the market in the best possible way and constantly increase the value of its portfolio.

EUR **1.7** BN

ADDED VALUE

FOCUSED PORTFOLIO AND INVESTMENT STRATEGY IS PAYING OFF

DEUTSCHE WOHNEN is better placed today than it has ever been, and in 2015 completed the most successful business year in its history. With the above-average rent potential of our high-quality portfolio, our successful disposals segment and income-enhancing acquisitions, we are in an excellent position to achieve further growth and to create sustainable value for our stakeholders.

An important pillar in this success is our clear portfolio and investment strategy, which we have been pursuing since 2008. In accordance with this strategy, we aim not only for growth in quantitative terms but, above all, for sustainable growth. By making acquisitions and carrying out extensive modernisation measures, we invest particularly in the regions which we have defined as Core^{+}. At the same time, holdings in structurally weak areas or in scattered locations, some of which we acquire as part of larger portfolios, are put up for sale. With this focused strategy, we achieve a long-term improvement to the quality and value of our portfolio.

Moreover, this is reflected in the current valuation of our portfolio: The increase in value established by the annual portfolio valuation was EUR 1.7 billion in 2015. Significant increases in value were recorded above all in Greater Berlin with EUR 1.6 billion and in the Rhine-Main region and Rhineland with a total of approximately EUR 0.1 billion. Given the current overall conditions, we also expect further increases in value in the future and have adjusted the focus of our investment strategy accordingly.

This positive development, in combination with an exceptionally good internal process quality, are also recognised by the capital markets. Deutsche Wohnen benefits, for example, from better financing conditions that proved their worth in 2015 when the company carried out extensive refinancing measures, which led to a significant reduction in financing costs and a further diversification of the loan portfolio. As a result, both Standard & Poor's and Moody's raised their long-term ratings for Deutsche Wohnen in the middle of 2015: from BBB+ to A– and from Baa1 to A3. Therefore Deutsche Wohnen has one of the best ratings in the sector in Europe. This confirms our strategy of continuing to optimise the capital structure of the company, and also underlines the high quality of our business model.

Corporate bond issued for the first time

In July 2015 Deutsche Wohnen issued a corporate bond for the first time ever and, in so doing, underlined its ability to make use of all forms of financing and to diversify its financing sources. The proceeds from the issue were used to redeem existing higher-interest bank loans. This transaction marked the completion of the announced refinancing of EUR 1.5 billion in total, as a result of which average interest expenses fell to 1.8 %. As at 31 December 2015, the Loan-to-Value Ratio (LTV) of the company was 38 %.

Key figures corporate bond:

Nominal value	EUR 500 million
Denomination	EUR 1,000
Interest	1.375 % p.a.
Ratings	A3 (Moody's Investors Service Ltd.) and BBB+ (Standard & Poor's Rating Services)

// 1: MASURENRING, KIEL

ACQUISITIONS STRATEGY SUCCESSFULLY IMPLEMENTED

DEUTSCHE WOHNEN acquired just under 22,000 residential units in various transactions in 2015. Of these, a good two thirds are located in Core^{+} regions. The rest are located predominantly in Core regions. We have strengthened our holdings in the metropolitan region of Berlin, one of the fastest growing markets in Germany, by more than 11,000 residential units. We will, in turn, sell some of the properties we have acquired because they are not located in our core regions. In doing so, we will be able to draw on our high level of expertise in the area of privatisations and block disposals.

INTERVIEW WITH RALPH ZIEGLER,
MANAGING DIRECTOR ASSET MANAGEMENT

What acquisitions strategy does Deutsche Wohnen pursue?
As a matter of principle, when making acquisitions we focus on the core or growth regions which we have defined. However, the markets vary considerably. Berlin, for example, is the most solvent market. Up to now, the deal-flow has almost taken care of itself. But supply is becoming tighter and tighter, and we will have to increase our efforts to secure good deals. Basically, we can see in all core regions at the moment that purchase prices are increasing faster than rents, and that the number of large portfolios being made available for competitive bidding is declining. Consequently, our acquisitions strategy is based on several pillars:

- We look in a targeted way for off-market deals, for example by acquiring the portfolios of private owners with whom we stand in high regard.
- We identify opportunities by, for example, expanding our market analysis activities.
- We network with regional partners in strategic core markets outside of Berlin, in order to have a presence, for example, in Dresden, Leipzig or in the Rhine-Main area.
- Cost consciousness continues to be our priority.

With the help of this strategy, we have been able to generate an excellent deal flow over the last five quarters, i.e. since late 2014.

What are the key criteria for acquisitions?
In principle, we don't prescribe a rigid framework in these matters but look at the quality of the given product. However, alongside the rental yield of an acquisition, the price is, of course, important, particularly the price per sqm. In addition, the location and the technical condition of the properties are the most important parameters. We also analyse the rent level and check to see if there is any rent potential. By contrast, we are flexible when it comes to the minimum size of portfolios: In markets in which we already have a presence, which we wish to actively develop further and in which larger sets of properties are hardly ever offered for sale though, we also deal with smaller acquisitions from 30 to 50 units. This relates to Dresden, Leipzig and the Rhine-Main area for example.

What is your view of the opportunities that exist in the German residential property market?
As I said earlier, purchase prices in our core regions are currently rising faster than rents, which is leading to smaller yields. At the same time, supply is becoming tighter. What is more, large-scale portfolios that are offered for sale and extend across various regions in Germany are often unattractive with regard to their quality and geographical distribution. So, the portfolio that we acquired from PATRIZIA Immobilien AG at the end of 2015 suited us all the more because, in addition to Berlin, it also strengthened our Rhine-Main and Rhineland regions, as well as raising our holdings in Kiel above a critical minimum portfolio size.

Portfolio in Berlin strengthened considerably once again

With the transfer of ownership of three large acquisitions, we have expanded our portfolio in **Berlin** in a highly competitive market environment. The approximately **7,500 residential units** complement our existing portfolio in the best possible way. The acquired units are mostly rental flats in – according to the Berlin rent index – the mid-range price segment, and have **considerable rent potential.**

// 1: BÄRENSTEINSTRASSE, BERLIN-HELLERSDORF

How is Deutsche Wohnen perceived on the market as an investor?
On the one hand, we are seen as very reliable because we adhere to agreements. We also gain recognition for the fact that our investment and management strategy is designed to be sustainable and long-term. On the other hand, we are demanding in negotiations because, at an early stage in proceedings, we communicate our ideas clearly and remain consistent in the strategic standpoints we adopt. A good example of this approach are two portfolio purchases of around 500 units each, which we notarised last year. In both cases, the vendors were private parties that preferred to enter into off-market deals with us instead of offering their residential properties on the open market.

What have been the most important acquisitions for Deutsche Wohnen in recent times?
In the last three years we have notarised portfolio deals for around 36,000 units with a total value of approximately EUR 2.6 billion. Undoubtedly, the portfolio of around 13,600 residential units that we purchased from PATRIZIA Immobilien AG is particularly important. We prepared this deal over a period of months. To a large extent, the properties fit in geographically with our existing holdings. In addition, during the last two financial years we completed the purchase of a total of approximately 7,500 units in Berlin in three transactions and of 650 residential units in the Rhine-Main area in a single transaction. Furthermore, we now have almost 3,000 units in Dresden, which we have acquired in several small-scale transactions since the middle of 2013. We still have a certain amount of catching up to do in the Rhine-Main area, but we have already acquired approximately 500 units here through the purchase of the PATRIZIA portfolio.

Total increase in value of acquisitions concluded in 2013

>25 %

Largest portfolio in 2015 acquired from PATRIZIA Immobilien AG

In November 2015 we succeeded in acquiring a property portfolio of **around 13,600 residential units. Around 5,600** of these units are located **in Berlin** and **around 3,800 in Kiel.** The remaining properties complement our holdings, particularly in the **Rhine-Main and Rhineland regions.** In Kiel we have now exceeded a critical minimum portfolio size. We will be able to manage the holdings we have acquired in a way that optimises our costs because of scaling effects.

What challenges are you facing at the moment?
Apart from the market developments which I've just explained, we have to deal with increasingly complex transaction structures with a large number of international asset companies. In the first place a company has to be able to manage this, mostly with in-house resources. So, it can happen that we reject a transaction because we do not want to accept risks arising from the transaction structure or from contractual guarantees that are inadequately clarified.

What purchases is Deutsche Wohnen planning in future?
Basically, we want to continue to make use of the opportunities in our growth markets. Our intensified market analysis activities will help us here to actively identify possible properties for purchase. We will also continue to expand our regional network so that we can successfully secure deals on a continuous basis, especially in the core regions Rhine-Main, Hanover/Brunswick and Dresden. However, the number of acquisitions and the size of the portfolios involved will depend on the market and the vendors. At any rate, we are doing everything we can to continue to grow sustainably in our core regions – and, by doing so, to compensate at the very least for the loss of up to 5,000 residential units a year due to our disposals activities.

// 1: RAIFFEISENSTRASSE, MAGDEBURG

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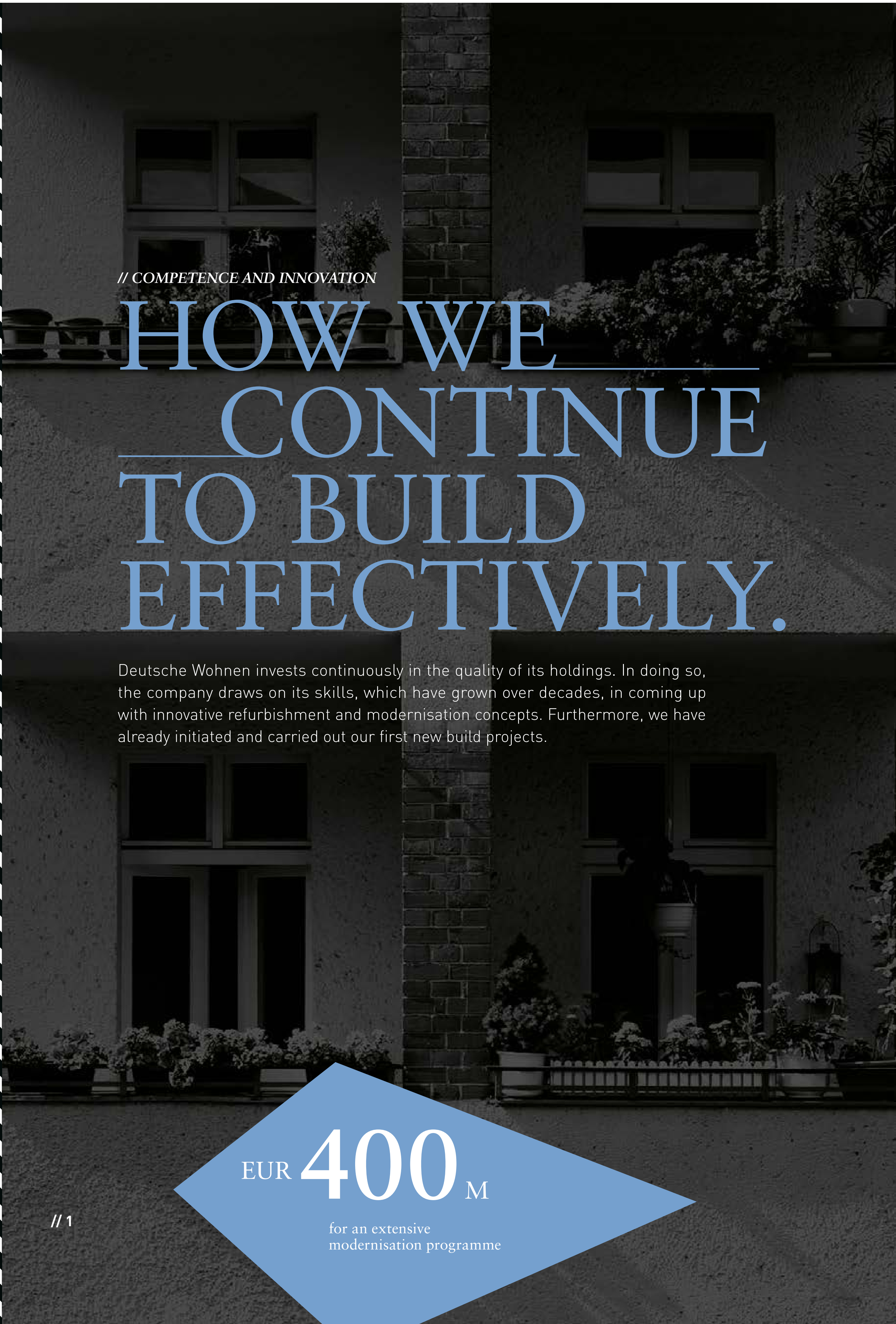


// COMPETENCE AND INNOVATION

HOW WE CONTINUE TO BUILD EFFECTIVELY.

Deutsche Wohnen invests continuously in the quality of its holdings. In doing so, the company draws on its skills, which have grown over decades, in coming up with innovative refurbishment and modernisation concepts. Furthermore, we have already initiated and carried out our first new build projects.

EUR 400 M

for an extensive modernisation programme

EXPANSION OF VALUE-ENHANCING MODERNISATION PROGRAMME

Because of its quality, the **CURRENT PORTFOLIO OF DEUTSCHE WOHNEN** has great potential: 87 % of our portfolio generates significant rental income and also a growth in value without major investment. In the case of the remaining 13 %, we can realise further substantial value potential by carrying out modernisation work and, in this way, we can generate high returns. These residential units, of which there are approximately 17,000, are located almost exclusively in Core+ regions and also have the potential to achieve an increase in rental income of 31 %.

In order to realise this potential, we took the decision in 2014 to launch an extensive modernisation programme, which is set to run until 2018 and has a total value of EUR 280 million. In Berlin alone, it is planned to invest more than EUR 200 million in order to achieve further increases in value. In the course of an ongoing analysis of our portfolio we have now identified further potential and we will continue this programme beyond 2018 – with additional investments of approximately EUR 120 million. This means that our modernisation programme runs to a total of EUR 400 million.

Last year we carried out a range of modernisation work, for example on the UNESCO world heritage estate Siemensstadt, the Spanische Allee and the Argentinische Allee in Berlin. In these holdings we modernised around 800 flats and also installed district heating. In all of this we especially pay attention to achieving a holistic development. In the area around "Uncle Tom's Cabin" modernisation work is also being prepared for a further building – a residential property from the 1960s, consisting of around 30 flats.

A variety of the projects we have started take several years to complete. This includes the refurbishment of Hellersdorfer Promenade: In November 2015, we were able to successfully complete around half of the measures we embarked on in the Berlin borough of Marzahn-Hellersdorf in the summer of 2014. By 2017 we will have invested around EUR 35 million in the family-friendly refurbishment of this neighbourhood with its approximately 1,300 residential and commercial units.

"Deutsche Wohnen has been as good as its word and is driving the development of this neighbourhood forward with both determination and professionalism. In doing so, it is sending out a clear signal in favour of the borough of Marzahn-Hellersdorf and its inhabitants."

Christian Gräff, borough councillor

Uncle Tom's Cabin

Residential units	806
Volume of investment	EUR 23 m
Fair value before modernisation	EUR/sqm 1,255
Fair value after modernisation	EUR/sqm 1,693

Hellersdorfer Promenade

Residential units	1,148
Volume of investment	EUR 35 m
Fair value before modernisation	EUR/sqm 540
Fair value after modernisation	EUR/sqm 1,300

// 1: AHRWEILERSTRASSE, BERLIN-WILMERSDORF

// 1

EUR 35 M

is being invested in the comprehensive modernisation of Hellersdorfer Promenade.

// 2

EUR 8.4 M

has been set aside for further refurbishment work on the UNESCO world heritage site that is Siemensstadt.

// 1: HELLERSDORFER PROMENADE, BERLIN-HELLERSDORF
// 2: GOEBELSTRASSE, BERLIN-SIEMENSSTADT

// 3

// 4

EUR 23 M

has been invested in the modernisation of the listed Uncle Tom's Cabin Estate. As a result of this investment, we have achieved a considerable increase in the estate's value.

// 3: ARGENTINISCHE ALLEE, BERLIN-ZEHLENDORF
// 4: ARGENTINISCHE ALLEE, BERLIN-ZEHLENDORF

The projects that are in preparation include around 1,400 further units in Berlin. "We have identified six gems in the holdings of the former GSW" as Stefan Degen, CEO of Deutsche Wohnen Construction and Facilities GmbH explains. "In the case of four of them, specific planning work for a comprehensive refurbishment is underway. The other two will follow, and their value will also be enhanced by additional new building."

The modernisation projects at the planning stage also include the Spring Estate and the Otto Suhr Estate with a total of around 3,000 residential units in Berlin-Kreuzberg. Because of their central location, these properties have significant potential.

// 1

DEUTSCHE WOHNEN AWARDED WITH GERMAN BUILDING DEVELOPERS' AWARD

In November 2015, Deutsche Wohnen was presented with the "2015 German Developers' Award for Modernisation" in recognition of its refurbishment of the historic railway workers' estate in Elstal, Brandenburg, which was carried out in accordance with the guidelines for historic monuments. The award is given by the Federal Association of German Housing and Property Companies (Bundesverband deutscher Wohnungs- und Immobilienunternehmen [GdW]), the Association of German Architects (Bund Deutscher Architekten – BDA) and the Association of German Cities (Deutscher Städtetag). The jury was impressed by the outstanding refurbishment of this ensemble and gave particular recognition to the fact that Deutsche Wohnen had succeeded in restoring the original character of the estate whilst carrying out an extensive energy-efficient refurbishment at the same time. Michael Zahn, the CEO of Deutsche Wohnen, was delighted at the award, saying, "The motto of the German Building Developers' Award – 'High quality – Affordable costs' – is a precise reflection of our approach to the development of our holdings."

In 2013 we began to carefully refurbish the historic railway workers' estate in Elstal in a way that was fair to tenants and in line with the guidelines for listed buildings. In doing so, we succeeded in reducing the primary energy consumption and the emissions from the estate by more than 60 %. As the owner of approximately 30,000 residential units with listed building status, Deutsche Wohnen has many years of experience in the refurbishment of listed apartment buildings. At the same time, we have created urgently needed housing just outside of Berlin. So, it is no surprise that the estate was fully let within a very short period of time.

// 1: JUNGFERNHEIDEWEG, BERLIN-SIEMENSSTADT

SAVING ENERGY WITH SYSTEMATIC SOLUTIONS

Approximately **72 %**

of the holdings of Deutsche Wohnen have a level of energy consumption that is lower than the average of 160 kWh/sqm per year for residential buildings in Germany.

THE DECISIONS reached by the Paris Climate Conference in 2015 set out in an impressive way a global timetable for reducing CO_2 emissions and for making a departure from fossil fuels. So that the ambitious two-degree goal can be achieved, it is very important to build and refurbish buildings of all kinds in such a way that they are energy-efficient. After all, around 40% of the final energy consumption and about one third of CO_2 emissions in Germany are attributable to buildings.[1)]

As one of the leading property companies in Europe, we are tackling this issue proactively: With sustainable new build concepts and comprehensive, energy-efficient refurbishments, we are contributing to energy efficiency and climate protection and, at the same time, reducing operating costs. We have already refurbished many of our residential complexes over the past few years, whilst others still have enormous savings potential, which can be realised by heat insulation, for example, or the installation of modern systems and equipment. To enable it to identify this potential systematically, Deutsche Wohnen founded the joint enterprise G+D Gesellschaft für Energiemanagement mbH (G+D) together with the energy services provider GETEC already in 2013. Throughout Germany this company has examined and evaluated more than 1,140 technical systems belonging to Deutsche Wohnen.

Improving efficiency

In 2015, Deutsche Wohnen replaced 65 boiler systems for a total of EUR 1.6 million in adherence to statutory requirements. Our long-term plans for improving efficiency up to 2034 provide for the refurbishment of around 800 systems for approximately EUR 30 million. 50 of these systems are already being replaced in 2016.

The central points in this process are energy procurement, energy generation and energy distribution in the building. The extensive results of these investigations provide the basis for developing individual energy supply concepts. For example, G+D provides a unified gas supply and a commercial heating and hot water supply to approximately 30% of the portfolio belonging to Deutsche Wohnen – this corresponds to approximately 45,000 residential units. Tenants and environment benefit from this. In addition, the company has already refurbished 24 heat generation systems since 2013 and operates them itself now. With these 24 systems alone, G+D is supplying 4,000 residential units belonging to Deutsche Wohnen directly with 19,500 kW of power.

Lighthouse project Imbrosweg

The installation of two new gas boilers and the planned combined heat and power plant in Imbrosweg in Berlin for 898 residential units will reduce heating and hot water costs by ca. 5%.

"By optimising our energy procurement and generation, we systematically realise savings potential for both Deutsche Wohnen and its tenants. We also invest in the conservation of resources: 100% of the communal electricity for our holdings comes from renewable energy sources. With our own combined heat and power plants and photovoltaic systems we also generate around 9 GWh of environment-friendly and decentralised electricity every year. Thereby we cover long term the entire electricity requirements of our office buildings of about 2 GWh a year. In this way, Deutsche Wohnen is making its contribution to the intended energy transition, particularly because any excess capacity that is generated is fed into the public grid."

Christian Pfeuffer, Project manager procurement and shareholdings, Deutsche Wohnen Construction and Facilities GmbH

1) Federal Ministry for the Environment
http://www.bmub.bund.de/themen/wirtschaft-produkte-ressourcen/wirtschaft-und-umwelt/klimaschutzdialog/dossier-klimaschutzdialog-abschlussbericht-arbeitsgruppe-1-klimaschutz-und-gebaeude/,
accessed on 10/4/2014

Neubauprojekt Potsdam
is guided by the
SEAL OF APPROVAL
OF DGNB

SUSTAINABLE NEW BUILDING IN THE FOOTSTEPS OF AN ESTABLISHED TRADITION

IN ADDITION TO MAKING INVESTMENTS IN ITS HOLDINGS, DEUTSCHE WOHNEN also launched a new build project for the first time in 20 years. The most crucial factors in this decision were the positive economic developments in Brandenburg's capital city Potsdam and the rising demand for housing there. What makes this pilot project special is that it is based on a holistic and sustainable planning approach and is guided by the seal of approval of the German Sustainable Building Council (DGNB).

SUCCESSFUL INTEGRATION OF THE OLD AND THE NEW

Since 2014, 103 new rental flats, of which 23 are barrier-free and twelve in the form of terraced houses, have been under construction on a site of 20,000 sqm in Potsdam-Babelsberg. The new buildings are well integrated into – and also complement – the existing railway workers' residential complex from 1928, which in turn has 90 residential units and was recently comprehensively refurbished as part of Deutsche Wohnen's modernisation programme. On 1 December 2015, three months earlier than planned, the first tenants were able to move into their new flats – and they were delighted. "I would never have imagined that a large company like Deutsche Wohnen would use such sustainable and high-quality materials," was the comment of one of the first tenants. By spring 2016, the final building work will have been completed, with the flats being rented out step by step as they are finished.

// 1: HEINRICH-VON-KLEIST-STRASSE, POTSDAM

With this project, Deutsche Wohnen is consciously continuing the tradition of Classic Modernism and the work of Bruno Taut and Martin Wagner. With their workers' estates, which are listed as world cultural heritage sites today, these two architects demonstrated that high-quality building is also possible in times of housing shortages.

Competition for sustainable building

Right in the early stages of the development of the project it was clear that this new build should be guided by the seal of approval of the German Sustainable Building Council (DGNB). Using 36 criteria that cover ecological, economic, socio-cultural and technical quality as well as process and location quality, the seal of approval evaluates the sustainable overall performance of a building. In August 2012, following the first project development phase, Deutsche Wohnen, together with representatives of the city of Potsdam and with the support of the "Office for Urban Projects", invited four firms of architects to submit their designs for the construction of rental flats as part of a selection process moderated by experts. In the competition, sustainability was clearly the major consideration – and the renowned firm of architects Melder and Binkert from Freiburg convinced with their design.

HIGH PROCESS QUALITY FORMS THE BASIS

Getting all the parties on board at an early stage, engaging in active dialogue with them and ensuring that they all had the same information at their disposal were the basic pre-conditions for achieving high process quality in this project. Accordingly, the building authorities of Potsdam were involved in the planning process from the outset. Given the relationship of trust that already existed, and with the help of constructive dialogue, deviations from the development plan in favour of enhancing the architectural and sustainable quality of the new build were approved – without lengthy proceedings and high additional costs.

The entire new build project was developed and also managed by DWCF, a subsidiary of Deutsche Wohnen. Deutsche Wohnen dispensed with an external project manager because this job is already done by the architect, who has an obligation to coordinate matters. Accordingly, the processes involved were kept streamlined and efficient. It also means that the company had an overview at every stage of the building work and could exert a direct influence on proceedings. Moreover, the direct contact with craftsmen and suppliers made it possible to ensure that the materials and workmanship are of a high quality.

ECOLOGICAL BUILDING IN ACCORDANCE WITH HIGH STANDARDS

Since 2012, new office and commercial buildings of the federal government have to meet the criteria of the Evaluation System for Sustainable Building (BNB). In the meantime, private industry is also seeking to meet sustainability standards when it comes to the construction of new office and commercial buildings. However, in the case of new build housing such standards have hardly been taken into consideration up to now. For this reason, Deutsche Wohnen sees itself in a pioneering role. In accordance with the comprehensive new build criteria of the DGNB, projects have to have regard for economic efficiency and quality as well as for flexibility, changes of use and environment-friendly materials. Accordingly, the project team in Potsdam, when choosing materials for the new build, placed great value on durability, health aspects and resource-efficient manufacturing. Some of the high-quality materials used are more expensive at the procurement stage, but they pay off because they can be used for longer, generate lower maintenance expenses and can be disposed of more cheaply. This investment also pays off for society as a whole because the environment and people's health benefit. Because of the economical design of the architects, the sensible idea of constructing additional buildings on an existing city-centre plot of land, and the high process quality, it was possible to achieve the goal of high quality at reasonable cost.

SUSTAINABILITY IS BECOMING AN IMPORTANT CONCEPT IN ALL AREAS

However, sustainable building is not only characterised by the use of environment-friendly materials and by building measures that increase energy efficiency. A permanently high occupancy rate should also be the goal. Because of its successful urban design quality and its varied and attractive architectural style, the estate in Potsdam-Babelsberg will continue to appeal to tenants in future as well. What contributes to this is the fact that the flats are flexible, and that, where necessary, they can grow with the occupants and be adapted to a variety of ways of life and household structures. This flexibility concept is based on creating as many rooms of equal value as possible. These rooms can then be used as the occupants see fit. With this approach the architects are following in the tradition of the company. The architect Bruno Taut, who realised the first social housing projects in Berlin in the 1920s and 1930s, was also convinced of the value of this concept.

FURTHER NEW BUILD PROJECTS PLANNED

Deutsche Wohnen is planning a further new build project in Berlin-Charlottenburg. It is intended to build a future-compliant city neighbourhood with a total of 600 units on the site of the former British Estate. The project also involves replacing the existing 200 flats, which are in a very poor condition.

The planning for this new city neighbourhood "Westend" is also guided by the generally recognised guidelines for sustainable building and, at this preliminary stage, has already been given pre-certification with a platinum standard – up to now unprecedented for the construction of rental housing.

103

new rental apartments in Potsdam.

// 1: HEINRICH-VON-KLEIST-STRASSE, POTSDAM

The housing density of the "Westend" estate is being increased with great care. This means that the finished residential complex can offer a home to 300 to 400 more families than is the case today whilst still retaining its open and green character. The building start for this city neighbourhood is planned for 2017.

And Deutsche Wohnen wants to go further and initiate even more new build projects. A total of 1,700 residential units could be built in Berlin and the Rhine-Main area in the short to medium term. Furthermore, over the long term as many as 7,000 units with a total investment of EUR 1.3 billion are planned.

// 1

// RESPONSIBILITY

HOW WE CONTINUE TO SHAPE OUR BUSINESS SUSTAINABLY.

As a sustainably oriented company, Deutsche Wohnen takes responsibility for the environment, society and its employees. We are convinced that, by acting sustainably, we will ensure the future viability of the Deutsche Wohnen Group and that our stakeholders will benefit from this as well.

THE TASK OF TRANSPARENCY AND DIALOGUE

GLOBAL DEVELOPMENTS like climate change or social transformations have a fundamental impact on the property sector. In order to identify opportunities and risks at an early stage, Deutsche Wohnen seeks dialogue with its stakeholders – like tenants, employees or investors – using a variety of channels. And it is always our aim to achieve a high level of transparency: Since 2012 the company has issued a comprehensive report every year about its activities with regard to sustainability. We compile our sustainability report in accordance with the standards of the Global Reporting Initiative (GRI), which have worldwide validity. Moreover, we are continuously developing our database on social and ecological impacts.

Furthermore, Deutsche Wohnen issued its first statement of compliance with the German Sustainability Code (DNK) in 2015. In so doing, we are underlining our commitment to national activities that drive forward sustainable developments in the domestic property sector. The DNK was initiated by the Council for Sustainable Development on behalf of the federal government in order to make the sustainability management of companies public.

How is this transparency perceived by our stakeholders and which topics are of central importance to them? To help to identify key areas for its future sustainability management activities, Deutsche Wohnen asked over 500 stakeholders for their views in an online survey in 2015. The rate of response of 35 % was substantial. A direct comparison with the results of the first survey in 2012 provides insights into key developments.

COMPREHENSIVE APPROACH: STAKEHOLDERS SURVEYED BY DEUTSCHE WOHNEN

// 1: GUTSCHMIDTSTRASSE, BERLIN-BRITZ

STAKEHOLDER VIEW: FOCUS ON LONG-TERM ECONOMIC STABILITY

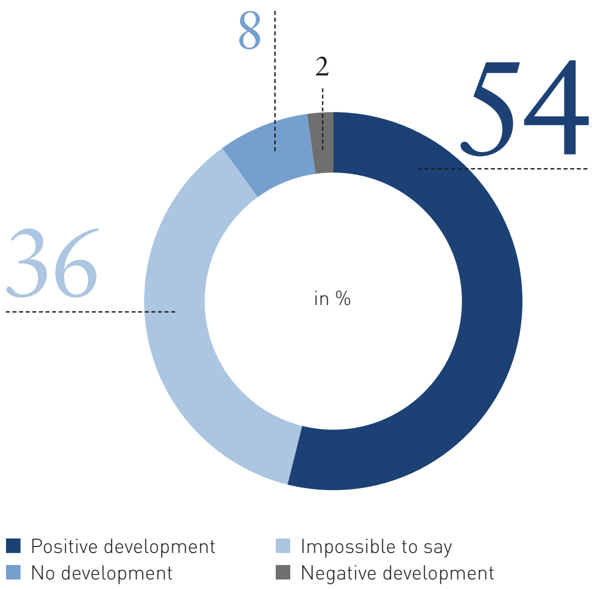
The sustainability activities of Deutsche Wohnen are effective. This is the conclusion reached by the company's stakeholders. More than half of them perceive the economic, social and ecological development of Deutsche Wohnen to be positive. Only 10 % of respondents see a negative development or no development.

As in 2012, the most important topic from the point of view of stakeholders is the long-term economic stability of the company. It is only the size and quality of our property portfolio – as well as our course of growth – that enable the company to make effective investments in employees, society and the environment.

For the business to run successfully, it is necessary to have highly qualified and contented employees. The stakeholders of Deutsche Wohnen confirm this view and place qualified job training and skills development in second place in a list of 25 topics in total. On the following page, Jens Koglin, Head of Human Resources, describes what the company is doing to achieve even higher professional standards in this area.

The regular maintenance and modernisation of the company's housing stock is also of key importance to our stakeholders. Investments in adapting our holdings in terms of energy-efficiency and age-appropriateness is of great importance both in meeting the challenge of climate protection and in meeting residents' expectations with regard to housing standards and thereby ensuring our success as a business.

HOW DO YOU EVALUATE THE DEVELOPMENT OF DEUTSCHE WOHNEN'S SUSTAINABILITY ACTIVITIES OVER THE PAST THREE YEARS?

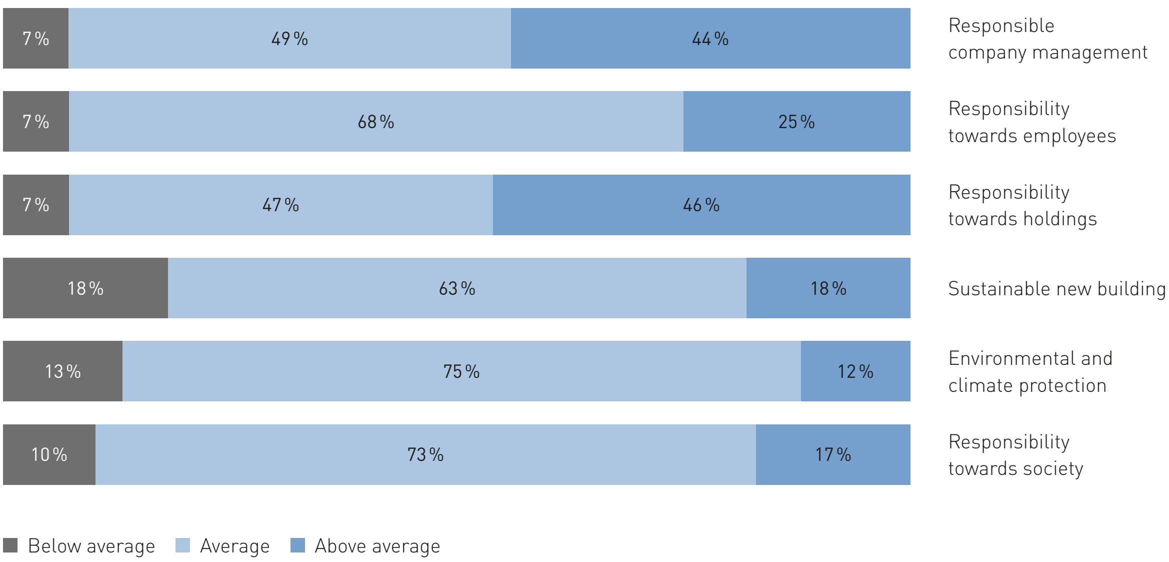


// 1: DEUTSCHE WOHNEN HEAD OFFICE, BERLIN-WILMERSDORF

CONFIRMATION OF ABOVE-AVERAGE COMMITMENT

Just under half of respondents see Deutsche Wohnen as being ahead of its competitors when it comes to the responsible and long-term management of its holdings. Compared with 2012, it was possible to increase this figure by 14 percentage points. By contrast, only 7 % of respondents rate Deutsche Wohnen's sense of responsibility towards its holdings as below average. Deutsche Wohnen's responsible company management is seen by 44 % of the stakeholders as above average. This represents an increase of 9 percentage points compared to the first survey and shows the high value placed by our stakeholders on sustainability issues in our core business.

HOW WOULD YOU RATE THE SUSTAINABILITY ACHIEVEMENTS OF DEUTSCHE WOHNEN COMPARED TO OTHER COMPANIES IN THE SECTOR?



ONGOING IMPROVEMENTS TO PROFESSIONAL STANDARDS IN PERSONNEL MANAGEMENT

DEUTSCHE WOHNEN is positioned in the property sector as an attractive employer. It continuously develops its human resources management and – also in view of the challenges presented by demographic change – regularly strengthens its recruitment processes and staff development. It is our aim to recruit specialised and talented employees, to integrate them comprehensively from the start and to offer them attractive, long-term personal development opportunities.

INTERVIEW WITH JENS KOGLIN, HEAD OF HUMAN RESOURCES

What, in your view, were the most important measures in the area of Human Resources in 2015?
One of these was, most certainly, the introduction of structured staff appraisal interviews throughout the group. These interviews form the core element of our future personnel development. Our employees benefit because possible career paths are shown to them personally and because they become much more motivated. At the same time, Deutsche Wohnen can tailor its offer more specifically to the needs of individual employees.

Have there been any other changes?
Yes. We are also launching something new for senior managers. We already offer special training courses and coaching sessions designed to strengthen the performance of senior managers in terms of both their professional know-how and social skills. From 2016, the managing directors will also have the opportunity to be given so-called 360-degree feedback. This feedback is provided by various parties: their own staff, colleagues at the same management level and their own line managers as well. This is an exciting development.

The topic of initial job training is particularly important from the point of view of stakeholders. What is your view on this?
We absolutely share this view of course. For this reason, we have been training young people in this company ourselves for a long time now – because this is the best way of preparing them for a career with Deutsche Wohnen. And this policy is also paying dividends: We ourselves trained around 18 % of our senior managers today – a fantastic quota. In the years to come, we intend to expand our offers in the area of initial job training and dual courses of study because, in future, we don't just need property specialists but, for example, marketing and other specialists as well.

How good is the work-life balance of Deutsche Wohnen employees?
Over the past few years already there have been a lot of developments in this area as well – and this trend will continue in future. However, we already offer our employees quite a few things in this respect. For example, they can choose flexible working hours and part-time models to suit their individual needs. They can also work from home if they need to.

Is there anything else that distinguishes Deutsche Wohnen in the area of human resources management?
Of course, there are a number of things – from health days to promoting sports activities. But if I had to pick out one particular topic, it would be that of fair remuneration. This is currently an important issue for all companies. It sounds easy, but cannot be taken for granted. So we have comprehensively revised our remuneration structure on the basis of market comparisons and placed all our employees in four defined salary categories on the basis of their responsibilities and qualifications. The thinking behind this is that remuneration in accordance with transparent rules and not on the basis of individual negotiation corresponds to our understanding of fairness.

Around **18** %

of the senior management have been trained by Deutsche Wohnen.

// 1: KARL-SCHURZ-STRASSE, MAGDEBURG

Approximately **250** TENANTS

were visited by our employees in person in 2015 to provide them with information about building work or to answer individual questions.

ADDED VALUE FOR TENANTS AND CITIES

To make **HIGH-QUALITY HOUSING** available and to retain satisfied tenants is the basis for the successful business development of Deutsche Wohnen and requires a holistic approach to neighbourhood development – in concert with residents, politicians and charitable organisations. By taking this approach, we contribute to making cities good places to live in and to strengthening social structures at a local level. The basis for this is open dialogue with all the parties concerned.

INFORMATION AND ACCESSIBILITY IN THE CASE OF BUILDING WORK

Any building work affects first and foremost the residents. In the case of refurbishment or maintenance work, Deutsche Wohnen provides its tenants with information at an early stage and establishes contact with them in a variety of ways – often in the form of face-to-face consultations. For example, depending on the scope of the particular project, we set up a meeting with the tenants in which we present details of the planned work and answer the tenants' questions. For one project in Berlin in 2016 there will be consultation hours for tenants for the first time. This will enable them to make appointments for one-to-one conversations. Where the planned work is extensive, a specially created team visits our tenants in person in order to explain the building work or to discuss financial issues. In 2015, such teams were deployed 250 times. Furthermore, every day more than 300 employees are available to our tenants in 19 Service Points to answer questions and deal with concerns.

// 1: AROSER ALLEE, WEISSE STADT, BERLIN-REINICKENDORF

CONTRIBUTIONS WELCOME

When it comes to larger-scale modernisation and refurbishment work, we actively involve our tenants at the planning stage. This increases their acceptance of necessary measures and strengthens the identification with their neighbourhood. The ideas of the tenants are incorporated into the development plans for the neighbourhood – for example, regarding the extension of green areas, playgrounds or meeting places at Hellersdorfer Promenade in Berlin. In the spring of 2015 Deutsche Wohnen supported the Alice Salomon Hochschule (University of Applied Sciences) in conducting a survey of tenants, as well as residents in a nearby refugee home. The idea of the survey was to research the interests and potential of the people in the neighbourhood.

In addition to making improvements to its buildings, Deutsche Wohnen specifically promotes and coordinates social projects with a view to improving the quality of life for all its residents. To achieve this, we work closely together with local politicians and social services providers. Moreover, Deutsche Wohnen lets many of its commercial units at reduced rent or rent-free to facilities for children and young people, to neighbourhood meeting points, artists and nurseries. In this way, we develop a lively and stable neighbourhood for a wide variety of residents.

DIGITAL COMMUNICATION IN THE CASE OF BUILDING DENSIFICATION IN WESTEND

Deutsche Wohnen is planning a comprehensive improvement, together with carefully conceived additional building, to the Westend estate in Berlin, which was built in the 1950s. The buildings, which are now almost 60 years old and in poor condition, are the reason for the high tenant turnover experienced in recent years. In fact, 40 % of the tenants have only lived on this estate for five years or less. In order to keep all residents informed and, at the same time, to involve them in the planning process, Deutsche Wohnen has developed a new way of dialogue. On a blog on www.siedlung-westend.de we regularly report about this project, using a dialogue platform tenants and interested citizens can ask questions about the regeneration of this neighbourhood. Employees of Deutsche Wohnen respond to these enquiries publicly and provide insights into the current state of the planning work.

SUPPORT FOR YOUNG REFUGEES

In two cooperation projects we are supporting a group of people who are in particular need of protection – namely, young refugees who have travelled to Germany alone. In collaboration with JaKuS e.V., a Berlin charity that provides help to young people, Deutsche Wohnen is making flats available to these young refugees in Marzahn-Hellersdorf. With these projects Deutsche Wohnen is continuing its tried and tested collaboration with JaKuS. Previously, six flats have been given to socially disadvantaged young people in Berlin. As part of this cooperation project, a social worker with a Syrian background, who has been employed specifically to accompany and support these young refugees, is available to Deutsche Wohnen as a contact person. Deutsche Wohnen is also providing financial support towards the cost of his training. In addition, Deutsche Wohnen is financing the adaption of the well-tried "Certificate for independent living" to the needs of young refugees – a programme that makes young people fit for living in their own flat. Deutsche Wohnen is supporting this cooperation project with a total of EUR 10,000.

EUR
150,000
Deutsche Wohnen invested in neighbourhood development projects in 2015.

PE RF EC T

IS NOT ENOUGH.

There is no such thing as "perfect" for us. We can always go one step further, do something a little better or have a new idea for achieving even better quality. Our work never stops for us because standing still means taking a step backwards, and this would be incompatible with our entire attitude. We never lose sight of the people for whom our actions have consequences: our shareholders, our tenants, our employees and the inhabitants of the towns and cities where we operate. This is why we examine everything that we do, and ask ourselves: Will this make us better? Is this a level of quality and efficiency that is up to Deutsche Wohnen standards? Because it is by our high standards that we want to be judged.

CONTENTS

LETTER TO OUR SHAREHOLDERS

Dear Sir or Madam,
Dear Shareholders,

We have just been through what was perhaps the most turbulent year in the history of Deutsche Wohnen. On the one hand, we were taken up with various transactions that required the deployment of considerable resources – on the other hand, we consistently drove our business operations forward and, in so doing, achieved excellent results. Consequently, with the above-average rent potential of our high-quality portfolio, our successful Disposals segment and our value-creating acquisitions we are better placed today than ever before.

Key figures reach record level

This is also shown by the outstanding figures from the financial year 2015: Last year we were able once again to achieve marked increases in all our key figures and even to surpass our own forecasts. The consolidated result was EUR 1,206.6 million thereby EUR 317.3 million, or a good third, higher than the figure for the previous year. This increase is mainly attributable to the gains from the revaluation of our properties. Adjusted earnings before taxes rose by 36 % to EUR 384.4 million. In particular, improved earnings from disposals, reduced administrative costs following the complete integration of GSW, and lower financing expenses due to the successful refinancing measures of the past two years contributed to this increase. Thanks to acquisitions and operational improvements in our existing holdings, FFO I (Funds from Operations without disposals), which is a very significant figure for us, rose markedly by 39 % to EUR 303.0 million or by 25 % to EUR 0.94 per share. Against the background of the excellent development of our portfolio, we were able to significantly improve EPRA NAV (undiluted) by 29 % from EUR 17.86 to EUR 23.01 per share.

Not all M&A goals achieved

However, 2015 was also characterised by transaction plans that did not come to fruition. Despite the initial support by major individual shareholders, we were unable to acquire the Austrian firm conwert Immobilien Invest SE at an acceptable price. In September, we then announced our intention of a friendly merger with LEG Immobilien AG. Here too we were in close contact with our investors. However, it was not clear at the start if we would achieve the necessary majority. Moreover, our plans were disrupted by the hostile takeover bid of Vonovia SE in October 2015, which scuppered our takeover of LEG. Together with the Supervisory Board we opposed this hostile takeover and the unattractive conditions being offered by Vonovia. Our shareholders took the same view – because on 12 February 2016 Vonovia was forced to announce that it had missed the minimum acceptance threshold of 50 % of the share capital by a long way. At this point, we would like to express our very sincere thanks to our shareholders for your support and trust. Our intensive dialogue with you was decisive and an important source of guidance. We will do everything we can to continue to justify your trust in our company in future.

Sustainable business model remains our strong foundation

Ladies and gentlemen, the good news is that even in a challenging environment our investment and growth strategy, which is designed to run over the long term, is successful.

Last year we acquired around 22,000 residential units in a variety of transactions. As at the end of 2015, our portfolio comprised more than 148,000 residential and commercial units with a fair value of approximately EUR 12 billion. In the financial year 2015 alone, the annual portfolio valuation produced an increase in value of EUR 1.7 billion, which was mainly attributable to higher valuations in Greater Berlin.

The areas of modernisation and new building are also contributing successfully to the organic growth of Deutsche Wohnen. For example, we have now expanded the modernisation programme for EUR 280 million that we started in 2014 to EUR 400 million and have extended the programme's duration beyond 2018. We also started a new build project again for the first time in 20 years. This project in Potsdam is based on a holistic and sustainable planning approach and has now been brought to a successful conclusion. Further new build projects are already being planned.

We were able to further optimise our financing conditions and to make use of the continuing low-interest environment to comprehensively refinance loans of approximately EUR 1.3 billion. At the same time, we succeeded in further diversifying our financing sources. As a result of these refinancing efforts, our average rate of interest fell from 2.5 % to 1.8 % p.a. As at the end of 2015, we had reduced our Loan-to-Value Ratio significantly to approximately 38 %.

Lars Wittan
Chief Investment Officer
(CIO)

Michael Zahn
Chief Executive Officer
(CEO)

With this sustainable financing structure, Deutsche Wohnen is excellently positioned in the market. This is also shown by the fact that our long-term company ratings – which were only given to us in the previous year – were increased by the rating agencies S&P and Moody's to A– and A3 respectively. This makes us one of the most highly rated companies in the European real estate sector and underlines our conservative investment profile.

Employees contribute significantly to success
Our outstanding operating result would not have been possible in this demanding financial year without our committed employees and their exemplary work. Our senior management team was also very goal-oriented in its work and was a great support to us. At this point, we would like to express our sincere thanks for the high level of commitment of all our employees, their tireless efforts and their hard work on behalf of the company – even in turbulent times.

Capital markets recognise the success of the company
In 2015, the Deutsche Wohnen share price developed positively once again: Within one year the share price increased by 31% and, in doing so, was also able to outperform the positive trends of industry benchmarks like EPRA Germany. Subject to approval by the Annual General Meeting, our shareholders will also profit from a dividend of EUR 0.54 per share, which is a good 20% higher than the dividend for the previous year. Furthermore, against the background of the consistently positive development of our business, we intend to increase the pay-out ratio for the dividend payable for the financial year 2016 from its current level of 60% to 65% of FFO I.

Continuing our sustainable growth strategy
Ladies and gentlemen, we will continue our long-term growth strategy in the financial year 2016 as well. We want to make further targeted acquisitions and, by so doing, to take advantage of opportunities in our growth markets. Moreover, our focus will continue to be on the acquisition of concentrated portfolios in these German markets.

Following the eventful financial year of 2015, we are very pleased to continue the success story of Deutsche Wohnen in the coming year as well. At the same time, we will always keep in mind the claim made by this annual report, namely "Perfect is not enough". It is and remains our ambition never to rest on our achievements but to better ourselves continuously – in everything we do.

Frankfurt/Main and Berlin, March 2016

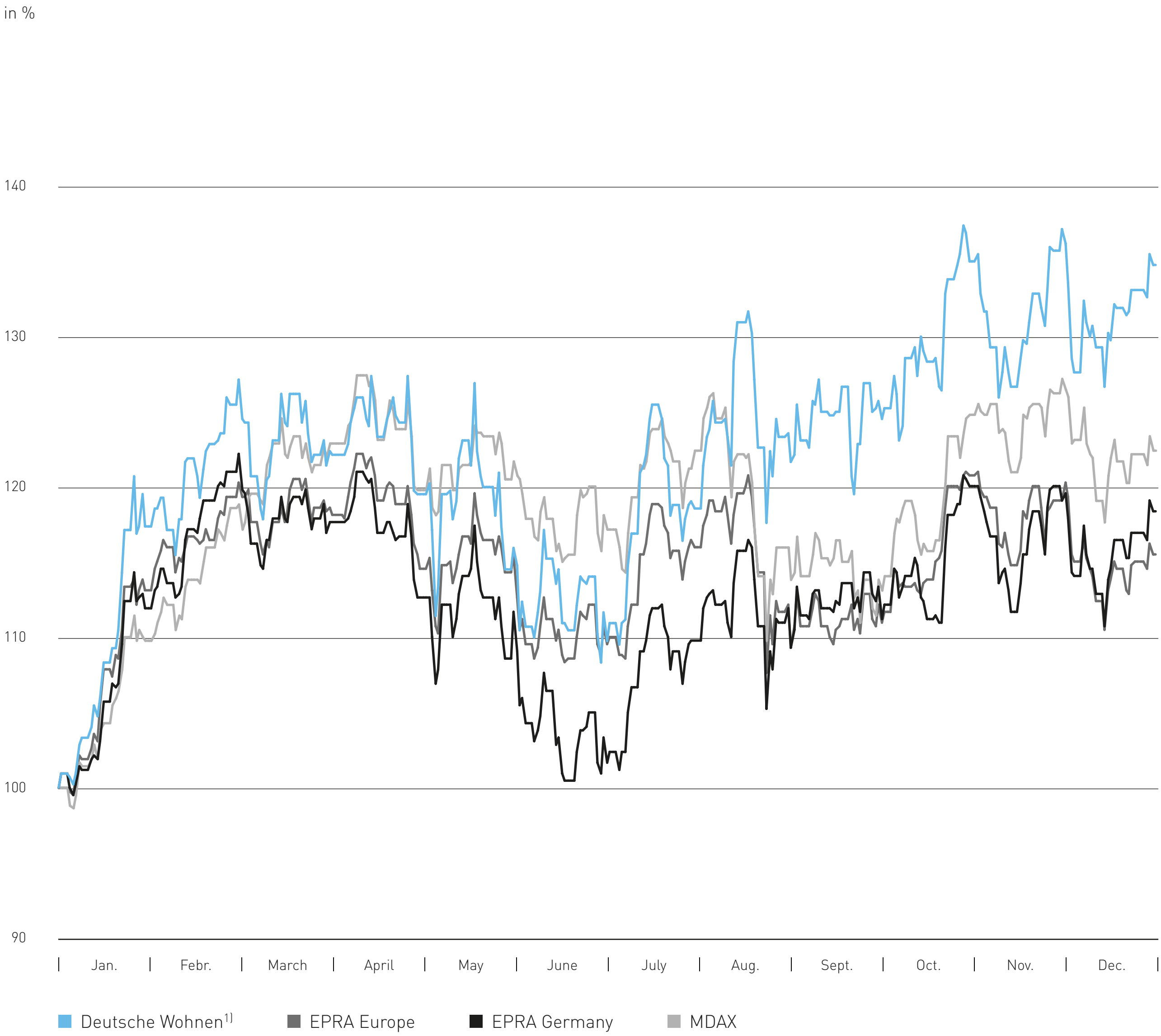
Best regards

Michael Zahn
Chief Executive Officer

Lars Wittan
Chief Investment Officer

THE SHARE

Share price performance in 2015 (indexed)



[1] Adjusted to reflect the capital increase and dividend payment in 2015

Turbulent year on the German capital market

The strength of the US dollar and the negative repercussions of the fall in the price of raw materials had an adverse effect on the US stock markets in 2015. Thus, in spite of a strong performance in the fourth quarter, the Dow Jones Index recorded an annual loss of 2.2 % in 2015, for the first time since 2008. In contrast, the launch by the ECB of its bond-buying programme and the devaluation of the euro led to a rise in share prices on the stock markets within the Eurozone. The moderate monetary policy of the US Federal Reserve, solid economic data for the Eurozone and the US, and brisk M&A activity bolstered the stock markets over the course of 2015. Negative factors were the Greek debt crisis, as well as the stringent corrective measures implemented on the Chinese stock market, the unexpected devaluation of the Yuan, the VW emissions scandal and the fall in the oil price to its lowest level in eleven years.[1)]

2015 proved to be an extremely volatile year for the DAX, which on 10 April 2015 recorded an all-time high of 12,375 points, before falling below the 10,000 point threshold once more in August 2015 in response to growing concern with regard to further developments in the Chinese economy. After a positive fourth quarter, the DAX then ended 2015 having risen by 9.6 % and closing at 10,743 points. The performance of the MDAX, on which the Deutsche Wohnen share is also listed, was significantly better than that of the DAX, increasing by 22.7 % over the course of 2015 and closing at 20,775 points at the end of December after having peaked at 21,623 points – an historical all-time high – on 13 April 2015.

The EPRA Europe and EPRA Germany real estate indices also outperformed the DAX in 2015, with the EPRA Europe index ending the year at 2,239 points, which represented an increase of 15.8 % over the previous year, while the EPRA Germany index rose by 18.4 % to 891 points in 2015.

Deutsche Wohnen share outperforms industry benchmark

The price of the Deutsche Wohnen share rose by approximately 35 %[2)] in 2015, thus outperforming the EPRA Germany benchmark index. After falling to a low of EUR 18.94[2)] at the beginning of 2015 and reaching a high of EUR 26.08 on 28 October 2015, the Deutsche Wohnen share closed at EUR 25.62 at the end of the year (previous year: EUR 19.58). The demand for real estate shares in 2015 was persistently high, which is also reflected in the positive performance of the EPRA Germany and EPRA Europe real estate indices.

After the end of the financial year, the development of the Deutsche Wohnen share price declined slightly. On 3 March 2016, the share price was EUR 24.48.

Significant increase in market capitalisation and trading volume

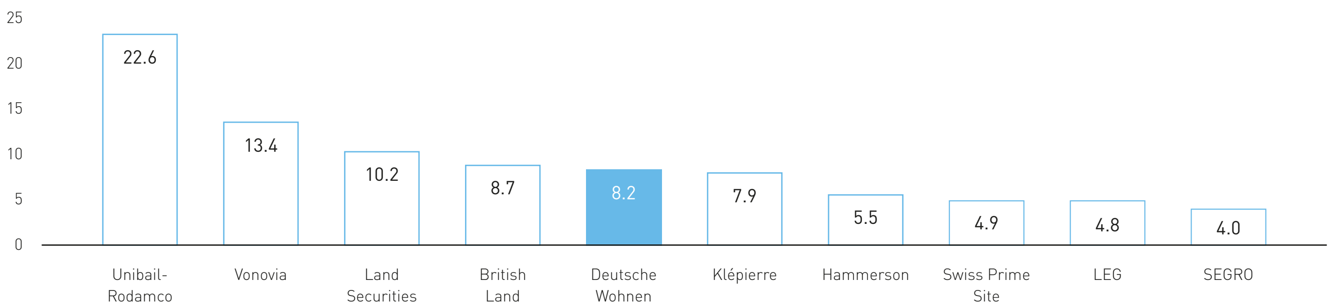
The market capitalisation of Deutsche Wohnen AG increased by approximately 48 % over the course of the year, amounting to approximately EUR 8.6 billion at the end of 2015, and having more than doubled over the past two years. As at December 2015, Deutsche Wohnen AG, with a weighting of approximately 7.5 %, was ranked fifth in the GPR 15 Index, which reflects the performance of the 15 most liquid European real estate companies. Deutsche Wohnen AG is the second largest publicly listed real estate company in Germany and the fifth within Europe on the basis of its free float market capitalisation.[3)]

[1)] Cf. Commerzbank, Year in Review – 2015

[2)] Adjusted to reflect the capital increase and dividend payment in 2015
[3)] In accordance with free float market capitalisation EPRA Europe analysis as at 29/2/2016

Market capitalisation of Deutsche Wohnen AG on a European comparison

EUR bn[1]



[1] Free float market capitalisation EPRA Europe analysis as at 29/2/2016

The development of the Deutsche Wohnen share's liquidity was equally positive in 2015: The average daily volume of traded shares on the Xetra trading platform increased considerably to approximately 77 % in comparison to the previous year's value. The average daily Xetra trading turnover likewise increased significantly from approximately EUR 9 million in 2014 to almost EUR 23 million in 2015. This also had the effect of further reinforcing the position of the Deutsche Wohnen share on the MDAX: It attained a ranking of 3 and 5 among the total of 50 MDAX companies on the basis of its free float market capitalisation and trading volume, respectively, at the end of the year.

Key figures – bearer share	**2015**	2014
Number of issued shares in m	approx. 337.4	approx. 294.3
Closing price at the end of the year[1] in EUR	25.62	19.58
Market capitalisation in EUR bn	approx. 8.6	approx. 5.8
Highest share price during year[1] in EUR	26.08	19.74 (19.10)[3]
Lowest share price during year[1] in EUR	19.58 (18.94)[3]	13.81 (13.08)[3]
Average daily traded volume on Xetra[2]	971,668	547,701

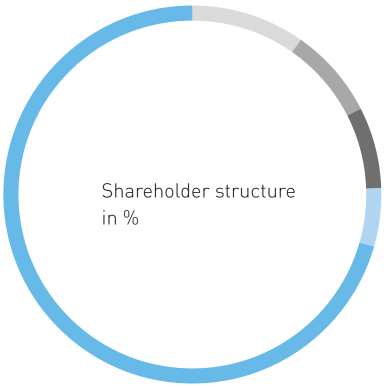
Source: Bloomberg, last updated: 4/1/2016
[1] Xetra closing price
[2] Traded shares
[3] Price in parenthesis adjusted to reflect any capital increases and dividend payments

Stable shareholder structure of Deutsche Wohnen AG

MFS, BlackRock, Norges and Vonovia currently hold[4] approximately 30 % of the Deutsche Wohnen shares. The remaining approximately 70 % of the shares are held by both domestic and foreign institutional investors and by private shareholders whose shareholdings do not exceed the statutory reporting threshold of 3 %. According to the Deutsche Börse, 93.06 % of our shares are currently in free float.[5]

Shareholders[1]

>5 %	
Sun Life Financial Inc.[2]/MFS	9.94 %
BlackRock, Inc.[2]	7.79 %
Norges Bank (Central Bank of Norway)[2]	6.94 %
>3 %	
Vonovia SE	4.99 %
Total	**29.66 %**
Others	70.34 %
Free float according to Deutsche Börse	**93.06 %**



[1] Percentage points based on most recent voting rights notification made by the specified shareholders pursuant to sec. 21 ff. of the German Securities Trading Act (WpHG). The notifications of voting rights are published on our Investor Relations website http://ir.deutsche-wohnen.com. The shares of the voting rights as notified are based on the total number of voting rights at the time of notification. It is possible that the reported number of voting rights may since have changed without such change having resulted in the relevant threshold being crossed and thus triggering a new notification obligation.
[2] Attributed voting rights according to sec. 22 WpHG

[4] Last updated: 12/2/2016
[5] Deutsche Börse, Stock Report February 2016

Analyst evaluations predominantly positive and neutral

A total of 26 analysts are currently[6] following the development of the Deutsche Wohnen AG.

The target price estimates range between EUR 22.00 and EUR 33.00 per share, with 16 analysts adopting a price target of EUR 26.00 and above per share. The consensus of all of the analyst estimates, at EUR 27.32, is currently[6] about 6.6% higher than the closing share price of EUR 25.62 at the end of 2015.

Following its strong performance in 2015, which was slightly declining in the first two months of 2016, the majority of the analysts have also assigned the Deutsche Wohnen share a positive rating:

Rating	Number
Buy/kaufen/overweight	12
Equal weight/halten/hold/neutral	7
Sell/underperform	2
Restricted	4
N/A	1

Status: 3/3/2016

Annual General Meeting 2015 and dividend

The 2015 Annual General Meeting of Deutsche Wohnen AG, at which approximately 63 % of the company's share capital was represented, was held in Frankfurt/Main on 12 June 2015.[7] The shareholders approved all of the proposed resolutions on the agenda with the requisite majority of the votes cast. The Annual General Meeting resolved unanimously in favour of the payment of a dividend in the amount of EUR 0.44 per share entitled to dividends for the financial year 2014, which corresponds to a total amount of approximately EUR 129.8 million (2013: EUR 57.4 million) and a share of the FFO I generated in 2014 of approximately 60 %. This thus represents an increase in the amount of the Deutsche Wohnen dividend of approximately 29 %, resulting in a dividend yield of 2.8 % in relation to the volume-weighted average share price for 2014 of EUR 15.67.

[6] Status: 3/3/2016
[7] The underlying share capital of EUR 337,347,371.00 includes the 42,166,532 shares newly issued as part of the capital increase that was carried out on 4 June 2015. These shares, however, did not have voting rights at this Annual General Meeting. The level of attendance calculated on the basis of the share capital at the time when the Annual General Meeting was convened was approximately 71 %.

Capital increase 2015

The capital increase in return for contributions in cash, issued out of the authorised capital of Deutsche Wohnen AG with subscription rights for the shareholders of Deutsche Wohnen AG and resolved upon on 20 May 2015, was successfully implemented on 4 June 2015. All of the 42,166,532 shares offered were placed at a price of EUR 21.50 per share. The gross emission proceeds realised as a result of the capital increase thus amount to approximately EUR 907 million. The new shares are fully entitled to dividends as of the financial year 2015.

Improved long-term company ratings for Deutsche Wohnen AG

Moody's and Standard & Poor's (S&P) raised the long-term company rating for Deutsche Wohnen AG from Baa1 to A3 and from BBB+ to A– on 17 and 18 June 2015, respectively. These rating upgrades are a reflection of the high quality of our business model, and make Deutsche Wohnen AG one of the most highly rated companies within the European real estate sector.

Extensive investor relations measures continued

We once again maintained intensive communication with our shareholders, with analysts and with potential investors in the financial year 2015 and we successfully provided market participants with extensive and transparent insight into our strategy, performance and prospects for future development. We used international conferences and roadshows, in particular, as a forum for actively engaging with investors.

Accordingly, we attended the following national and international banking conferences in 2015: The UniCredit Kepler German Corporate Conference in Frankfurt, the Kempen Real Estate Conference in New York, the Kempen & Co. European Property Seminar in Amsterdam, the Deutsche Bank Conference and the EPRA Annual Conference in Berlin, the Baader Investment Conference in Munich, the Commerzbank German Residential Property Forum, the Berenberg Mid Cap Conference and the UBS European Real Estate Conference in London. In addition, Deutsche Wohnen held a number of roadshows in Europe and the US. On 20 November 2015 Deutsche Wohnen invited analysts and investors to its Capital Markets Day in Berlin, which offered the numerous participants an insight into our operating business and our residential holdings in Berlin.

The company intends to attend further banking conferences and roadshows in 2016, further details of which can be found in our financial calendar on 157, and a regularly updated online version of which can be found at http://ir.deutsche-wohnen.com.

We will be holding telephone conferences along with the publication of our annual report and of each of our interim reports, during which investors and analysts will be given the opportunity to put their questions directly to the Management Board. The conferences are broadcast live as webcasts, which are subsequently available for downloading on the Investor Relations page of our website. Here our current financial reports and company presentations may also be accessed.

For Deutsche Wohnen, Investor Relations means prompt and transparent reporting, an active and regular communication with our shareholders and with potential investors, and the expansion of our existing network of national and international contacts. Our Investor Relations team will continue to promote and expand these measures in the future.

Key share data

Type of share	Ordinary share
Stock markets	Xetra, Frankfurt/Main, Stuttgart [1], Munich [1], Hamburg [1], Hanover [1], Dusseldorf [1], Berlin [1]
Admission segment	Prime Standard
Major indices	MDAX, EPRA/NAREIT, GPR250, GPR100, GPR15, STOXX® Europe 600
Number of issued shares (total)	337,411,867
ISIN	DE000A0HN5C6
WKN	A0HN5C
Bloomberg ticker symbol	DWNI

[1] Open market trading

CORPORATE GOVERNANCE REPORT

Corporate Governance stands for a responsible and long-term value-driven management and control of companies. The corporate governance and corporate culture of the Deutsche Wohnen Group comply with statutory requirements and – with a few exceptions – the additional recommendations of the German Corporate Governance Code. The Management Board and Supervisory Board of Deutsche Wohnen AG feel obligated to pursue good Corporate Governance; all areas of business are orientated towards this purpose. Our focus is on values such as competence, transparency and sustainability.

Declaration of Compliance

The Management Board and Supervisory Board were also careful to meet the standards of the German Corporate Governance Code in 2015. In doing so, they took account of the amendments to the Code contained in the version as at 5 May 2015 and published in the German Federal Gazette (Bundesanzeiger) on 12 June 2015, and in December 2015, in accordance with sec. 161 of the German Stock Corporation Act (AktG), they submitted their declaration of compliance for the financial year 2015 with the recommendations of the Code and outlined in detail the position they held in the few instances of deviations from the Code. The declaration is available for inspection by shareholders and interested parties on our website at http://ir.deutsche-wohnen.com/websites/deuwo/English/8300/declaration-of-compliance.html.

General management structure with three bodies

Deutsche Wohnen AG, registered in Frankfurt/Main, is subject to the provisions of the German stock corporation law and capital market legislation and the provisions of its articles of association. With its two bodies, the Management Board and the Supervisory Board, the company has a two-tier management and supervisory structure. Above, there is the Annual General Meeting at which the shareholders are involved in fundamental decisions concerning the company. Together, these three organs are obligated to act in the best interests of the shareholders and for the benefit of the company.

The Management Board works in the best interests of the company

The Management Board manages the company and conducts the enterprise's business under its own responsibility. In this task it is bound by the goal of sustainable value creation in the company's interests. The members of the Management Board are appointed by the Supervisory Board. The age limit for members of the Management Board has been set by the Supervisory Board at the legal retirement age. The target for the proportion of women as members of the Management Board has been set at zero for the target achievement period until 30 June 2017. The selection of members of the Management Board is based, in particular, on the knowledge, skills and professional experience required for the fulfilment of the tasks of the Management Board.

In the financial year 2015, the Management Board consisted until the resignation of Mr Andreas Segal on 10 November 2015 of three members and afterwards of two members and has a Chairperson. The work of the Management Board is governed in detail by the by-laws, which, among other things, provide for a division of tasks according to functional aspects.

The Management Board develops the strategic direction of the company, agrees this with the Supervisory Board, and ensures its implementation. It also bears the responsibility for appropriate risk management and control within the company as well as regular, timely and comprehensive reporting to the Supervisory Board. The approval of the Supervisory Board is intended for certain transactions and activities of the Management Board.

The members of the Management Board must immediately disclose any conflict of interest to the Supervisory Board and their colleagues on the Management Board. Significant business transactions between members of the Management Board, as well as parties closely related to them, and the company require the approval of the Supervisory Board. Equally, the acquisition of secondary employment outside the company requires such approval, too.

D&O group insurance policies have been concluded for the members of the Management Board and the Supervisory Board. Since 1 July 2010, these include a deductible that meets the requirements of sec. 93 para. 2 of the German Stock Corporation Act (AktG).

The Supervisory Board advises and monitors the Management Board

The Supervisory Board consists of six members. It is not subject to any employee participation requirements. All members are elected by the Annual General Meeting as representatives of the shareholders. Their term of office is generally five years in accordance with statutory provisions and the articles of association. Members of the Supervisory Board are selected, in particular, based on the knowledge, skills and professional experience required for fulfilling their tasks. At the same time, attention shall be paid to the independence and sufficient gender diversity; nevertheless, when determining the targeted proportion of women it was initially left at the current status quo. Only persons who at the time of appointment have not yet completed their 73rd year of life should be proposed for election as a member of the Supervisory Board.

The Supervisory Board advises and monitors the Management Board on its management of the company on a regular basis within the framework established by law, the articles of association and the by-laws. It works closely with the Management Board for the benefit of the company and is involved in decisions of fundamental importance to the company.

The Supervisory Board has by-laws; its work takes place both in plenary sessions and in committees. The work of the committees is intended to increase the efficiency of the work of the Supervisory Board. The committee chairperson reports regularly to the Supervisory Board on the work of their committee. Currently there are four committees:

- The **Executive Committee** is responsible for liaising with the Management Board and providing ongoing advice. It also prepares the meetings of the Supervisory Board, insofar as this is appropriate with regard to the scope and importance of items to be discussed. In accordance with the resolutions of the full Supervisory Board the Executive Committee is responsible for the conclusion and the content of the contracts for members of the Management Board. It is also responsible for giving advice and – insofar as this is permitted – making decisions about urgent issues.

- The **Nomination Committee** proposes suitable individuals to the Supervisory Board for it to recommend to the Annual General Meeting.

- The **Audit Committee** is responsible for the preliminary examination of the documentation for the annual financial statements and the consolidated financial statements, the preparation of the adoption or approval of these reports and the preparation of the Management Board's proposal on the utilisation of the profits by the Management Board. The committee discusses the principles of compliance, risk assessment, risk management and the adequacy and effectiveness of the internal control system with the Management Board. The responsibilities of the Audit Committee also include the preparation of the appointment of the auditors by the Annual General Meeting, which among other things includes an examination of the auditor's required independence, the subsequent appointment of the auditing contract and the determination of the audit priorities. The members of the Audit Committee have expertise in accounting and auditing regulations and the composition of the committee meets all stipulations for independence within the meaning of the recommendation of the German Corporate Governance Code.

- The **Acquisition Committee** prepares the decisions of the Supervisory Board on corporate and/or portfolio acquisitions.

Important decisions are made at the Annual General Meeting

In line with the opportunities provided by the articles of association, the shareholders exercise their rights at the Annual General Meeting and exercise their voting rights. Each share carries one vote.

The Annual General Meeting is held annually during the first eight months of the financial year. The agenda of the Annual General Meeting and the reports and documents required for the Annual General Meeting are published on the website of Deutsche Wohnen AG.

Important resolutions are passed at the General Meetings. These include those relating to the appropriation of profits, formal approval of the actions of the Management Board and the Supervisory Board, the selection of members of the Supervisory Board and the auditors, amendments to the articles of association and measures which affect the capital structure of the company. The General Meeting provides a good opportunity to the Management Board and Supervisory Board to communicate directly with shareholders and to discuss and coordinate with them about the further development of the company.

In order to make it easier to personally exercise their rights, Deutsche Wohnen AG provides its shareholders with a proxy who is bound by the instructions given to him by the shareholders and who can also be reached during the General Meeting. It is explained in the invitation to the General Meeting how instructions may be given in advance of the General Meeting. In addition, shareholders are at liberty to be represented at the General Meeting by a proxy of their choice.

Remuneration of the Management Board

The remuneration system of the Management Board is the subject of regular consultations, review and redesign at the plenary sessions of the Supervisory Board.

The Management Board contracts of Deutsche Wohnen AG contain fixed and variable components. The variable component for all members of the Management Board is adjusted to the requirements of sec. 87 para. 1 sent. 3 of the German Stock Corporation Act (AktG). It is tied to the achievement of the company's economic goals and is primarily based on multi-year assessment criteria. The variable remuneration may only be claimed if there has been a corresponding positive development in the business. In this way, the compensation structure is aligned to sustainable business development and the incentive and risk effects of the variable remuneration will continue to be optimised.

The detailed remuneration report of Deutsche Wohnen AG for the financial year 2015 can be found on 90 to 93.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board has been established by the General Meeting in sec. 6 para. 6 of the Articles of Association. Accordingly, the members of the Supervisory Board receive a fixed annual remuneration of EUR 60,000. The Chairman of the Supervisory Board receives double the standard remuneration; the Deputy Chairman receives one and a half times the standard remuneration. Each member of the Supervisory Board's Audit Committee additionally receives lump-sum remuneration in the amount of EUR 10,000 per financial year, the Chairman of the Audit Committee double this amount. Membership in other committees of the Supervisory Board, with the exception of the Nomination Committee, shall be compensated in the amount of EUR 5,000 per financial year, per member and committee. Each member of the Nomination Committee receives EUR 2,500 per meeting. Cash expenses are reimbursed. In addition, the company can, at its expense, include the members of the Supervisory Board in a D&O group insurance for executive bodies and managers, and has done so. A deductible payable by the members of the Supervisory Board was agreed for this in accordance with the requirements of sec. 93 para. 2 of the German Stock Corporation Act (AktG).

No performance-based remuneration for members of the Supervisory Board is paid. The remuneration report from 90 contains disclosure of the remuneration of the individual members of the Supervisory Board.

Directors' Dealings and shareholdings subject to mandatory disclosure

The members of the Management Board and the Supervisory Board of Deutsche Wohnen AG and their closely related parties are obligated in accordance with sec. 15a of the German Securities Trading Act (WpHG) to disclose without delay transactions in shares of Deutsche Wohnen AG or related financial instruments. The company will publish these transactions immediately after they have been reported to it. In the financial year 2015, the following transactions of this nature have been reported to Deutsche Wohnen AG: sales of 2,500 shares respectively by the Chairman of the Supervisory Board, Uwe E. Flach and his wife; the sale of 2,000 shares and the purchase of 386 shares by the wife of the Deputy Chairman of the Supervisory Board, Dr Andreas Kretschmer; purchases of 17,889 shares by the Chief Executive Officer Michael Zahn and purchases of 2,000 shares respectively by two natural persons being closely associated with him; as well as the purchase of 5,802 shares and the sale of 22,900 shares indirectly by Andreas Segal during his period as member of the Management Board and purchases of 5,894 shares by the member of the Management Board Lars Wittan.

As at 31 December 2015, Mrs Kretschmer held 3,091 shares in Deutsche Wohnen AG. As at that date, the Supervisory Board member Dr h.c. Wolfgang Clement and his wife together held 1,000 shares. The Chief Executive Officer Michael Zahn held as at 31 December 2015 26,389 shares and two natural persons being closely associated with him held 4,000 shares in total. The member of the Management Board Lars Wittan held 11,104 shares at this time. The other members of the Supervisory Board held no shares in Deutsche Wohnen AG as at 31 December 2015.

Thus, the total holdings of the aforementioned groups of individuals of shares of Deutsche Wohnen AG as at 31 December 2015 amounted to about 0.01 % of the approximately 337.4 million issued shares by the company.

Comprehensive compliance

Compliance with legal provisions and the standards of the German Corporate Governance Code, as well as fair treatment of business partners and competitors, are principles that are important to Deutsche Wohnen AG. The company's Compliance Officer assumes responsibility for this. The Compliance Officer manages the company's insider register and informs management, employees and business partners of the relevant legal framework and the consequences of violating insider regulations. In addition, the Compliance Officer serves as the main contact person for questions and reports of suspected violations.

All business divisions and processes within Deutsche Wohnen AG are subject to regular review with regard to compliance risks.

Our code of conduct, which prescribes and defines acting in accordance with the law, applies mandatorily to all company employees. Every new employee receives and agrees to follow the guidelines upon starting their job. In addition, supervisors make their employees aware of significant compliance risks.

In particular, our employees are not allowed to accept gifts in exchange for promising a possible business transaction. The guidelines also prohibit unlawfully influencing business partners through favours, gifts or granting other advantages.

Adequate opportunity and risk management

Deutsche Wohnen AG considers it to be very important to deal responsibly with opportunities and risks. This is ensured by a comprehensive opportunity and risk management system, which identifies and monitors the major opportunities and risks. This system is continuously being developed and adapted to changing conditions.

Detailed information is available in the management report: The risk management system and corporate strategic opportunities of Deutsche Wohnen AG are presented in the risk and opportunity report from 83 and the information on the consolidated accounts can be found in the notes from 104.

Committed to transparency

As part of ongoing Investor Relations activities all events that are important to the shareholders, investors and analysts are published at the beginning of the year for the duration of each financial year in the financial calendar. The financial calendar, which is updated regularly, can also be viewed on the company's website at http://ir.deutsche-wohnen.com/websites/deuwo/English/7000/financial-calendar.html.

The company informs shareholders, analysts and journalists according to uniform criteria. The information is transparent and consistent for all capital market participants. Ad hoc statements and press releases, as well as presentations of press and analysts conferences and roadshows are immediately available on our website.

Insider information (ad hoc publicity), voting rights notifications and directors' dealings are disclosed by Deutsche Wohnen AG without delay in accordance with statutory provisions.

Accounting

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was reselected as the auditor at the Annual General Meeting 2015. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has provided an advance statement that no business, financial, personal or other relationships exist between the auditor, its executive bodies and audit leaders on the one hand, and the company or members of its executive bodies on the other, which could give rise to doubts as to its independence.

Deutsche Wohnen AG is committed to abide by the publication deadlines prescribed by the German Corporate Governance Code of 90 days after the end of the financial year for the consolidated financial statement and 45 days after the end of the reporting period for interim reports. Although these deadlines were also met in the financial year 2015, due to the time needed to carefully prepare financial statements and company reports, no binding commitment can yet be given that these publication deadlines will be met.

Further information

Further information about the activities of the Supervisory Board and its committees and its cooperation with the Management Board can be found in the report of the Supervisory Board from 40.

Frankfurt/Main, March 2016

Supervisory Board Management Board

REPORT OF THE SUPERVISORY BOARD

Uwe E. Flach
Chairman of the Supervisory Board

Dear Shareholders,

In the financial year 2015, Deutsche Wohnen AG generated its highest level of annual earnings to date and benefited from the dynamic market environment in its Core+ and Core regions, in particular.

The consolidated group profit set a new record at EUR 1,206.6 million, while improvements were recorded with regard to all of the key figures, the group's financing structure was optimised further and its debt ratio once more fell considerably as a result of the conservative financing policy.

During an eventful and successful financial year, more than 20,000 residential units were acquired in a number of separate transactions and the portfolio underwent focused expansion. In contrast, both the voluntary public takeover bid submitted to the shareholders of conwert Immobilien Invest SE in March 2015 and the planned voluntary public takeover bid to be submitted to the shareholders of LEG Immobilien AG in September 2015 were not successful due to in each case different reasons.

On the other hand, however, you as our dear shareholders rejected the hostile takeover bid submitted by Vonovia SE, which ultimately prevented the planned and approved merger with LEG Immobilien AG and to which the Management Board and the Supervisory Board had decisively voiced their opposition. In the end, the votes in favour of the takeover fell considerably short of even the lowered minimum acceptance threshold stipulated upon the extension of the offer period. Your actions in this regard were a vote of confidence in your company's sustainable business model and in us.

Trusting cooperation with the Management Board

In the financial year 2015, as in previous years, the Supervisory Board has taken great care in its exercising of the duties it is obliged to perform under law, the Articles of Association, the German Corporate Governance Code and the by-laws. It has regularly advised the Management Board on the management of the company and overseen its activities. In addition, it was directly and promptly included in all decisions of fundamental importance to the company.

The Management Board informed the Supervisory Board regularly, promptly and fully, verbally and in writing, on all matters of relevance to the company relating to the business policy, corporate planning and strategy, the company's situation including the opportunities and risks, the state of the business, the risk management and the compliance. Discrepancies between actual and planned development were explained in full. The Management Board agreed major business transactions with the Supervisory Board.

The Chairman of the Supervisory Board and other members of the Supervisory Board were in regular contact with the Management Board and discussed important issues also outside of the meetings of the Supervisory Board and its committees. These concerned, for example, the strategic direction of the company, the takeover situations, the performance of the business and the risk management.

Meetings of the Supervisory Board

In the financial year 2015, the Supervisory Board discussed the company's current performance, individual significant events and transactions requiring its approval in 26 meetings, 14 of which were held by way of telephone conferences. At each of the meetings, the Supervisory Board granted the requested approvals, where necessary, and in each case after careful consideration and extensive discussion of the matter at hand. In addition, a resolution was adopted on 2 June 2016 on a matter relating to the Management Board by way of written resolution following extensive prior discussion thereof in plenary sessions. The average attendance ratio at the Supervisory Board meetings was 89.7%; all members of the Supervisory Board took part in more than half of the meetings. Furthermore, members unable to attend a meeting partially participated in the voting through proxies.

The activities of the Supervisory Board in the year under review primarily related to the business planning and the performance of Deutsche Wohnen AG, the company's business strategy, planned acquisitions, including the takeover bids submitted or in planning, the integration of the acquisitions, the capital measure and the hostile takeover bid by Vonovia SE.

The business development of the segments Residential Property Management, Disposals, Nursing and Assisted Living, as well as the financial and liquidity position of the group were the subject of regular and intense discussion. The Supervisory Board's activities additionally focused on the review of and provision of advice in respect of the internal control and risk management system of the Deutsche Wohnen Group.

At its **meeting held on 8 January 2015** (telephone conference), the Supervisory Board addressed matters relating to the Management Board and resolved upon the extension of the terms of office of the Management Board members Michael Zahn and Andreas Segal.

At the **meeting held on 27 January 2015,** the Supervisory Board discussed possible transaction-related opportunities and, in particular, generally approved the preparation and assessment of a possible takeover bid for conwert Immobilien Invest SE, Vienna. Furthermore, it resolved upon the amendment of the Articles of Association in light of the issuance of shares in 2014 by way of settlement to external shareholders of GSW Immobilien AG.

The **meeting held on 15 February 2015** (telephone conference) related to the possible voluntary public takeover bid to the shareholders of conwert Immobilien Invest SE and the granting of approval for the further preparation and implementation thereof by the Management Board.

At the **meeting of 20 March 2015,** the Supervisory Board dealt mainly with the reports of the Audit and Executive Committees, the annual and consolidated financial statements for 2014 and matters relating to the Management Board, in particular the determination of the Management Board bonuses for the financial year 2014. Representatives of the auditing company were present in the discussions relating to the annual financial statements 2014, explaining items and approaches adopted in the annual financial statements of the company and the group. Further core issues addressed related to progress reports on the integration and acquisition projects, the agenda for the Ordinary Annual General Meeting, the adoption of the report of the Supervisory Board, the Corporate Governance report and the risk management.

The main issues addressed at the **meeting of the Supervisory Board held on 16 April 2015** (telephone conference) were, on the one hand, the outcome of the takeover bid for conwert Immobilien Invest SE and strategic considerations and, on the other hand, the granting of approval for the acquisition of a portfolio in Berlin.

The focal point of the **meeting held on 4 May 2015** was the reporting on the company's performance in the first quarter of 2015, the integration of GSW Immobilien AG, acquisitions, considerations regarding the optimisation of the company's capital structure and the risk management, as well as the adoption of the agenda for the Ordinary Annual General Meeting.

At the **meeting held on 20 May 2015** (telephone conference), the 2015 capital increase resolved upon by the Management Board on the same day subject to the consent of the Supervisory Board was approved.

The **meeting held on 27 May 2015** (telephone conference) primarily involved the approval of the resolution of the Management Board relating to the setting of the subscription price for the new shares to be issued by way of the cash capital increase.

At the **meeting held on 4 June 2015** (telephone conference), the Supervisory Board resolved upon, in particular, the setting of the selling price for the private placement as well as the number of the new shares to be issued by way of the 2015 capital increase and the corresponding amendment of the Articles of Association.

The main issues addressed at the **meeting held on 12 June 2015** were the election of the Deputy Chairman of the Supervisory Board and the appointment of members to the Supervisory Board committees.

The **meeting held on 10 August 2015,** focused on the reports of the committees, the discussion of the company's current performance on the basis of the half-year report, including the status of the integration and financing measures, the adoption of resolutions on matters relating to the Management Board and the setting of targets for the proportion of female members of the Supervisory Board and the Management Board within the target attainment period ending on 30 June 2017.

At the **meeting held on 16 September 2015,** the Supervisory Board discussed and analysed the planned sequential steps for and aspects of a possible voluntary public takeover bid with regard to LEG Immobilien AG, and generally approved the undertaking of further preparatory measures in this regard.

At the **meeting held on 20 September 2015** (telephone conference), the Supervisory Board resolved, in particular, to approve the submission of a share exchange offer to the shareholders of LEG Immobilien AG utilising the authorised capital, the taking of all necessary measures in this regard, the conclusion of a business combination agreement and the adoption of a resolution in favour of a capital increase by way of contribution in kind in the context of an Extraordinary General Meeting.

At the **meeting held on 14 October 2015** (telephone conference), the Supervisory Board addressed, in particular, the hostile takeover bid announced by Vonovia SE in the wake of the planned merger with LEG Immobilien AG, and approved a press release indicating an initial response to the takeover bid announced by Vonovia SE.

At the **meeting held on 16 October 2015** (telephone conference), the Supervisory Board debated, in particular, the further strategy and measures to be adopted as a result of the new situation in the wake of the takeover bid announced by Vonovia SE.

At the **meeting held on 21 October 2015** (telephone conference), the Supervisory Board resolved in favour of approving the resolutions adopted by the Management Board on the same day, in particular with regard to the cancellation of the Extraordinary General Meeting scheduled for 28 October on the basis of the amended recommendations of the voting rights consultants and the shareholder votes to be expected based thereof and the revocation of the agreement in principle concluded with LEG Immobilien AG.

The main topic of discussion at the **meeting held on 28 October 2015** was the hostile public takeover bid submitted by Vonovia SE.

At the **meeting held on 4 November 2015,** the Supervisory Board primarily addressed reports from the committees, the performance of the company on the basis of the report for the third quarter 2015, ongoing projects, such as the current status of the takeover bid submitted by Vonovia SE, a project relating to the acquisition of a property portfolio comprising approximately 13,600 residential units and a project relating to the disposal of real estate holdings in Berlin-Lichtenrade, as well as matters relating to the Management Board.

At the **meeting held on 9 November 2015** (telephone conference), the Supervisory Board primarily dealt with matters relating to the Management Board.

The **meeting held on 16 November 2015** (telephone conference) mainly served as forum for the presentation of reports of the Management Board on the meetings held with investors, the exchange of ideas with regard to possible defensive measures and the assignment of a legal counsel for the Supervisory Board, in each case with regard to the takeover bid submitted by Vonovia SE.

At the **meeting held on 18 November 2015** (telephone conference), the Supervisory Board discussed the takeover bid announced by Vonovia SE with its legal counsel.

At its **meeting held on 26 November 2015** (telephone conference), the Supervisory Board conferred on the acquisition indirectly from PATRIZIA Immobilien AG of approximately 13,600 residential units by way of share and asset deal and approved the proposed acquisition and financing structure therefor.

At the **meeting held on 1 December 2015** (telephone conference), the Supervisory Board considered the offer documents submitted by Vonovia SE and resolved to engage Citigroup Global Markets Deutschland AG as its financial consultant.

At the **meeting held on 11 December 2015,** the Supervisory Board conferred with representatives of its financial consultant on the aspects of the public takeover bid submitted by Vonovia SE, with the latter presenting their evaluation of the situation, and addressed the matter of the preparation of a reasoned statement in response to said takeover bid.

The focal point of the **meeting held on 14 December 2015** (telephone conference) was the adoption of a resolution relating to the issuance of a joint statement of the Management Board and the Supervisory Board in response to the takeover bid submitted by Vonovia SE.

At the **meeting held on 18 December 2015,** the Supervisory Board dealt, in particular, with the status of the takeover bid of Vonovia SE, the adoption of the business plan 2016, matters relating to the Management Board and the German Corporate Governance Code, and also adopted the Declaration of Compliance to be submitted jointly with the Management Board.

Efficient work in four committees of the Supervisory Board

In order to efficiently perform its duties, the Supervisory Board has formed committees and continuously evaluated their needs and activities in the year under review.

Specifically, there existed the following four committees in the year under review:

- The Executive Committee,
- The Nomination Committee,
- The Audit Committee,
- The Acquisition Committee.

Their duties are described in greater detail in the Corporate Governance report on 36.

In principle, the resolutions of the Supervisory Board and the topics to be discussed at the Supervisory Board plenary are prepared in the committees. To the extent permitted by law, some of these committees have been granted decision-making powers in accordance with the by-laws or through resolutions of the Supervisory Board. The chairmen of the committees regularly and fully reported on the contents and results of committee meetings to the meetings of the Supervisory Board.

The **Executive Committee** was convened three times in the year under review. The matters discussed at those meetings involved, in particular, the provision of advice and the adoption of resolutions with regard to matters relating to the Management Board (contractual matters, remuneration issues).

The **Nomination Committee** was convened for one meeting in the year under review, at which proposals were drawn up for the nomination of two candidates for election to the Supervisory Board and submitted to the Supervisory Board plenary by way of recommendation for its proposal to be put to the Annual General Meeting.

The **Audit Committee** met on five occasions during the year under review, at which it dealt with the relevant items of the Supervisory Board's work. These included, in particular, the preliminary examination of the annual financial statements, the consolidated financial statements and the interim reports of Deutsche Wohnen AG, and a discussion of the risk management system. It submitted its recommendation for the appointment of the auditing company for the financial year 2015 to the Supervisory Board, procured a declaration of independence from the said auditor, monitored its activities and stipulated the focal points of the audit. The Committee furthermore addressed the award of the contract for the audit for the financial year 2016 and the multi-stage process for the selection of a suitable auditor for this purpose. The members of the Audit Committee have expertise and experience in the application of accounting principles and internal control procedures. The Chairman of the Committee, Dr Andreas Kretschmer, meets all the stipulations of sec. 100 para. 5 of the German Stock Corporation Act (AktG).

The **Acquisition Committee** was convened on two occasions during the year under review. These meetings involved, in particular, consideration of the aspects of a possible voluntary public takeover bid with regard to LEG Immobilien AG.

Corporate governance

The Supervisory Board has continuously observed and discussed the further development of the company's own Corporate Governance Standards. Comprehensive information on corporate governance in the company, including the structure and amount of the remuneration paid to the members of the Supervisory Board and the Management Board, can be found on 35 to 39 of this annual report.

The Management Board and the Supervisory Board have discussed the requirements of the version of the German Corporate Governance Code applicable for the year under review and the implementation thereof. In December 2015, they adopted their updated joint Declaration of Compliance pursuant to sec. 161 of the German Stock Corporation Act (AktG) and made it permanently accessible to the public on the company website. The Declaration of Compliance can be viewed at: http://ir.deutsche-wohnen.com/websites/deuwo/English/8300/declaration-of-compliance.html.

Annual and consolidated financial statements discussed in detail

The annual financial statements of Deutsche Wohnen as at 31 December 2015 and the consolidated financial statements, together with the company's combined management report, prepared by the Management Board were examined by the auditing company appointed by the Annual General Meeting held on 12 June 2015 and commissioned by the Supervisory Board, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, and provided with the unqualified audit opinion.

The annual financial statements of Deutsche Wohnen AG and the consolidated financial statements, the combined management report for Deutsche Wohnen AG and the group as well as the reports of the auditing company were made available to all members of the Supervisory Board immediately following their preparation. The auditing company attended the meeting of the Audit Committee held on 10 March 2016, in preparation for the meeting of the Supervisory Board for the review of the financial statements. It reported on the substantial results of its audit and provided additional information. After extensive discussion, the Audit Committee approved the results of the audit of the company's annual financial statements, the consolidated financial statements and the combined management report of the company.

The Chairman of the Audit Committee gave a full report to the Supervisory Board on the annual financial statements and the audit at the meeting of the Supervisory Board on 10 March 2016. In addition, the auditing company explained the main findings of its audit and was available to provide information and answers to further questions for the Supervisory Board. The Supervisory Board carefully examined the annual financial statements, the consolidated financial statements, the combined management report, the proposal for the utilisation of the net profit and the audit reports. There have been no objections. The Supervisory Board then approved the recommendation of the Audit Committee in accordance with the annual financial statements and consolidated financial statements as at 31 December 2015 prepared by the Management Board, thereby adopting the annual financial statements.

The adopted annual financial statements indicate a net profit. The Supervisory Board endorses the Management Board's proposal regarding the utilisation of the net profit. The agenda of the Annual General Meeting 2016 will therefore include the adoption of a resolution on the distribution of a dividend in the amount of EUR 0.54 per share entitled to dividends.

Changes to the Supervisory Board and Management Board

Dr Andreas Kretschmer and Mr Matthias Hünlein, whose terms of office ended upon the conclusion of the Annual General Meeting held on 12 June 2015, were reelected as members of the Supervisory Board by the Annual General Meeting held on 12 June 2015. Dr Kretschmer was reappointed as Deputy Chairman of the Supervisory Board.

There was a change to the Management Board as a result of the departure as at 10 November 2015 of Mr Andreas Segal, whose responsibilities were assumed by the two remaining members of the Management Board.

On behalf of the Supervisory Board, I would like to thank the members of the Management Board and the employees of Deutsche Wohnen AG and all of the group companies for their dedicated work and the provided performance in this particularly eventful year.

Frankfurt/Main, March 2016

On behalf of the Supervisory Board

Uwe E. Flach

COMPOSITION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Management Board

as at March 2016

Michael Zahn
Chief Executive Officer

Lars Wittan
Chief Investment Officer

Supervisory Board

as at March 2016

Uwe E. Flach
Chairman, Frankfurt/Main

Dr. rer. pol. Andreas Kretschmer
Deputy Chairman, Dusseldorf

Dr. h.c. Wolfgang Clement
Bonn

Matthias Hünlein
Oberursel

Dr. Florian Stetter
Erding

Claus Wisser
Frankfurt/Main

COMBINED MANAGEMENT REPORT

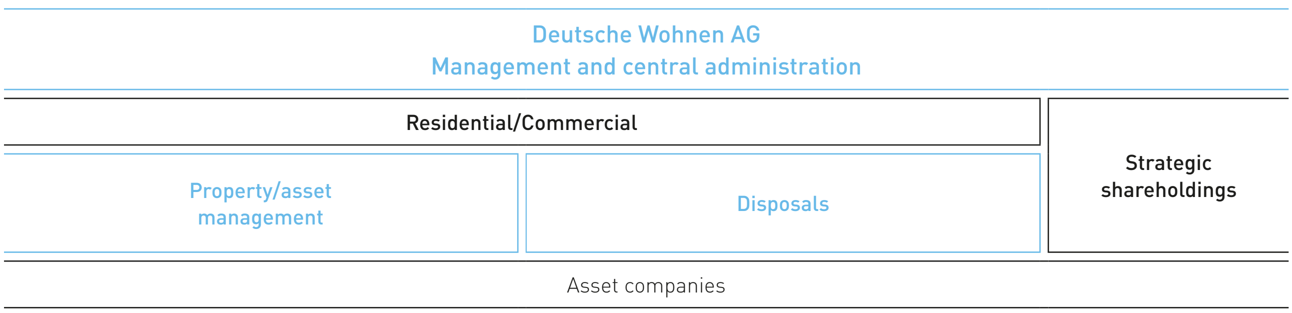
FUNDAMENTALS OF THE GROUP

Business model of the group

Deutsche Wohnen AG together with its subsidiaries (hereinafter referred to as "Deutsche Wohnen" or the "group") is currently one of the five largest publicly listed property companies in Europe measured by market capitalisation. The company is listed on the MDAX stock index of the German stock exchange. Its property holdings comprise more than 148,000 residential and commercial units as well as nursing care facilities with over 2,000 nursing places and apartments, with a total fair value of approximately EUR 12 billion. Our investment focus is on residential properties in German metropolitan areas and conurbations. We believe that the expansion of the portfolio to include nursing and commercial properties in these markets represents a further option for growth due to the dynamic development discernible. Fundamental economic growth, population influx and demographic development within German metropolitan areas provide a sound basis for the achievement of reliable cash flows with further potential for growth from the letting and leasing of properties, and for the utilisation of opportunities for the creation of value.

Organisation and group structure

An organisational distinction is made between management and asset companies: The management companies are allocated to the respective business segments – with Deutsche Wohnen AG assuming a traditional holding company function – comprising the areas of Portfolio Management, Corporate Finance, Finance, Human Resources, Investor Relations, Corporate Communication and Legal/Compliance.



Property management

The management of our holdings is largely undertaken by our wholly owned subsidiaries. All activities related to the management and administration of residential property, the management of rental contracts and tenant support are consolidated within Deutsche Wohnen Management GmbH (DWM), Deutsche Wohnen Immobilien Management GmbH (DWI) and Deutsche Wohnen Kundenservice GmbH (DWKS), while Deutsche Wohnen Construction and Facilities GmbH (DWCF) is responsible for the technical maintenance and development of our holdings. In the past, this arrangement has enabled us to realise potential for rent increases and keep the vacancy rate at a very low level. With strategic shareholdings, as well as collaboration with qualified system providers, we achieve to manage our residential properties with an above-average level of efficiency.

Asset management

The asset management segment is primarily responsible for the portfolio strategy, the valuation of its property holdings and its acquisition activities.

The strategic orientation and valuation of the portfolio is undertaken in the portfolio management. On the basis of continuous analysis potential is identified and the strategic clustering of the company's property holdings into the strategic core and growth regions and the Non-Core regions is effected. The operational fields of activity "Operate", "Develop" and "Dispose" are derived thereof.

As part of its growth strategy, Deutsche Wohnen is gradually expanding its portfolio, focusing on metropolitan areas and conurbations with good prospects for dynamic development. This is based on comprehensive market research and analysis of the acquisitions concerning their potential for added value and the positive impact on the relevant key figures of the company.

Disposals

The disposal of properties is managed by Deutsche Wohnen Corporate Real Estate GmbH. We continuously release large amounts of capital, especially in the privatisation context in our strategic core and growth regions, and thereby strengthen our internal financing capacity. Opportunistic disposals of properties in our Core+ and Core regions, in the context of sales to institutional investors, are also possible in the current positive market environment.

Strategic shareholdings

In addition to its core business activities, Deutsche Wohnen also operates within the scope of strategic shareholdings.

Nursing and Assisted Living: Under the brand KATHARINENHOF® and on the basis of a shareholding model, we manage retirement and nursing homes for senior citizens, which provide full in-patient care with the aim of maintaining the residents an active, independent lifestyle to the greatest possible degree, as well as a comprehensive range of services tailored to the needs of senior citizens in the form of assisted living accommodation. At the beginning of the financial year 2015, the Nursing and Assisted Living business became part of a shareholding structure, with 51% of the shares being sold to KH Beteiligungs GmbH. Deutsche Wohnen remains the holder of 49 % of the shares in KATHARINENHOF® and the owner of the nursing properties.

Energy supply: G+D Gesellschaft für Energiemanagement mbH, Magdeburg (G+D) is a strategic cooperation between Deutsche Wohnen and GETEC – a means of jointly restructuring the management of the energy-related aspects of our portfolio with a view to improving the energy efficiency of the power-generating facilities of our properties and to sustainably reducing CO_2 emissions and energy costs. At the same time, G+D supplies and distributes the energy for our holdings; it has enabled us, among other things, to consolidate our gas purchasing activities for the Deutsche Wohnen properties throughout Germany in an even more intelligent manner and to purchase gas directly through the energy exchange, thereby reducing the associated procurement costs by approximately 10 %. G+D is now also successfully supplying third-party customers in the market.

Technical facility management: Deutsche Wohnen coordinates its procurement of materials, products and services within the scope of technical facility management through B&O Deutsche Service GmbH – a joint venture with B&O Service und Messtechnik AG – enabling both partners to benefit from economies of scale at the national level. The company furthermore performs operational services in the context of technical facility management. This association under company law helps us to ensure an even higher degree of quality assurance, secure market capacities and achieve maximum cost transparency with additional savings having a direct positive impact on our core operating business.

Group strategy

Deutsche Wohnen AG regards itself as a portfolio manager focusing on residential property with a clear orientation towards German metropolitan areas; approximately 87 % of our holdings are located in these Core+ regions. The markets are centres of high residential density, characterised by dynamic development of economic parameters such as economic power, income, innovative capacity and competitive strength. Approximately 11 % of our holdings are located in markets with moderately rising rents and stable rent development forecasts.

Due to the size and quality of our property portfolio, our focus on attractive German metropolitan areas and the efficiency of our real estate platform with highly-trained and qualified employees, we consider ourselves to be ideally placed in the market to benefit to the optimum degree from the growth in German metropolitan areas and to bring about a sustainable increase in the value of our holdings.

Besides organic growth we focus on value-creating acquisitions as far as they suit our portfolio strategy. Deutsche Wohnen has repeatedly demonstrated its competence in the past in the context of the acquisition and integration of portfolios, and thereby consistently achieved its related goals in both quantitative and qualitative terms. As a result of the consolidation with GSW, we have generated economies of scale and strengthened Deutsche Wohnen's position as one of Germany's most efficient residential property companies. Deutsche Wohnen intends to achieve continued value-enhancing and focused growth in the future by means of the selective acquisition of further property portfolios.

Focus on core competencies

In order to maintain the persistently high quality and efficiency of our organisational structures and work processes, our core competencies as regards the management and development of our property portfolio as well as the privatisation of residential units are implemented by our own employees. Here we are highly professional, possess considerable know-how and are thus able to ensure the generation of continuous cash flows by our main businesses.

Transfer of knowledge through strategic shareholdings

We operate through strategic shareholdings with a view to realising greater potential for value creation. Focusing on selected professional partners and pooling services places us in a position to use economies of scale, and additionally accords us the maximum degree of transparency and some insight into the relevant markets, which in turn helps us ensure the quality of our operations and the transfer of knowledge in the business area in question.

Competitive advantages

Deutsche Wohnen will further maintain its strong market position by focusing on the pursuit of a sustainable growth strategy.

Focus

Deutsche Wohnen has pursued a clear investment strategy since 2008. Since then our portfolio focuses primarily on growth markets. Today, approximately 98 % of our portfolio is located in major cities and conurbations within Germany, and 73 % of our overall holdings in Greater Berlin alone.

Quality and efficiency

By the concentration of our holdings on selected locations we achieve considerable economies of scale in the procurement context and in the management of our properties, making us one of the most efficient companies in the German residential property sector. Our costs in relation to vacancies and payment defaults are consistently low. Our expenditure on maintenance and modernisation flows directly into growth markets with a view to realising existing potential for the creation of value.

Our employees possess a high level of professional expertise and contribute greatly towards the efficient implementation of work processes.

Flexibility

Our organisational structure is highly flexible. Properties are primarily held by special purpose entities while the core processes relating to property management are implemented by wholly owned subsidiaries. Deutsche Wohnen furthermore uses strategic shareholdings to gain access to lucrative business areas involving a property element, which enables us to act opportunistically and flexibly yet without diverting the focus away from our primary business.

Capital market viability/financing

Deutsche Wohnen's successful course for growth in recent years has further strengthened its position on the capital market; today, it is among the five largest European real estate companies – on the basis of free float market capitalisation – and has gained in importance in all of the major indices.

Our dividend policy adopts a restrained and sustainable approach and ensures that the company retains the necessary means for maintaining and increasing the value of our portfolio.

Our competitive advantages

We further improved our financing structures over the course of the financial year, thereby reinforcing our competitive advantage. Deutsche Wohnen's ratings have also been raised accordingly, to A3 (Moody's) and A– (Standard & Poor's), and we intend to continue to pursue a solid investment and dividend policy to further consolidate our market position in the future.

Sustainability

As a sustainably managed company, we are bracing ourselves to tackle future opportunities and risks presented by global challenges, and to take on responsibility for environmental and social issues and for our employees. We intend to assume a leadership role and to promote transparency and comparability of sustainable approaches within the residential property sector.

We are the first German listed residential property company to provide comprehensive information on our activities in the field of sustainability and on economic, ecological and social indicators in our reports prepared in accordance with the international standards of the Global Reporting Initiative (GRI). We have furthermore committed ourselves to upholding the German Sustainability Code (Deutscher Nachhaltigkeitskodex – DNK) and are in compliance with the supplementary requirements thereof, which specifically apply to the housing industry. We believe that sustainable action will secure the future viability of the Deutsche Wohnen Group and also benefit our stakeholders.

With regard to our strategic portfolio orientation, we refer to the statements contained in the "Property portfolio" section starting on 54 of this annual report.

Sustainability management and control

Our concept of our company as a sustainably run business is embodied in our sustainability strategy: our growth is primarily characterised by the quality for our stakeholders and by the efficiency of our processes, to be achieved in keeping with the objectives of sustainable development. To this end, we maintain a corporate culture that features the essential cornerstones authenticity, transparency and ethical business practices. Sustainability is a component of our group strategy and as such is an integral part of our daily workflow. A sustainability project team as part of our Investor Relations department coordinates matters relating to this issue within the group and generates impetus for further development in this context, working together with the department heads to define company-wide sustainability targets and continually expanding our database for sustainability reporting purposes.

The expectations and the requirements of our major stakeholders are analysed and evaluated on a regular basis. This enables us to identify and react to sustainability-related opportunities and risks, as well as material non-financial fields of activity, at an early stage.

In the past year, we carried out a materiality analysis with a view to verifying our sustainability strategy, and defined the issues relating to sustainability management and reporting more clearly. Therefor we conducted a survey of our stakeholders and compared the results thereof with the internal assessments carried out by the Management Board and executives from various departments in the context of a workshop. This has resulted in the crystallisation of five overriding fields of activity for our sustainability management and reporting endeavours:

Responsible corporate management
Both our stakeholders and the Deutsche Wohnen executives consider long-term economic stability to be the most important issue. This is reflected in our pursuit of a targeted and value-enhancing portfolio strategy and the efficiency of our corporate structure. In addition, transparency and dialogue with our stakeholders, together with a clearly defined corporate vision and strategy with regard to sustainability, are among the five most important issues that arose from our materiality analysis.

Responsibility for our property holdings and sustainable new construction
According to those surveyed, regular maintenance and modernisation of our properties is one of the most important issues for Deutsche Wohnen. We are gradually raising the quality of our portfolio through targeted investments. We provide our tenants with high-quality service and inform them in good time and in detail of any upcoming projects.

We are meeting the growing need for living space in conurbations by implementing initial new construction measures which give due consideration to sustainability criteria.

Responsibility for employees
We strive to be a good employer offering attractive prospects for development and career advancement. It is particularly because of this that our stakeholders and senior executives consider the provision of professional training and continuing education to be the most important employee-related issue. The promotion of work-life balance and family-friendly working conditions, diversity and equality of opportunity, as well as transparent structures and rights of co-determination, are all likewise deemed prerequisites for the recruitment and retention of qualified and skilled personnel. We formulate our human resources management measures with regard to these considerations and the outcome of the annual employee interviews.

Environmental and climate protection
Deutsche Wohnen intends to contribute towards the attainment of national environmental protection objectives by implementing targeted measures in its own holdings. Modernisation of our properties with a view to energy conservation and an innovative approach to the generation of heat and energy were also among the six issues that emerged as the most relevant in the context of our materiality analysis. The selection of sustainable suppliers and materials for our maintenance, modernisation and new construction work shall be of crucial importance in this regard.

Social responsibility
For those surveyed, our company's commitment to social causes is primarily a reflection of taking responsibility for the development of residential districts, with the safeguarding of historical building structures and preservation of historical monuments – an area in which Deutsche Wohnen is already a pioneer – forming the second focal point of our activities. Here we attach importance to the maintenance of cultural identity.

We are striving to incorporate these central issues into our business strategy and processes and thereby create value for our stakeholders.

Group control

All of Deutsche Wohnen's business activities are aimed at continually improving the group's profitability.

Our sustainable dividend policy ensures that the quality of our portfolio is maintained, and we strive to permanently keep our debt at a reasonable level for this asset class.

The management of the company occurs at several levels:

At the holding level, all earnings and payment flows are aggregated and evaluated in the parameters FFO, NAV and LTV on a quarterly basis. At the same time, the Investor Relations department applies a benchmark across our principal peers on a quarterly basis. This SWOT analysis serves for the validation of Deutsche Wohnen in comparison to its relevant competitors.

In the Residential Property Management segment, developments in the rent per sqm and the vacancy rate, differentiated in accordance with defined portfolios and/or regions, are the parameters for management. This also includes the scope of and earnings from new lettings and the development of letting-related costs, such as maintenance costs, costs relating to the marketing of properties to let, operating costs and rental losses. All parameters are evaluated and compared to detailed budget estimates on a monthly basis. Measures can be derived and strategies developed on this basis to realise rent increase potentials while controlling developments in expenses, and thus constantly improving the operating results.

The Disposals segment is managed by monitoring the disposal prices per sqm and the margin as the difference between the carrying amount and the disposal price. In the process, the ascertained values are compared to the target figures and the market and are adjusted where necessary.

Other operational expenses, such as staff costs, general and administration expenses, and non-operational indicators, such as finance expenses and taxes, are also part of the central planning and controlling system and of the monthly report to the Management Board. Current developments are also highlighted and compared to the target figures.

Considerable weight is attributed to finance expenses in this context, as they have significant impact on group earnings and cash flow performance. The Corporate Finance department is responsible for the management of finance expenses. Active and ongoing management of the credit portfolio and the hedging rate, together with constant monitoring of the market, aims at a continuous optimisation of the financial results. In addition, the department is responsible for spreading risks by expanding the debt capital portfolio to include new bank partners and insurance companies or capital market products, such as corporate bonds or convertible bonds.

In the Nursing segment, we primarily generate internal growth by increasing nursing care charges and occupancy rates in residential nursing home facilities. Reporting to the Management Board with respect to this segment also takes place on a monthly basis.

In order to measure the cash flow generated from operating business activities and compare this to target figures, we use as indicator the Funds from Operations before disposals (FFO I), with the consolidated profit/loss for the period constituting the starting value for determining the FFO, which is increased or decreased to reflect any depreciation and amortisation, one-off items, non-cash finance expenses or income, and tax expenses or income.

Using the regular reports, the Management Board and specialist departments are able to evaluate the economic development of the group in a timely manner and compare it with the figures of the previous month and year, as well as with the target figures. In addition, the expected development is determined on the basis of an updated forecast. In this manner, opportunities as well as negative trends can be identified at short notice and corresponding measures can be taken to make use of or counteract these opportunities or trends.

Property portfolio

Overview of portfolio and portfolio strategy

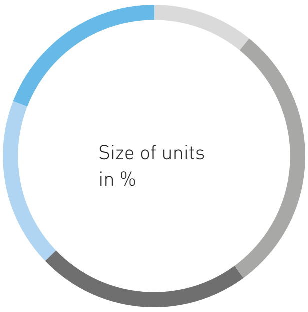
Deutsche Wohnen manages one of the largest property portfolios in Germany, with real estate holdings comprising approximately 148,200 residential and commercial units and generating annualised yearly rent of more than EUR 648 million. The activities in this regard focus on high-growth conurbations and metropolitan areas – the so-called Core+ regions – in which 87 % of our residential holdings are located. A further 11 % of our residential units are located in stable Core regions. At the end of 2015, the average net cold rent amounted to EUR 5.89 per sqm, with an average vacancy rate of 1.8 %.

Overview of holdings

Residential units by:

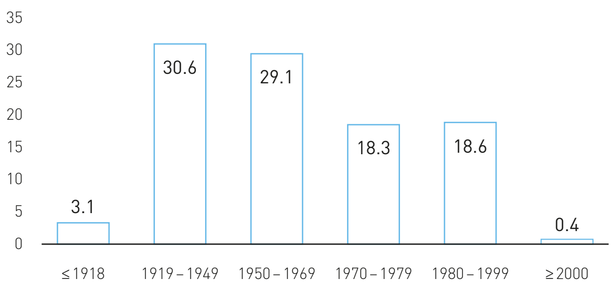
Size of units

< 40 sqm	11 %
40 bis < 55 sqm	29 %
55 bis < 65 sqm	23 %
65 bis < 75 sqm	18 %
≥ 75 sqm	19 %



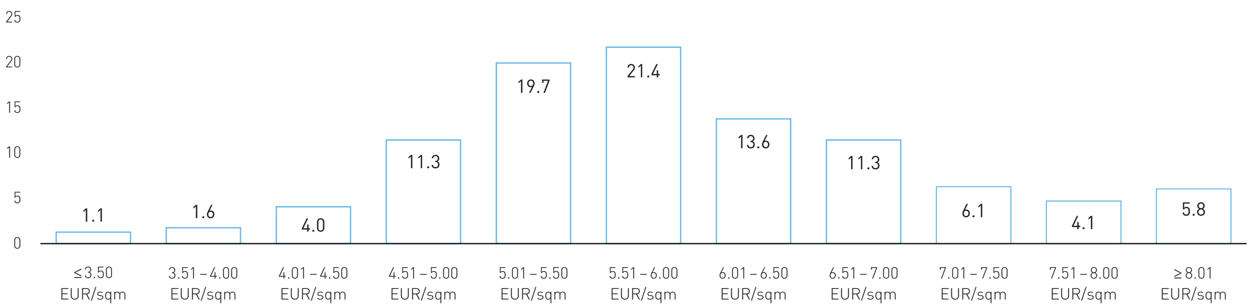
Year of construction

in %



In-place rent

in %

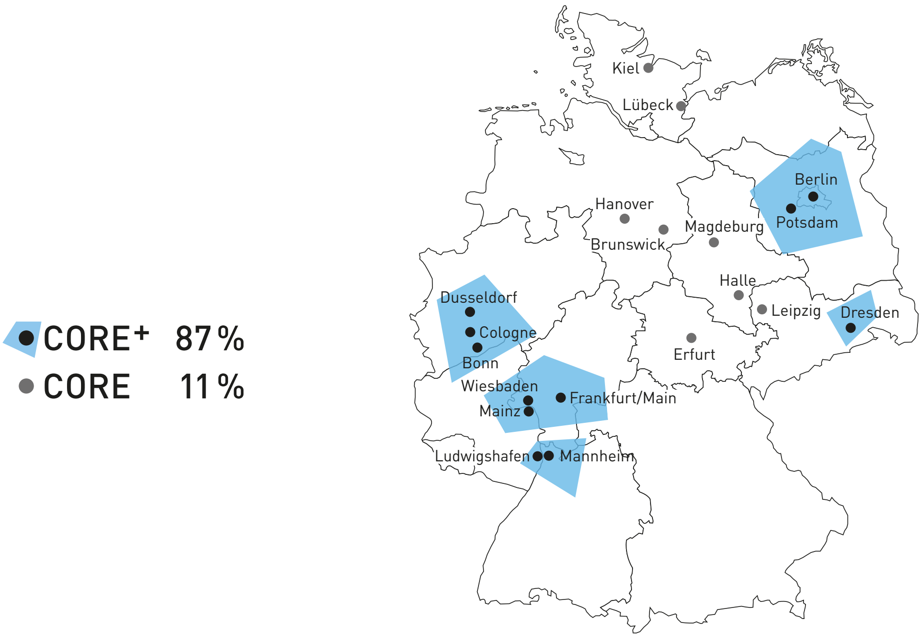


In line with our focused portfolio strategy, our holdings are largely concentrated on ten regions. Our core market is the Greater Berlin region, in which approximately 107,000 residential units and approximately 1,600 commercial units, or around 73 % of our total portfolio, are located.

The starting point for our portfolio management activities is the segmentation of our property holdings. Our holdings are clustered in Core+, Core and Non-Core markets on the basis of a macro-analysis, using a scoring model which evaluates the attractiveness and prospects for future development of the locations having regard to macroeconomic, sociodemographic and property-specific data, for example changes in population and number of households, local job markets, purchasing power and infrastructure data.

	31/12/2015						
	Residential units	Area	Share of total portfolio	In-place rent[1]	Vacancy	Rental potential[2]	Commercial units
Property portfolio	number	sqm k	in %	EUR/sqm	in %	in %	number
Strategic core and growth regions	**143,173**	**8,662**	**98**	**5.92**	**1.7**	**19.0**	**2,051**
Core+	127,774	7,689	87	5.97	1.7	21.2	1,862
Greater Berlin	106,756	6,387	73	5.89	1.8	19.0	1,568
Rhine-Main	9,081	547	6	7.35	1.4	28.8	164
Mannheim/Ludwigshafen	4,716	294	3	5.69	1.0	20.2	41
Rhineland	4,513	288	3	5.93	1.2	22.7	25
Dresden	2,708	172	2	5.18	2.7	20.2	64
Core	15,399	973	11	5.49	2.0	9.6	189
Hanover/Brunswick	8,717	569	6	5.59	1.8	15.0	83
Magdeburg	2,365	145	2	5.41	3.3	4.2	75
Kiel/Lübeck	1,457	91	1	5.30	2.0	11.0	7
Halle/Leipzig	1,728	102	1	5.19	1.7	1.7	12
Erfurt	618	34	0	5.89	0.7	0.8	12
Other	514	32	0	5.13	2.2	19.7	0
Non-Core	**2,955**	**195**	**2**	**4.79**	**6.3**	**–0.1**	**39**
Total	146,128	8,857	100	5.89	1.8	18.6	2,090

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



By way of a second step, we develop appropriate investment strategies on the basis of a micro-analysis, subjecting the major performance indicators, technical condition and location of the individual properties to a scoring process and allocating the holdings to one of the following fields of activity: "Operate", "Develop" and "Dispose".

The "Operate" field of activity focuses on new lettings and the realisation of rent potentials in line with market rents. The "Operate" holdings constitute – with a share of 83 % – the bulk of our portfolio. Properties in particularly promising locations whose fixtures and fittings and conditions are of below-average standard are allocated to the "Develop" cluster (share of total portfolio: 12 %). We will be investing to a greater extent in comprehensive modernisation measures for these properties in the next few years, with a view to raising their current value potential.

The properties in the "Dispose" segment (share of total portfolio: 6 %) are offered for sale in the privatisation and block sale context. These disposals largely comprise privatisation involving attractive margins, block sales for portfolio streamlining purposes in Non-Core regions and opportunistic disposals in Core and Core+ regions intended to selectively make use of market opportunities.

	31/12/2015					
	Residential units	Area	Share of total portfolio	In-place rent[1]	Vacancy	Rental potential[2]
Residential	number	sqm k	in %	EUR/sqm	in %	in %
Strategic core and growth regions	**143,173**	**8,662**	**98**	**5.92**	**1.7**	**19.0**
Core+	127,774	7,689	87	5.97	1.7	21.2
Operate	106,059	6,397	73	6.00	1.3	20.1
Develop	17,042	971	12	5.79	2.5	28.3
Dispose	4,673	321	3	5.97	7.7	–
Core	15,399	973	11	5.49	2.0	9.6
Operate	14,207	893	10	5.50	1.9	9.6
Dispose	1,192	80	1	5.46	3.5	–
Non-Core	**2,955**	**195**	**2**	**4.79**	**6.3**	**– 0.1**
Thereof Streamline	182	12	0	5.24	14.3	–
Total	146,128	8,857	100	5.89	1.8	18.6

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

Portfolio development

Acquisitions

In 2015, we acquired approximately 21,700 residential units for a total purchase price of just under EUR 1.7 billion. Two thirds of the units are located in Core+ markets characterised by dynamic growth in demand and an above-average rise in rents, and exhibiting rent potential of up to 30 %. In Berlin alone are approximately 11,500 of the residential units located. A further 3,800 units were acquired in the Core market Kiel/Lübeck enabling us to attain critical mass, which should facilitate the more effective management of our portfolio. Approximately 85 % of the acquired residential holdings are ear-marked for long-term management as part of our portfolio. Regarding a further 3,300 residential units we intend to make use of the favourable market environment by disposing them. These objects are unfitting to the portfolio strategy of Deutsche Wohnen due to considerations of quality or having regard to the regional concentration of our portfolio.

	2015							
	Residential units	In-place rent[1]	Vacancy	Market rent	Purchase price	Purchase price	Multiple in-place rent	Multiple market rent
Acquisitions	number	EUR/sqm	in %	EUR/sqm	EUR bn	EUR/sqm		
Core+	**14,360**	**5.81**	**2.0**	**7.13**	**1.26**	**1,473**	**21.1**	**17.2**
Greater Berlin	11,463	5.27	2.0	6.52	0.88	1,322	21.1	16.9
Greater Munich	1,126	9.76	1.6	11.88	0.20	2,904	24.6	20.4
Rhine-Main	721	6.72	2.5	7.26	0.07	1,424	18.2	16.4
Rhineland	429	7.35	2.8	8.43	0.05	1,587	18.4	15.7
Greater Hamburg	321	7.71	2.9	8.47	0.03	1,729	18.5	17.0
Dresden	300	5.66	1.7	7.01	0.03	1,180	16.1	14.0
Core	**5,842**	**5.43**	**1.4**	**6.42**	**0.37**	**1,014**	**15.4**	**13.2**
Kiel/Lübeck	3,818	5.37	0.7	6.50	0.24	1,043	15.9	13.4
Hanover/Brunswick	793	5.78	2.1	6.66	0.04	921	13.1	11.5
Magdeburg	783	5.28	3.1	6.09	0.06	979	15.8	13.4
Halle/Leipzig	88	5.48	1.8	5.82	0.01	1,154	16.5	16.5
Other	360	5.64	3.3	6.23	0.02	966	14.5	12.9
Non-Core	**1,489**	**5.36**	**6.2**	**5.71**	**0.07**	**756**	**11.9**	**11.0**
Ruhr region	1,121	5.45	6.3	5.94	0.06	780	12.2	10.9
Other	368	5.07	5.6	5.00	0.02	680	11.0	11.3
Total	21,691	5.67	2.2	6.83	1.70	1,292	18.9	15.8

[1] Contractually owed rent for rented residential units divided by rental area

Of the approximately 21,700 notarised residential units we acquired ownership of approximately 6,200 in the financial year 2015.

Disposals

As regards disposals, we were able to make use of the ongoing high demand for properties and increase our earnings from disposals, with approximately 9,400 residential units being sold with a transfer of risks and rewards in the past financial year. Of these disposals, about 20 % were individual privatisation transactions and about 80 % were sales to institutional buyers.

A larger portfolio comprising approximately 5,700 residential units was sold by way of opportunistic block sale. The transfer of risks and rewards was effected on 1 April 2015. A further transaction involved the notarisation of approximately 900 units and the transfer of ownership is scheduled to take place in the first quarter of 2016. Both of the aforementioned cases involve residential holdings in Berlin from the portfolio of GSW which, in accordance with an analysis conducted by us, were among the less promising residential properties in terms of their condition, structural age and location. We made use of the current market situation in line with our strategy.

Further details of our segment Earnings from Disposals can be found on 72 and 73 of the combined management report.

Operational development

The following overview shows the development of the in-place rent as well as the vacancy rates on a like-for-like comparison, i.e. only for residential holdings which were consistently managed by our company in the past twelve months.

Like-for-like	Residential units number	In-place rent[1] EUR/sqm 31/12/2015	In-place rent[1] EUR/sqm 31/12/2014	Development in %	Vacancy in % 31/12/2015	Vacancy in % 31/12/2014	Development in %
Letting portfolio	**129,015**	**5.96**	**5.75**	**3.6**	**1.4**	**1.7**	**– 17.7**
Core+	115,099	6.01	5.80	3.8	1.4	1.6	– 12.5
Greater Berlin	95,648	5.94	5.71	4.1	1.5	1.7	– 8.7
Rhine-Main	8,427	7.33	7.12	3.0	0.8	1.4	– 39.4
Mannheim/Ludwigshafen	4,495	5.69	5.59	1.7	0.6	0.6	– 1.8
Rhineland	4,361	5.90	5.75	2.6	0.4	1.3	– 66.3
Dresden	2,168	4.99	4.93	1.3	1.5	1.1	27.2
Core	13,916	5.45	5.34	2.0	1.8	3.1	– 40.4
Hanover/Brunswick	8,100	5.52	5.38	2.6	1.6	2.8	– 42.5
Magdeburg	2,101	5.25	5.23	0.5	3.2	3.2	0.5
Kiel/Lübeck	1,128	5.38	5.23	2.7	2.1	3.9	– 45.8
Halle/Leipzig	1,606	5.20	5.19	0.2	1.5	3.6	– 59.7
Erfurt	609	5.90	5.89	0.1	0.7	2.7	– 74.7
Other	372	5.40	5.23	3.2	2.0	4.5	– 56.0

[1] Contractually owed rent for rented residential units divided by rental area

Like-for-like rental growth for the properties in our letting portfolio located in strategic core and growth regions, at 3.6 %, was significantly greater than in the previous year. This was largely influenced by the rent index for Berlin, which enabled an above-average rise in rents in 2015. Annualised rent increases in the amount of EUR 21.5 million were realised in the letting portfolio in the reporting year (previous year: EUR 14.8 million). The like-for-like rental growth for the total portfolio is 3.5 %.

In 2015, the new letting rent in the Core+ segment (non-rent-restricted letting holdings) was approximately 21.2 % higher than the in-place rent as at the reporting date. The statutory limitations on rental amounts in the new letting context (so-called rent control measures) which were introduced in Berlin in June and subsequently also in other locations have only had a minor impact on new letting rents to date.

The vacancy rates on a like-for-like comparison for the letting portfolio was lowered from 1.7 % to 1.4 %, largely due to increased letting activity in our Core markets.

	31/12/2015			31/12/2014
Residential	New letting rent[1] EUR/sqm	In-place rent[2] EUR/sqm	Rent potential[3] in %	Rent potential[3] in %
Core+ (letting portfolio)	**7.23**	**5.97**	**21.2**	**22.7**
Greater Berlin	7.01	5.89	19.0	21.2
Rhine-Main	9.47	7.35	28.8	23.5
Mannheim/Ludwigshafen	6.83	5.69	20.2	21.8
Rhineland	7.24	5.90	22.7	25.0
Dresden	6.23	5.18	20.2	20.9

[1] Contractually owed rent from newly concluded rental agreements in non-rent restricted units, which became effective in 2015
[2] Contractually owed rent for rented residential units divided by rental area
[3] New letting rent for properties in the letting portfolio in comparison to the in-place rent for properties in the letting portfolio

Portfolio investments

In the financial year 2015, our expenditure on maintenance and modernisation amounted to approximately EUR 182.1 million or about EUR 20 per sqm (previous year: about EUR 17 per sqm), with approximately EUR 86 million or just under half of that amount being attributable to maintenance expenses and just over half of that amount to modernisation expenses. Due to the complexities involved in budgeting for major projects spanning a number of years, our modernisation expenses are subject to fluctuation from one year to the next.

The following table illustrates the maintenance expenses as well as the modernisation measures for the past financial year in comparison to the previous year:

EUR m	2015	2014
Maintenance	**86.1**	**88.8**
in EUR/sqm	9.45[1]	9.59[2]
Modernisation	**96.0**	**64.1**
in EUR/sqm	10.53[1]	6.92[2]

[1] Taking into account the average floor space on a quarterly basis in the relevant period
[2] Taking into account the average floor space on a quarterly basis in the relevant period; in case of substantial acquisitions within a quarter the average floorspace has been adjusted

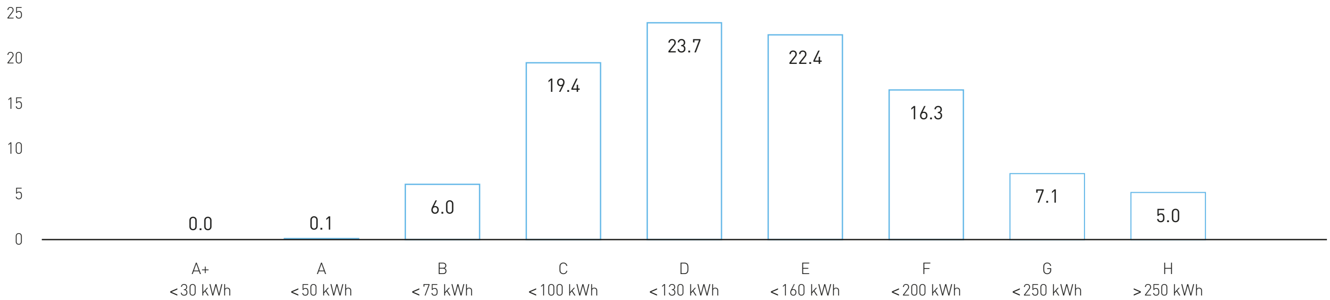
Energy efficiency of holdings

The extensive modernisation measures are also reflected in the energy balance of our holdings. Approximately 72 % of our residential units feature a lower than the average consumption level for residential buildings in Germany, this being 160 kWh/sqm per year [1]. Approximately 26 % of our residential units are within a good range of below 100 kWh/sqm per year (A+ to C). The average consumption of our holdings amount to 139.1 kWh/sqm per year.

Energy intensity of residential units

Summary of the energy efficiency categories [1] according to final energy requirements in kWh per year

in %



[1] In the absence of a clear determination of the form of heating used, deviations of around 20 kWh in the final energy requirement are possible. A categorisation according to energy efficiency, therefore, has only been made with loose reference to the German Energy Saving Ordinance (Energieeinsparverordnung – EnEV). The data covers approximately 84 % of the overall holdings. With listed units subtracted around 3 % of the holdings remain unclassified.

Portfolio valuation

Demand on the part of domestic and foreign real estate investors for larger residential portfolios remained high in 2015, in the face of a persistently narrow supply of such properties. This excess in demand and the ongoing positive developments with regard to rents and vacancy rates on the German residential property market are reflected in an appreciation in the value of our property portfolio in the total amount of approximately EUR 1.7 billion as at the reporting date, with approximately EUR 0.2 billion of this amount resulting from improvements in the operating performance of the portfolio and a corresponding increase in cash flows. Furthermore, the rent and price levels in our Core+ markets once more rose by an above-average degree, with the lion's share of this appreciation in value (EUR 1.5 billion) being attributable to the adjustment of the discount and capitalisation rates intended to properly account for the positive developments in prices/market performance. The valuation result was confirmed by an external report from CB Richard Ellis.

[1] The Energy Performance Certificate: Specifications for Residential Buildings (Der Energieausweis: Steckbrief für Wohngebäude) @ https://www.verbraucherzentrale.de/Der-Energieausweis-Steckbrief-fuer-Wohngebaeude-4, accessed on 27/1/2016

The following table shows significant key valuation figures relating to the property holdings as at 31 December 2015:

Fair Value	31/12/2015 Fair Value EUR m	Fair Value EUR/sqm	Multiple in-place rent	Multiple market rent
Strategic core and growth regions	**11,591**	**1,296**	**18.2**	**15.4**
Core+	10,697	1,347	18.7	15.7
Greater Berlin	8,950	1,360	19.2	16.1
Rhine-Main	921	1,581	17.7	15.0
Mannheim/Ludwigshafen	302	986	14.3	12.9
Rhineland	314	1,078	15.1	13.2
Dresden	210	1,153	18.5	15.4
Core	894	894	13.6	12.2
Hanover/Brunswick	529	908	13.5	12.0
Magdeburg	144	918	14.6	13.5
Kiel/Lübeck	74	807	12.7	11.4
Halle/Leipzig	87	847	13.6	12.7
Erfurt	36	1,043	14.3	13.9
Other	24	760	12.5	10.3
Non-Core	**130**	**641**	**12.0**	**10.4**
Total	**11,721**	**1,282**	**18.1**	**15.3**

The significant increases in value relate to the Core+ segment in the amount of nearly EUR 1.7 billion, above all Greater Berlin in the amount of approximately EUR 1.6 billion and the Rhine-Main and Rhineland regions in the amount of approximately EUR 0.1 billion. However, the positive performance of our Core locations also resulted in appreciations in the amount of approximately EUR 74 million, the majority of which, at approximately EUR 48 million, were attributable to the Hanover/Brunswick region.

Fair Value	31/12/2015 Fair Value EUR m	31/12/2015 Multiple in-place rent	31/12/2014 Fair Value EUR m	31/12/2014 Multiple in-place rent
Strategic core and growth regions	**11,591**	**18.2**	**9,635**	**15.6**
Core+	10,697	18.7	8,819	16.0
Core	894	13.6	817	12.7
Non-Core	**130**	**12.0**	**150**	**11.6**
Total	**11,721**	**18.1**	**9,785**	**15.5**

ECONOMIC REPORT

General economic conditions

Macroeconomic developments

Global economy

According to the annual report of the German Council of Economic Experts, the global economy experienced only moderate growth over the course of 2015. This was particularly due to the poorer performance of the emerging markets, whose development has been adversely impacted by the downturn in the Chinese economy, the decline in worldwide demand for raw materials and considerable difficulties on the supply side. In contrast the economic situation of the industrial nations is significantly more favourable. Overall, the Report of the German Council of Economic Experts expects the global economy to record growth of 2.6% in both 2015 and 2016.[1] The German Institute for Economic Research (DIW) forecasts a growth rate of 3.4% in 2015, rising to 3.6% in 2016.[2]

According to the DIW, the economy within the Eurozone has continued to develop at a moderate rate. It is expected that the growth in both the industrial nations and the emerging markets will have picked up pace slightly towards the end of 2015. DIW forecasts economic growth within the Eurozone of 1.5% respectively in 2015 and 2016.[3] One of the major drivers of this growth being the highly expansive monetary policy of the European Central Bank.

Development in Germany

Preliminary calculations carried out by the Federal Statistical Office indicate a slight upturn in the German economy of 1.7%,[4] which is set to continue into the coming year.[5]

Against a background of moderate inflation – with the rate of inflation on the basis of the consumer price index having risen by 0.3% over 2015 as a whole[6] – consumption by private households has contributed significantly to the positive performance of the German economy, itself having been spurred on by the marked fall in oil prices in the past year. An additional factor has been increased consumer demand in connection with the influx of refugees into the country. Construction activity, above all in the new building context, also indicated a strong upward trend once more towards the end of 2015.[7]

The number of gainfully employed persons rose again in 2015, to an annual average of approximately 43.0 million individuals domiciled in Germany. This is 329,000 more than in the previous year or an increase of 0.8%. Employment figures are therefore continuing to rise as they have consistently done over the last ten years, even though the actual increase in the past year was smaller than that recorded in 2014.[8] Furthermore, income levels are also on the rise, with the real wage index rising by 2.4% on average in the third quarter of 2015 as compared to the equivalent period of the previous year, while the nominal wage index rose by 2.6%.[9]

According to first estimates of the Federal Statistical Office the trend towards rising numbers of population in Germany continued in 2015. At the end of the year 81.9 million people were living in Germany, significantly more than at the beginning of the year (81.2 million). The reason for that development is the high migration saldo of +900,000 individuals, thus exceeding the former all-time record of +800,000 in 1992 and more than compensating the deficit of births of roughly 190,000 to 215,000.[10]

[1] German Council of Economic Experts – Annual Report 2015, published in November 2015
[2] DIW, Winter Baselines 2015, Weekly Report 51+52 2015
[3] DIW, Winter Baselines 2015, Weekly Report 51+52 2015
[4] Federal Statistical Office, press release 014/16, dated 14/1/2016
[5] DIW, Winter Baselines 2015, Weekly Report 51+52 2015

[6] Federal Statistical Office, press release 018/16, dated 19/1/2016
[7] Cf. DIW, Winter Baselines 2015, Weekly Report 51+52 2015
[8] Federal Statistical Office, press release 014/16, dated 14/1/2016
[9] Federal Statistical Office, press release 479/15, dated 21/12/2015
[10] Federal Statistical Office, press release 032/16, dated 29/1/2016

German residential property market

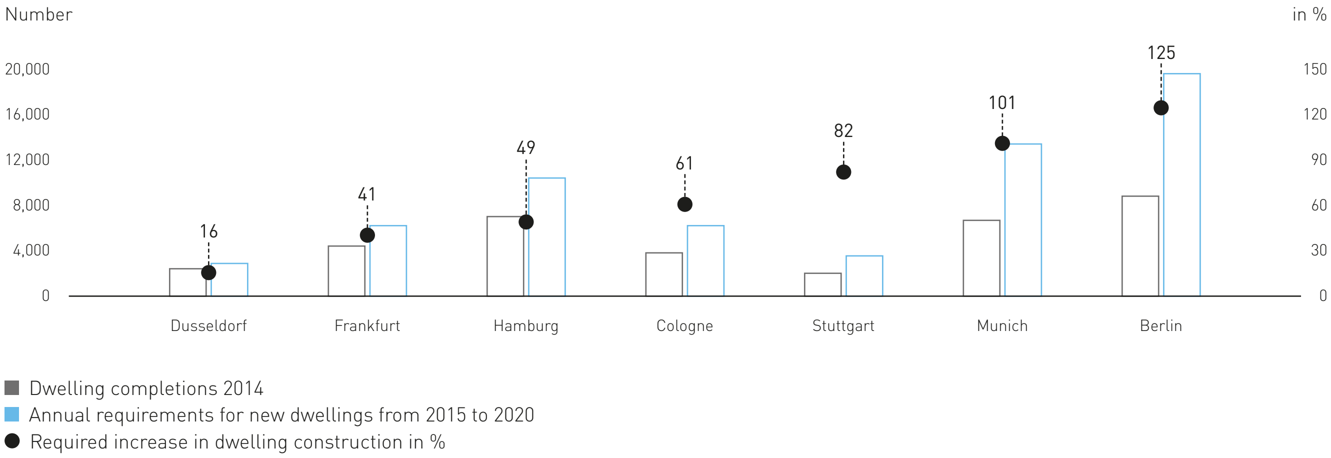
Residential properties remained one of the most popular investment targets on the German property market in 2015, with trading in residential property holdings reaching record levels. According to a recent analysis carried out by the real estate consultancy firm CBRE, a total of EUR 23.3 billion were invested in residential parcels and housing estates comprising 50 residential units or more throughout Germany in the year under review. This corresponds to an increase of EUR 9.9 billion or 74 % over 2014 – a year which had also been characterised by highly dynamic growth – and constitutes an all-time high.[11)]

The major German cities were the primary focus of investment activity,[12)] largely due to the good prospects offered by metropolitan areas as the main beneficiaries of Germany's economic strength and the trend towards urbanisation.[13)] Berlin remained the top attraction in this regard, recording a transaction volume of approximately EUR 4.7 billion in the first nine months 2015 alone, which represents an increase of 75 % over the equivalent period of the previous year.[14)]

The residential property markets in the metropolitan areas have experienced a significant rise in rents over the past few years. The rents for new builds have risen by more than 40 % on average in the top seven locations[15)] since 2000, largely as a result of the almost 10 % increase in the number of inhabitants over the same period, which has resulted in a need for almost 550,000 additional residential units. However, given that only 350,000 residential units have in fact been built since 2000, this need for housing can no longer be covered by existing holdings, and new construction activity is increasingly gaining in importance.[16)]

The Federal Institute for Building, Urban Affairs and Spatial Research (BBSR) estimates that demand for new builds in Germany in 2015 will amount to approximately 306,000 residential units per year.[17)] That means the current construction activity will remain insufficient to meet demand, in spite of a notable increase in the number of building permits issued (January – September 2015: nearly 223,000; +4.8 %[18)]).

Dwelling completions in comparison to demand



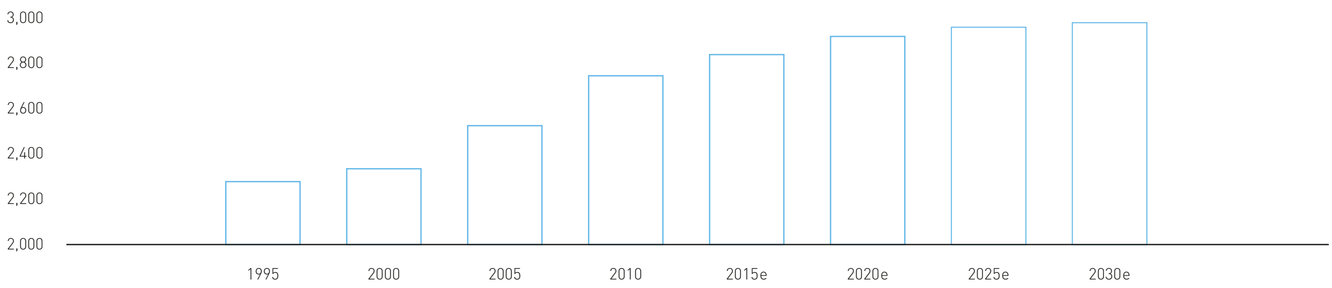
Source: DG HYP, Real Estate Market Germany 2015/2016

[11)] CBRE, press release, dated 7/1/2016
[12)] NAI apollo group, Figures & Data, Transaction Market Residential Property Portfolios, H1 2015
[13)] DG HYP, Real Estate Market Report Germany 2015/2016
[14)] BNP Paribas Real Estate, Investment Market Berlin, Q3 2015
[15)] Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne, Munich, Stuttgart
[16)] DG HYP, Real Estate Market Report Germany 2015/2016
[17)] JLL, Overview of the Residential Property Market, Germany, 1st half year 2015
[18)] Federal Statistical Office, press release 427/15, dated 20/11/2015

An even more important factor contributing towards the demand for residential property than the growing population is the rise in the number of households. Even through those years in which a fall in the number of inhabitants was recorded the number of households in Germany was increasing. This trend, which is attributable to the growing number of single-person households, is also set to continue in the future.[19] The BBSR estimates that the number of households will further increase by about 500,000 by 2030, thereby resulting in greater demand for residential property in the German residential market.[20] Both population growth and the increase in the number of households will remain concentrated around economically prosperous conurbations.[21]

Single-person households in the top locations

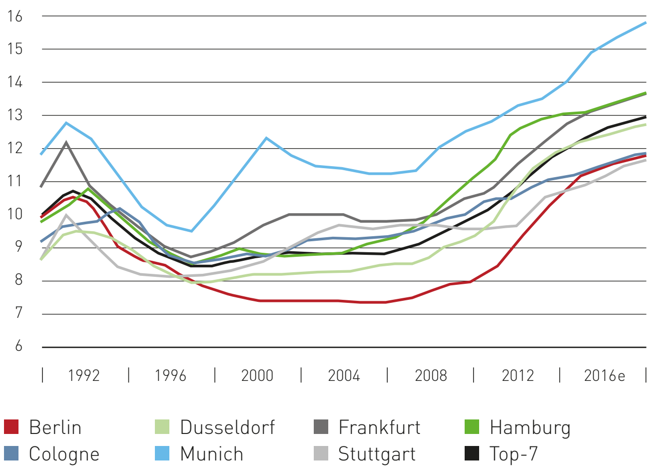
in k



Source: DG HYP, Real Estate Market Germany 2015/2016

Average first time rent

EUR/sqm



Source: DG HYP, Real Estate Market Germany 2015/2016

The differentiated development of the residential property markets is reflected in the changes in rents and vacancy rates. While quoted rents in Germany have increased by approximately 1.7 % every year since 2004, the equivalent figure for Berlin is 3.8 % and that for Munich is 3.3 %.[22]

According to the F+B Housing Index Germany, the housing index for rents and prices for houses and residential units in Germany as a whole rose by 3.1 % in the first six months of 2015, with rents for new rentals rising by 2.9 % on average while those for existing holdings experienced only moderate growth of 0.9 %. The rents in major cities such as Munich, Frankfurt/Main, Hamburg and Dusseldorf are significantly higher than the national average.[23]

[19] JLL, Overview of the Residential Property Market, Germany, 1st half year 2015
[20] BBSR, Residential Property Market Forecasts 2030
[21] JLL, Overview of the Residential Property Market, Germany, 1st half year 2015
[22] JLL, Overview of the Residential Property Market, Germany, 1st half year 2015
[23] F+B Housing Index Germany 2015, Quarterly Report III-2015

The more dynamic growth being experienced in these cities is also reflected in the number of vacancies: The lowest vacancy rates (< 3 %) are recorded in major economically attractive cities and their surrounding areas, and also in economically strong regions in the south and north-west of Germany, where there is great demand for housing. High vacancy rates (> 10 %) are most prevalent in rural areas in the new federal states (former East Germany).[24)]

Purchase prices for owner-occupied residential units have also increased significantly since 2009, with growth in the major German cities being higher than the national average in this context as well. Thus, prices in Berlin, for example, have increased by 5.7 % per year and those in Munich by 5.4 % per year. This development is due to the availability of more favourable financing options and a lack of alternative prospects for investments by private individuals, with a further contributing factor being widespread concern as to the stability of the Euro since 2012.[25)]

Greater Berlin

Greater Berlin comprises the city of Berlin and the surrounding areas, which also include the city of Potsdam. With more than 3.5 million inhabitants[26)] and a working population of almost 1.9 million,[27)] Germany's capital is the country's largest city.

Berlin as an economic and scientific location

The Berlin economy continues to perform well, also remaining on a stable course for growth in 2015. This strong economic performance in conjunction with the impact of considerable purchasing power is particularly evident with regard to the retail trade, the hotel and restaurant industry and the tourism industry, with the national capital having recorded 1.2 million more overnight stays in the first nine months of 2015 than in the equivalent period of the previous year.[28)]

Berlin is also a top performer in the context of company formations, with a total of approximately 30,000 new businesses being established in the first nine months of 2015.[29)]

The Berlin economy experienced growth at a rate of 2.2 % in 2015, precisely the same level as in the previous year.[30)] Its gross domestic product is expected to amount to 2.0 % in 2016, indicating that the German capital is once more set to grow at a faster pace than the country as a whole (+1.8 %) over the course of 2016.[31)] Companies such as Deutsche Bahn, Zalando and Axel Springer have their headquarters in Berlin and are also among the largest and most important employers in the national capital. Further important employers are active in the health care sector – with the well-respected Charité ranking second and Vivantes Netzwerk für Gesundheit ranking third among the largest employers in Berlin, these two companies together employing a total of more than 31,000 employees.[32)]

The above-average performance of the Berlin economy is also having a positive effect on the job market. The number of jobs is constantly on the rise, with the figures for 2015 being significantly higher than those of the previous year. According to the Statistical Office for Berlin-Brandenburg, 1.85 million individuals were gainfully employed in Berlin in the third quarter of 2015 – this represents an increase of 33,000 individuals or 1.8 % over 2014,[33)]once again making Berlin the top performer in the employment growth context among all of the federal states. The service sector again evidenced the greatest rise in employment figures. This favourable development also had a positive impact on the number of unemployed persons, which amounted to 182,400 in November 2015 – having fallen by just under 4.8 % since November 2014 – while the unemployment rate was 10.0 % (– 0.4 percentage points as compared to the equivalent period of the previous year).[34)] However, purchasing power per capita in Berlin, at EUR 20,303, remains below the national average of EUR 21,865.[35)]

Due to its geographical location, convenient transport routes and the range of specialised courses offered at its universities, Berlin is an important player in the development of international economic relations. Additionally, with its numerous universities, colleges and research institutes, the German capital has an excellent reputation as a location for science and research.

24) JLL, Overview of the Residential Property Market, Germany, 1st half year 2015
25) JLL, Overview of the Residential Property Market, Germany, 1st half year 2015
26) Statistical Office for Berlin-Brandenburg, press release no. 5, dated 5/1/2016
27) Statistical Office for Berlin-Brandenburg, press release no. 321, dated 10/12/2015
28) Berlin Senate Administration for Economic Affairs, Technology and Research, Market Report 3rd Quarter of 2015
29) Berlin Senate Administration for Economic Affairs, Technology and Research, Market Report 3rd Quarter of 2015
30) IBB, press release, dated 28/12/2015
31) IBB, Economic Situation in Berlin, December 2015
32) Chamber of Commerce and Industry of Berlin (IHK Berlin), The Berlin Economy in Figures, 2015 Edition
33) Statistical Office for Berlin-Brandenburg, press release no. 321, dated 10/12/2015
34) Berlin Senate Administration for Economic Affairs, Technology and Research, Market Report 3rd Quarter of 2015
35) MB-Research GmbH, Purchasing Power in Germany in 2015

The positive economic situation in Berlin is also affecting the surrounding areas, most notably Potsdam, the state capital of Brandenburg, which has had a positive migration balance for a number of years. At the end of September 2015, the city had a total of 165,917 residents.[36] The forecasts up to 2035 anticipate that population will grow steadily, with the number of residents set to increase by almost 20 % to approximately 198,300.[37]

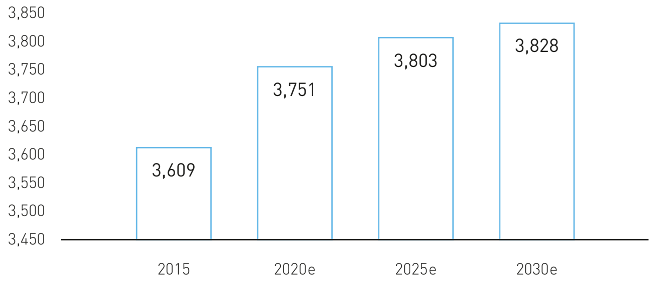
Residential property market in Berlin

The Berlin residential property market stands out as one of the most attractive growth regions in Germany and is characterised by sustained high demand for living space in the face of a relatively low level of new construction. This is supported by the findings of a study conducted by the Urban Land Institute and PwC, according to which investors have awarded Berlin the top rank in Europe as the location offering the best investment opportunities on the basis of excellent fundamentals and favourable prices on an international comparison.[38]

According to the most recent reports published by the Statistical Office for Berlin-Brandenburg, population growth in Berlin lasting for approximately ten years now continues: At the end of March 2015, the city had just under 3.5 million inhabitants – approximately 8,700 more than at the beginning of the year – due to an influx of new residents.[39] The Senate Department for Urban Development and the Environment expects the population in Berlin to increase by 265,000 or 7.5 % to approximately 3.8 million by 2030, without taking account of the impact of the influx of refugees into the region.[40] The number of private households was approximately 1.96 million at the end of 2014.[41] The Senate Department for Urban Development and the Environment expects this figure to rise by approximately 9 % to 2.14 million by 2025,[42] with the number of single-person households, in particular, set to increase further.

Population forecast for Berlin 2015 – 2030

in k



Source: Berlin Senate Department for Urban Development and the Environment

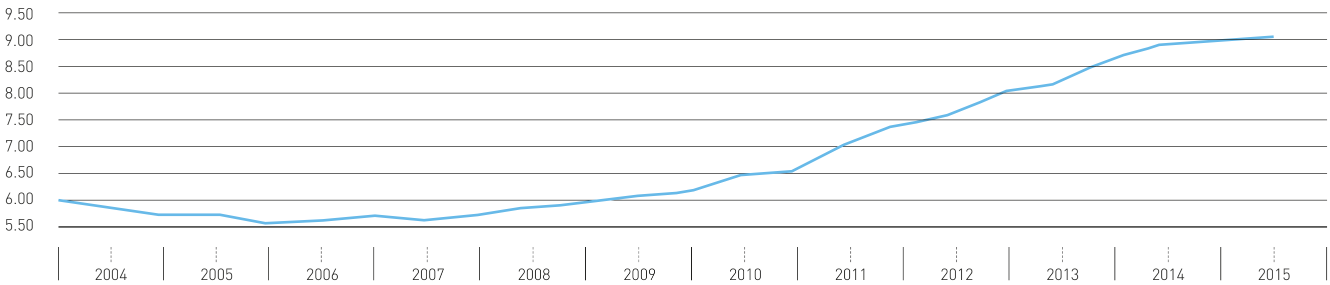
However, there is insufficient supply to match the growing demand for living space. The number of residential holdings in Berlin has increased by 1.3 % or 24,000 residential units since 2010 – though there has been an influx of almost 175,000 new residents over the same period of time.[43] Although the number of building permits for residential units increased slightly by 1.9 % to 16,549 in the first ten months of 2015, a decrease in the number of building permits issued was recorded in the new housing construction segment (– 8.9 %). In contrast, the number of building permits issued with regard to existing residential units increased by 1,599 (+ 77.5 %) to 3,664.[44]

The logical consequence of such an imbalance of supply and demand is an increase in rental and purchase prices. Rents in Berlin have increased by almost 40 % or EUR 2.50 per sqm since 2011, averaging at EUR 9.05 per sqm (median) in the first half of 2015, having risen by 5.0 % as compared to the equivalent period of the previous year. They are expected to continue to rise to a moderate extent over the next few years. The price for new builds amounted to approximately EUR 12.10 per sqm in the first six months of 2015, with the most expensive properties in Berlin-Mitte being offered at an average price of EUR 14.10 per sqm.[45]

[36] State Capital Potsdam, Statistics and Elections, Quarterly Perspective III/2015
[37] State Capital Potsdam, Statistical Information Service 5/2015, Small-Scale Population Forecasts for the State Capital Potsdam 2014 to 2035 and own calculation
[38] Urban Land Institute and PwC: Emerging Trends in Real Estate Europe 2015
[39] Statistical Office for Berlin-Brandenburg, press release no. 5 from 5/1/2016
[40] Berlin Senate Department for Urban Development and the Environment, Population Forecasts for Berlin 2015-2030
[41] Statistical Office for Berlin-Brandenburg, Compact Berlin Statistics 2015
[42] Berlin Senate Department for Urban Development and the Environment, Population Forecasts for Berlin 2015-2030 and own calculation
[43] JLL, Residential City Profile Berlin, 1st half year 2015
[44] IBB, Economic Situation in Berlin, December 2015
[45] JLL, Residential City Profile Berlin, 1st half year 2015

Development of median rent in Berlin

EUR/sqm/month



Source: JLL, Residential City Profile Berlin, 1st half year 2015

The purchase prices for owner-occupied residential units have experienced similarly dynamic growth: In the first half of 2015 rising by 9.1 % compared to the first half year 2014 and averaging out at EUR 3,020 per sqm.[46] By way of comparison, the rate of inflation rose by 0.1 % in 2015.[47] Berlin is a market which greatly captures the interest of national and international investors, not least due to the aforementioned developments and its persistently moderate rent levels as compared to other major cities. Thus, in the first six months of 2015 alone, approximately 22.2 % (first half year 2014: 16.7 %) of the total transaction volume was attributable to this metropolitan area.[48]

Rhine-Main metropolitan area including Frankfurt/Main

With approximately 5.6 million inhabitants, a workforce numbering 3.0 million wage earners and a gross domestic product of more than EUR 72,500 per member of the workforce, the Rhine-Main metropolitan area including Frankfurt/Main is one of the most significant economic regions in Germany.[49] The region's prominent position at the international level is due to its role as a financial markets centre, consulting and trade fair location, transport hub and research and development centre for the chemical and pharmaceutical industries.

Frankfurt/Main as an economic location

Frankfurt/Main is the most important city within the Rhine-Main metropolitan area. With around 716,277 inhabitants,[50] it is the largest city in the state of Hessen and the fifth largest city in Germany.

This major city along the River Main is one of the world's major transport hubs, with its international airport – the third largest in Europe in terms of passenger numbers – offering optimum connections to the most important worldwide destinations, while its main railway station, again one of the largest in Europe, and the motorways and arterial roads of its road network directly link Frankfurt to the European transport network.[51] As the home of the European Central Bank and the Frankfurt Stock Exchange, the city is a major international player in the monetary and currency policy arena and the most important financial and commercial centre in Germany.[52]

The above-average purchasing power of the population of the city of Frankfurt/Main amounts to EUR 24,920 per inhabitant.[53]

Consolidated financial statements
Further information

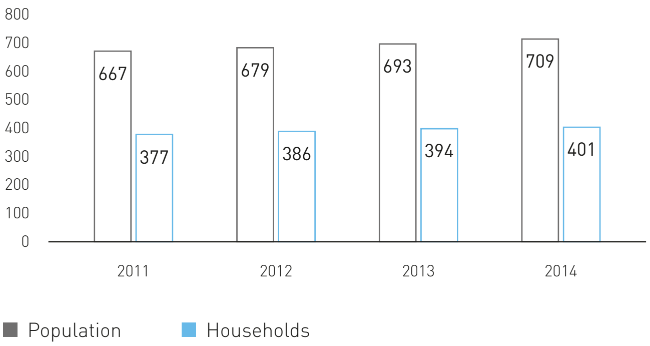
[46] JLL, Residential City Profile Berlin, 1st half year 2015
[47] Statistical Office for Berlin-Brandenburg, press release no. 2, dated 5/1/2016
[48] NAI apollo group, Figures & Data, Transaction Market Residential Property Portfolio, H1 2015
[49] Frankfurt Economic Development, website: Economic Key Facts, http://frankfurt-business.net/standort-frankfurt/wirtschaftliche-kennzahlen, accessed on 27/1/2016
[50] Frankfurt Economic Development, website: Economic Key Facts, http://frankfurt-business.net/standort-frankfurt/wirtschaftliche-kennzahlen, accessed on 27/1/2016
[51] City of Frankfurt/Main, website: Portrait of the location, http://www.frankfurt.de/sixcms/detail.php?id=2556771&_ffmpar%5B_id_inhalt%5D=3890777, accessed on 27/1/2016
[52] City of Frankfurt/Main, website: Business, http://www.frankfurt.de/sixcms/detail.php?id=stadtfrankfurt_eval01.c.125162.de, accessed on 27/1/2016
[53] Frankfurt Economic Development, website: Economic Key Facts, http://frankfurt-business.net/standort-frankfurt/wirtschaftliche-kennzahlen, accessed on 27/1/2016

Residential property market in Frankfurt/Main

The appeal of Frankfurt/Main is evidenced by the steady rise in its population since 2002, with the number of the city's inhabitants having increased by just under 14 % to approximately 708,500 by 2014[54] and, on the basis of the most recent calculations, set to reach the 800,000 mark by 2027.[55] The number of households has also risen significantly: There were approximately 401,400 private households in Frankfurt in 2014, over 6 % more than in 2011; the percentage of single-person households was 54.2 %, the average number of persons per household being 1.8.[56]

Population and households in Frankfurt/Main

in k



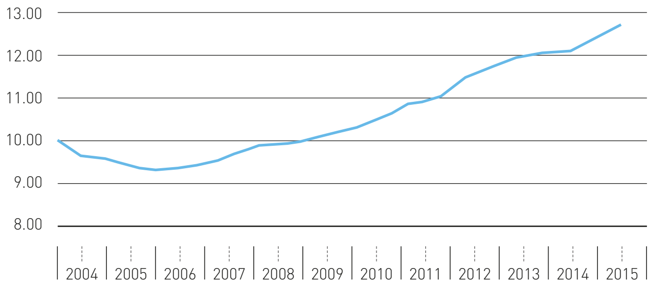
Source: Statistical Yearbook Frankfurt/Main 2015

Growing population numbers and an insufficient quantity of completed construction projects (2014: 2,972 residential units) result in a demand excess. According to the Frankfurt Residential City Report published by Jones Lang LaSalle (JLL), the need for new housing in 2015 is likely to amount to 6,000 residential units on the basis of an annual increase in the number of inhabitants of 13,000.[57]

The upward trajectory of rents in Frankfurt has significantly picked up pace since the second half of 2014, after coming to a virtual standstill at the end of 2013/beginning of 2014. Quoted rents averaged at EUR 12.75 per sqm (median) in the first six months of 2015, having risen by 5.6 % as compared to the first six months of 2014. The average offer price for new builds was approximately EUR 14.00 per sqm in the first half of 2015, having risen at an above-average rate of 6.1 % as compared to the equivalent period of the previous year, making these the most expensive residential units on the market. The considerable appeal of the city in economic terms, the resultant influx of new residents and an insufficient degree of construction activity in the foreseeable future will continue to exert significant pressure on the rental property market in the future.[58]

Development of median rent in Frankfurt/Main

EUR/sqm/month



Source: JLL, Residential City Profile Frankfurt, 1st half year 2015

On the other hand, the increase in purchase prices for owner-occupied residential units in the first half of 2015 outstripped even that recorded in the rental context, averaging at EUR 3,990 per sqm (median) – an increase of 12.6 %. By way of contrast to the situation in the rental property market, prices in this segment, particularly those at the lower end of the market, have been rising at an above-average rate. Given the persistently favourable financing climate, the great demand for living space and the current slow pace of new construction, the prices for owner-occupied residential units will continue to rise. However, presumably the strong dynamic development of prices will weaken a little.[59]

[54] Statistical Yearbook Frankfurt/Main 2015 as well as own calculations
[55] JLL, Residential City Profile Frankfurt, 1st half year 2015
[56] Statistical Yearbook Frankfurt/Main 2015 as well as own calculations
[57] JLL, Residential City Profile Frankfurt, 1st half year 2015
[58] JLL, Residential City Profile Frankfurt, 1st half year 2015
[59] JLL, Residential City Profile Frankfurt, 1st half year 2015

Hanover/Brunswick region

Hanover, the state capital of Lower Saxony, currently has nearly 551,000 inhabitants.[60] Brunswick is the second largest city in Lower Saxony with approximately 249,500[61] inhabitants. The purchasing power of Hanover and Brunswick is higher than the national average at EUR 22,613 and EUR 23,154 per capita, respectively.[62]

Hanover/Brunswick as an economic location

Both cities are located at the centre of Germany, and as such are within easy reach of conurbations such as Berlin, the Rhine-Main region or Southern Germany, with motorway, railway and airport links in place. The region's geographical location offers logistical advantages which attract companies such as DHL, DB Schenker, UPS and Hermes, and the automobile industry – with players such as Volkswagen – has historically also had a strong presence in the region.

Lower Saxony's largest city, Hanover, is also the state's most economic region: It is an innovative industrial location, a major centre of the service industry and a logistics hub for national and international markets. As a major location for trade fairs and conventions Hanover sets the tone for new developments in key technologies. The dynamic performance of the economy over the past years had an equivalent positive effect on the growth of the regional property market.[63]

Brunswick, which is close to Hanover, has developed into an important economic and research location within Europe. It has the highest proportion of research and development employees in Germany. The represented industries ranging from biotechnology to transportation technology. Reputable companies such as Volkswagen Financial Service, Siemens and Intel have based themselves in Brunswick.[64]

Residential property market in Hanover/Brunswick

The residential property market in Hanover is also being positively influenced by demographic developments. The population of the state capital is expected to increase by 19,200 or 3.7% by 2030.[65] At the same time, the persistently low vacancy rate of less than 2% has resulted in housing shortages. However, new construction activity has at last picked up pace: The number of completed projects more than doubled between 2012 and 2014, as compared to the preceding years (2009 to 2011).[66]

The average net cold rent in Hanover rose correspondent to the current rent index 2015 by EUR 0.15 per sqm or 2.5% to EUR 6.17 per sqm. Rents for large residential units in good locations feature a considerable increase on average from EUR 8.05 per sqm to EUR 9.10 per sqm, which represents an increase of 13%. Realisable rents for residential units in new builds have risen by EUR 1.00 per sqm or 7.4% to a high of EUR 14.50 per sqm. The purchase price for newly constructed residential units has increased by an average of 6.3% to EUR 3,400 per sqm, or by 4.4% to EUR 4,700 per sqm at the top end of the scale.[67]

The population of the City of Brunswick is projected to grow by approximately 2.5% to more than 255,600 inhabitants by 2030, with the number of households and the demand for residential units being expected to rise as a result.[68] High demand has meant rent increases across the board in recent years. According to the rent index 2014 the average net cold rent rose by 8% to EUR 5,59 per sqm since 2010.[69] For properties in very good locations the top rents reach to EUR 9.25 per sqm. In the future as well rents are expected to continue to rise slightly. In addition, hardly any properties are being put up for sale and this is reflected in the fall in transaction volume.[70]

[60] State capital and region Hanover, website: inhabitants,
http://www.hannover.de/Leben-in-der-Region-Hannover/Politik/Wahlen-Statistik/Statistikstellen-von-Stadt-und-Region/Statistikstelle-der-Landeshauptstadt-Hannover/Hannover-in-Zahlen/Einwohner, accessed on 29/1/2016
[61] City of Brunswick, Brunswick in Statistics, 2015
[62] MB-Research GmbH, Purchasing Power in Germany in 2015
[63] Cf. Region Hanover, Real Estate Market Report 2015
[64] City of Brunswick, website: business location,
https://www.braunschweig.de/wirtschaft_wissenschaft/wirtschaftsstandort, accessed on 29/1/2016

[65] State Capital Hanover, Papers on Urban Development Volume 120, Population Forecasts 2014 to 2025/2030
[66] Region Hanover, Real Estate Market Report 2015
[67] Region Hanover, Real Estate Market Report 2015
[68] City of Brunswick, Population Estimates 2012 to 2030
[69] City of Brunswick, Council Information Rent Index 2014
[70] Engel & Völkers, Market Report 2015/2016 Brunswick

Management Board analysis of the economic situation and business operations

The course set in previous years towards the concentration of our portfolio in Core+ and Core markets has been bearing fruit since at least 2014. The persistently high demand for housing has led to above-average increases in rents and prices in conurbations. Deutsche Wohnen has benefited from this situation in the form of valuation gains in the amount of approximately EUR 1.7 billion, among other things.

Operationally, we achieved or even exceeded our targets in letting, disposals and nursing. We concluded the financial year 2015 with FFO I in the amount of EUR 303 million, thereby being considerably ahead of the original forecast of at least EUR 250 million. Reasons are improved earnings from lettings and lower interest expenses.

Actual earnings from lettings in the amount of EUR 519 million exceeded the forecast of EUR 500 million. Rents were increased by approximately 3.5% across the total portfolio. Management costs were also slightly lower than projected as a result of the prompt implementation of cost reduction measures and lower vacancy costs.

Earnings from Disposals, at approximately EUR 69 million, exceeded our expectations. Demand for owner-occupied residential units on the part of private and institutional buyers remains high, also prompting us to make opportunistic and strategic disposals of portfolio holdings in Core+ regions in the year 2015.

In the Nursing and Assisted Living segment, our earnings likewise exceeded the projected EUR 14 million.

We were able to greatly optimise our financing structure and cash flow profile and lower our average interest rate to approximately 1.8% p.a. through refinancing in the amount of approximately EUR 1.3 billion. The Loan-to-Value Ratio (LTV) of the Deutsche Wohnen Group fell considerably to 38%. Furthermore, Moody's and S&P raised our ratings to A-ratings. Deutsche Wohnen's position with regard to refinancing instruments is a flexible one: On 24 July 2015, we issued our first corporate bond, in the amount of EUR 500 million. It has a term of five years and bears interest at a rate of 1.375% p.a.

In addition to improving our operating performance, we also further reinforced our balance sheet structure.

On 4 June 2015, Deutsche Wohnen AG successfully implemented a capital increase against cash contributions, issued out of the authorised capital of Deutsche Wohnen AG, with subscription rights and realising gross emission proceeds of approximately EUR 907 million.

Acquisitions activities were impacted by the increasingly tense situation on the markets in the wake of dynamic pricing developments. We were able to acquire a total of just under 22,000 residential units in a number of separate transactions in the year under review, with two thirds of the properties being located in Core+ regions and the remainder largely in Core regions.

A voluntary public takeover bid submitted to the shareholders of conwert Immobilien Invest SE, Austria, in March 2015 was not successful. The bid was intended to integrate approximately 15,000 residential units in Berlin, Potsdam, Dresden, Leipzig and Vienna. The remaining holdings, in particular the commercial properties, being earmarked for disposal. In spite of the assurances given by the major single shareholders representing approximately 25% of the shares in the early stages of the bid, the minimum acceptance threshold was not reached. The costs associated with the bid amount to approximately EUR 5 million.

Following further analysis of the German residential property market and the completion of the integration of GSW, Deutsche Wohnen put a proposal to its shareholders for a friendly merger with LEG Immobilien AG to the vote at an Extraordinary General Meeting held on 21 September 2015. After some initial criticism and intense discussion with our shareholders, a large number expressed their support for this transaction. However, we were forced to cancel the scheduled Extraordinary General Meeting as a result of the hostile takeover bid submitted by Vonovia SE on 14 October 2015, which ultimately led to the collapse of the transaction. The costs associated with this endeavour amount to about EUR 10 million.

The objective of the hostile takeover bid was – according to public statements of the management board of Vonovia SE – primarily to prevent the friendly merger of Deutsche Wohnen AG and LEG Immobilien AG. The Management Board and Supervisory Board rejected the offer in a joint statement. On 12 February 2016, Vonovia SE announced that it had not attained the minimum acceptance threshold. The shares which could be attributed to it at that point amounted to approximately 31.2 %. Thereby less than 20 % of the Deutsche Wohnen shareholders had accepted the offer. The remaining shares related to so-called tender commitments of holders of convertible bonds as well as Deutsche Wohnen shares purchased by Vonovia itself. Deutsche Wohnen estimates the costs incurred in defending the takeover bid at up to EUR 35 million, or about EUR 0.10 per share.

Notes on the financial performance and position

Financial performance

The following overview shows the business performance of the individual segments as well as other items in the consolidated profit and loss statement for the financial year 2015 compared to 2014:

EUR m	2015	2014
Earnings from Residential Property Management	519.2	505.8
Earnings from Disposals	68.9	52.4
Earnings from Nursing and Assisted Living	15.6	16.3
Corporate expenses	– 74.7	– 90.5
Other operating expenses/income	– 64.0	– 29.5
Operating result (EBITDA)	**465.0**	**454.5**
Depreciation and amortisation	– 5.7	– 6.1
Fair value adjustment of investment properties	1,734.1	952.7
Gains/losses from companies valuated at equity	1.8	– 0.5
Financial result	– 408.0	– 379.1
Profit before taxes	**1,787.2**	**1,021.5**
Current taxes	– 28.0	– 16.9
Deferred taxes	– 552.6	– 115.3
Profit/loss for the period	**1,206.6**	**889.3**

Overall, Deutsche Wohnen ended the financial year 2015 with a consolidated profit/loss for the period in the amount of EUR 1,206.6 million (+ EUR 317.3 million or 36 % compared to 2014).

In 2015, we once again profited from the strong demand for living space in conurbations and metropolitan areas caused by a continuous migratory influx and rising numbers of households. We were therefore able to realise rent increases and further advance the disposals business. In addition, the persistently high level of demand in the face of supply shortages, low interest rates and the high degree of liquidity in the market are generally exerting pressure to invest. Real estate property, particularly in conurbations, is considered to provide a "safe haven" in this regard, lowering the required return on investments and thus increasing value. In consequence we carried out an appreciation in the value of our real estate assets, particularly in Berlin.

The adjusted earnings before taxes could be improved by EUR 101.1 million, or approximately 36 %.

EUR m	2015	2014
Earnings before taxes	**1,787.2**	**1,021.5**
Restructuring and reorganisation expenses	11.6	15.2
Gains/losses from the valuation of properties	– 1,734.1	– 952.7
Gains/losses from fair value adjustments of derivative financial instruments and convertible bonds	213.7	111.5
Transaction costs and non-recurrent financing expenses	106.0	87.8
Adjusted earnings before taxes	**384.4**	**283.3**

The restructuring costs primarily relate to the second and final phase of the integration of GSW.

Due to the good share price performance, the valuation of the convertible bonds resulted in non-cash losses of EUR 217 million as at the reporting date (previous year: EUR 99 million).

Non-recurrent financing costs in an amount of approximately EUR 58.7 million were due, in particular, to the refinancing of loans in the amount of EUR 1.3 billion. The transaction costs largely comprised non-recurrent expenses incurred in connection with the takeover bids for conwert Immobilien Invest SE and LEG Immobilien AG in the amount of about EUR 15 million and the expenses incurred in the context of the hostile takeover bid by Vonovia SE in the amount of approximately EUR 33 million.

Earnings from Residential Property Management

The following overview shows portfolio key figures as at the reporting dates:

	31/12/2015	31/12/2014
Residential and commercial units	148,218	149,168
Residential and commercial space in sqm k	9,147	9,229
Fair value per sqm residential and commercial areas in EUR	1,282	1.062
In-place rent residential per sqm in EUR	5.89	5.69
Like-for-like rental growth in core and growth regions (letting portfolio) in %	3.6	2.5
Residential vacancy rate in %	1.8	2.2
Maintenance costs per sqm and year in EUR	9.45[1]	9.59[1]
Capital expenditure per sqm and year in EUR	10.53[1]	6.92[1]

[1] With consideration of the average floor space on a quarterly basis in the relevant period

An overview of the portfolio as at 31 December 2015 can be found from 54 of the chapter "Property portfolio".

EUR m	2015	2014
Current gross rental income	634.0	**626.3**
Non-recoverable operating costs	– 12.7	– 13.8
Rental loss	– 6.3	– 8.9
Maintenance	– 86.1	– 88.8
Other	– 9.7	– 9.0
Earnings from Residential Property Management	519.2	**505.8**
Staff and general and administration expenses	– 44.3	– 45.2
Operating results (Net Operating Income – NOI)	474.9	**460.6**
NOI margin in %	74.9	73.5
NOI in EUR per sqm and month[1]	4.34	4.14
Change in %	4.8	

[1] With consideration of the average floor space on a quarterly basis in the relevant period; in case of significant acquisitions were recorded within a quarter the average floor space was adjusted accordingly

With regard to the changes in in-place rents and capital expenditures, we refer to our portfolio disclosure from 57.

Losses arising from non-recoverable operating costs and rental loss amount to 3.0 % (previous year: 3.6 %) based on current gross rental income.

Other costs particularly comprise expenditure on marketing, ground rent and costs in relation to third-party administrative activities.

Earnings from Disposals

In the Disposals business segment, we sold a total of 9,405 residential units (previous year: 4,115).

EUR m	2015	2014
Sales proceeds	674.0	257.4
Cost of sales	– 21.5	– 12.1
Net sales proceeds	652.5	**245.3**
Carrying amounts of assets sold	– 583.6	– 192.9
Earnings from Disposals	68.9	**52.4**

Earnings from Disposals increased from the already high level of the previous year by approximately 31 % to EUR 68.9 million, due not least to the persistently favourable framework conditions. Real estate – above all in conurbations – continues to be considered an attractive investment and an opportunity for hedging against inflation. In addition, our sales activities are being bolstered by persistently low interest rates.

In the following, the key figures and earnings are shown divided according to residential unit privatisation and institutional disposals:

Privatisations

EUR m	2015	2014
Sales proceeds	186.7	**160.5**
Average sales price per sqm	1,394	1,181
Volume in residential units	1,908	2,016
Cost of sales	– 11.5	– 10.5
Net sales proceeds	175.2	**150.0**
Carrying amounts of assets sold	– 132.5	– 111.8
Gross margin in %	40.9	43.6
Earnings	42.7	**38.2**
+ Carrying amounts	132.5	111.8
./. Loan repayment	– 62.9	– 58.6
Liquidity contribution	112.3	**91.4**

A total of 1,908 residential units were privatised in the reporting period. The gross margin remains high at approximately 41 % (previous year: approximately 44 %).

Institutional sales

EUR m	2015	2014
Sales proceeds	487.3	**96.9**
Average sales price per sqm	952	734
Volume in residential units	7,497	2,099
Cost of sales	– 10.0	– 1.6
Net sales proceeds	477.3	**95.3**
Carrying amounts of assets sold	– 451.1	– 81.1
Gross margin in %	8.0	19.5
Earnings	26.2	**14.2**
+ Carrying amounts	451.1	81.1
./. Loan repayment	– 127.7	– 51.3
Liquidity contribution	349.6	**44.0**

In the financial year 2015, we directed our focus in particular towards opportunistic disposals of holdings in structurally weak locations in Berlin besides the streamlining of our portfolio.

Earnings from Nursing and Assisted Living

The Nursing and Assisted Living business segment is operated via a shareholding in the KATHARINENHOF® Group.

	Facilities	Places	Income	ø Occupancy in %	
Nursing and Assisted Living	number	number	EUR m	2015	2014
Berlin	7	847	30.3	95.7	94.6
Brandenburg	5	595	18.4	97.1	97.2
Saxony	7	475	13.5	100.0	100.0
Lower Saxony	1	131	4.9	98.9	99.8
Total	20	2,048	67.1	97.2	**96.1**

Of the 20 properties, 19 are owned by Deutsche Wohnen with a fair value of EUR 161.4 million as at 31 December 2015.

The quality of the service at all these facilities is above the industry average, which is reflected in the ratings granted by the Medical Service of the Health Insurance Industry: In 82 categories KATHARINENHOF® facilities were awarded very good ratings between 1.0 and 1.2. Of our 17 in-patient nursing homes, 16 are amongst the top 50 of the best nursing homes in Germany (rating of the FOKUS magazine). Our high occupancy rates, which have been above average for years, show that our ambitious nursing and assistance concept is bearing fruit. The average occupancy rate increased again to 97.2% in comparison to past years.

The earnings for the Nursing and Assisted Living segment in the past financial year is as follows:

EUR m	2015	2014
Income		
Nursing	53.3	55.4
Living	6.1	6.0
Other	7.7	6.8
	67.1	**68.2**
Costs		
Nursing and corporate expenses	–17.8	–18.6
Staff expenses	–33.7	–33.3
	–51.5	**–51.9**
Segment earnings	15.6	**16.3**
Attributable current interest	–4.8	–3.8
Segment earnings after interest expenses	10.8	**12.5**

The segment Nursing and Assisted Living contributed to the earnings of the Deutsche Wohnen Group in 2015 with an EBITDA amounting to approximately EUR 15.6 million. After deducting the current interest rate expenses, the earnings before taxes amounted to approximately EUR 11 million.

Corporate expenses

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

EUR m	2015	2014
Staff expenses	–45.9	–56.9
General and administration expenses	–28.8	–33.6
Corporate expenses	–74.7	**–90.5**

We completed the integration of GSW in the reporting year, significantly exceeding our savings target of EUR 25 million p.a. Corporate expenses incurred in 2013 in the pro forma amount of EUR 102.2 million (i.e. taking account of GSW over a twelve-month period) were reduced by more than EUR 27 million. The cost ratio in relation to the current gross rental income decreased against the previous year from 14.4 % to 11.8 %.

Other operating expenses/income

Other operating expenses/income primarily comprise the transaction costs arising in connection with conwert and LEG in the amount of approximately EUR 15 million and the hostile takeover bid of Vonovia in the amount of approximately EUR 33 million. In addition, restructuring costs of approximately EUR 8.8 million arose for the reduction in staff in the GSW Immobilien AG.

Financial result

The financial result is made up as follows:

EUR m	2015	2014
Current interest expenses	127.0	183.4
Accrued interest on liabilities and pensions	9.5	3.0
Transaction-related interest expenditures	58.7	82.2
Fair value adjustments of derivative financial instruments and convertible bonds	213.7	111.5
	408.9	**380.1**
Interest income	–0.9	–1.0
Financial result	408.0	**379.1**

The decrease in current interest expenses as compared to the previous year is due to the refinancing measures implemented in 2014 and 2015. The average interest rate fell in comparison to the previous year from 2.5 % to 1.8 % p.a.

Non-cash accrued interest relates to low-interest-bearing loans, liabilities from taxes and employee benefit liabilities.

Transaction-related interest expenditures primarily comprise prepayment penalties or redemption payments with regard to interest rate hedge transactions in the refinancing context.

After interest expenses, the cash flow from the portfolio increased by almost EUR 72 million, as shown in the following table:

EUR m	2015	2014
NOI from lettings	474.9	460.6
Current interest expenses (excluding Nursing and Assisted Living)	−122.2	−179.6
Cash flow from portfolio after current interest expenses	**352.7**	**281.0**
Interest cover ratio	**3.9**	**2.6**

The interest cover ratio (NOI relative to the current interest expenses) could once more be improved to 3.9 due to the rising operative results from Residential Property Management and scaling effects respectively, as well as low interest rates in the financing context.

Current taxes and deferred taxes

The current taxes for the financial year 2015 in the amount of EUR 28.0 million comprise current income taxes in the amount of EUR 21.5 million and non-cash tax expenses in the amount of EUR 6.5 million arising out of the capital increase.

The deferred taxes amounted to EUR 552.6 million.

Financial position

Selected key figures of the consolidated balance sheet:

	31/12/2015		31/12/2014	
	EUR m	%	EUR m	%
Investment properties	11,859.1	86	9,611.0	84
Other non-current assets	939.8	7	952.3	8
Total of non-current assets	**12,798.9**	**93**	**10,563.3**	**92**
Current assets	239.6	2	486.5	5
Cash and cash equivalents	661.6	5	396.4	3
Total of current assets	**901.2**	**7**	**882.9**	**8**
Total assets	**13,700.1**	**100**	**11,446.2**	**100**
Equity	**6,872.0**	**50**	**4,876.1**	**43**
Financial liabilities	3,780.4	28	4,779.0	42
Convertible bonds	965.4	7	748.7	7
Corporate bonds	498.3	4	0.0	0
Tax liabilities	37.5	0	46.1	0
Employee benefit liabilities	64.6	0	67.7	1
Deferred tax liabilities	1,110.2	8	557.9	5
Other liabilities	371.7	3	370.7	2
Total liabilities	**6,828.1**	**50**	**6,570.1**	**57**
Total equity and liabilities	**13,700.1**	**100**	**11,446.2**	**100**

Our total assets increased, primarily in consequence the appreciation in value of our real estate holdings. The equity ratio rose to 50 %.

The investment properties continue to represent the largest asset items. With regard to the revaluation, we refer to the chapter "Property portfolio" from 54.

Equity increased, largely due to the group profit realised in the amount of EUR 1.2 million and the capital increase implemented in June 2015. Furthermore, new shares were issued in the context of the settlement offer made pursuant to the domination agreement with GSW with the payment of a dividend for the financial year 2014 having a countervailing effect.

Financing

In the year under review, Deutsche Wohnen entered into loan agreements with its financing partners in the nominal amount of EUR 965.4 million in the context of early refinancing measures. Further loan agreements in the amount EUR 228.7 million were also entered into in the year under review, among other things for the purpose of reducing interest expenses.

In July 2015, Deutsche Wohnen issued a bond to institutional investors for the first time. The bond is in the amount of EUR 500 million, its term runs until July 2020 and it bears annual interest of 1.375 %. The proceeds of the issue were used to redeem loans from banks.

Furthermore, loans in the total amount of approximately EUR 350 million were repaid ahead of schedule out of the liquid funds generated by the group through the capital increase implemented in June 2015.

These financing measures also had the effect of improving key financial figures of the group. The average interest rate thus fell as compared to the reporting date of the previous year, from approximately 2.5 % p.a. to approximately 1.8 % p.a., while the annual repayment rate fell from approximately 1.1 % to approximately 0.7 %. The average term of the group's loans increased slightly as compared to the previous year to 9.2 years. The hedging ratio amounted to approximately 87 % as at 31 December 2015.

The group's Loan-to-Value Ratio (LTV) developed as follows:

EUR m	31/12/2015	31/12/2014
Financial liabilities	3,780.4	4,779.0
Convertible bonds	965.4	748.7
Corporate bonds	498.3	0.0
	5,244.1	**5,527.7**
Cash and cash equivalents	– 661.6	– 396.4
Net financial liabilities	4,582.5	**5,131.3**
Investment properties	11,859.1	9,611.0
Non-current assets held for sale	137.6	392.9
Land and buildings held for sale	66.9	58.1
	12,063.6	**10,062.0**
Loan-to-Value Ratio in %	38.0	**51.0**

Consolidated statement of cash flows

The most important cash flows are shown in the following:

EUR m	2015	2014
Net cash flows from operating activities	**220.0**	**189.4**
Net cash flows from investing activities	– 64.3	37.3
Net cash flows from financing activities	109.5	– 26.7
Net change in cash and cash equivalents	265.2	**200.0**
Opening balance cash and cash equivalents	396.4	196.4
Closing balance cash and cash equivalents	661.6	**396.4**

Deutsche Wohnen was again able to meet its financial obligations in full at all times in 2015. EUR 11 million of the cash and cash equivalents were restricted in use.

The net cash flows from operating activities improved mainly because of lower interest payments and the omission of the EK-02 payments.

Net cash flows from investing activities largely comprise sales proceeds and expenditure on investments.

Net cash flows from financing activities essentially includes all payments with regard to refinancing (repayments and new financing), incoming payments from the capital increase and the payment of the dividend for the financial year 2014.

Funds from Operations (FFO)

The key figure funds from operations without disposals (FFO I), which is decisive for us, rose significantly by approximately 39 % as compared the previous year, due to acquisitions and operative improvements in our portfolio:

EUR m	2015	2014
EBITDA	465.0	**454.5**
Other non-recurring expenses/income	– 0.2	0.0
Transaction costs	47.5	5.6
Restructuring and reorganisation expenditure	11.6	15.2
EBITDA (adjusted)	523.9	**475.3**
Earnings from Disposals	– 68.9	– 52.4
Valuation at equity	1.8	– 0.5
Interest expenses/income	– 126.1	– 182.4
Income tax	– 21.5	– 16.5
Minority shareholdings	– 6.2	– 5.9
FFO I	303.0	**217.6**
Earnings from Disposals	68.9	52.4
FFO II	371.9	**270.0**
FFO I per share in EUR[1]	0.94	0.75[2]
FFO II per share in EUR[1]	1.16	0.93[2]

[1] Based on the weighted average of around 320.85 million issued shares in 2015 and around 291.63 million in 2014
[2] With consideration of the effects arising out of the capital increase in June 2015 (so-called scrip adjustment of approximately 1.01)

EPRA performance indicators

The European Public Real Estate Association (EPRA) is an organisation based in Brussels, which represents the interests of listed companies within the European property sector. EPRA's primary objective is to ensure the further development of the sector, in particular by improving the transparency of reporting structures. The following key figures have been calculated in accordance with the standards recommended by EPRA.

Overview of EPRA key figures

	2015	2014
EPRA NAV (undiluted) in EUR m	7,762.4	5,326.0
EPRA NAV (undiluted) per share in EUR	23.01	17.86[1]
EPRA NAV (diluted) in EUR m	8,714.5	6,069.1
EPRA NAV (diluted) per share in EUR	23.54	18.40[1]
EPRA Earnings in EUR m	227.9	184.1
EPRA Earnings per share in EUR	0.68	0.62
EPRA Vacancies in %	1.9	2.3

[1] With consideration of the effects arising out of the capital increase in June 2015 (so-called scrip adjustment of approximately 1.01)

EPRA NAV

The EPRA NAV is already reported by Deutsche Wohnen since 2010. Net asset value is determined using the fair value of the property portfolio and having the property valuation being verified by CB Richard Ellis.

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In the reporting year, the EPRA NAV (undiluted) per share rose by 29 % from EUR 17.86 per share to EUR 23.01 per share. With consideration of the diluting effect of the convertible bonds 2013 and 2014 with a total nominal value of EUR 250 million and EUR 400 million the diluted EPRA NAV is EUR 23.54 per share.

EUR m	2015	2014
Equity (before non-controlling interests)	6,653.5	4,692.9
Fair value of financial instruments	44.8	144.9
Deferred taxes	1,064.1	488.2
EPRA NAV (undiluted)	**7,762.4**	**5,326.0**
Number of shares outstanding (undiluted) in m	337.4	298.1[1]
EPRA NAV (undiluted) in EUR per share	**23.01**	**17.86[1]**
Effects of exercise of convertible bonds	952.1	743.1
EPRA NAV (diluted)	**8,714.5**	**6,069.1**
Number of shares outstanding (diluted) in m	370.2	329.9[1]
EPRA NAV (diluted) in EUR per share	**23.54**	**18.40[1]**

[1] With consideration of the effects arising out of the capital increase in June 2015 (so-called scrip adjustment of approximately 1.01)

The EPRA NAV adjusted for goodwill is commensurate with the Adjusted NAV:

EUR m	31/12/2015	31/12/2014
EPRA NAV (undiluted)	7,762.4	5,326.0
Goodwill GSW	–535.1	–535.1
Adjusted NAV (undiluted)	**7,227.3**	**4,790.9**
Adjusted NAV (undiluted) in EUR per share	**21.42**	**16.07[1]**

[1] With consideration of the effects arising out of the capital increase in June 2015 (the so-called scrip adjustment of approximately 1.01)

EPRA Earnings

In the calculation of the EPRA Earnings, which represent the recurrent earnings from the core operating business, adjustments are made for valuation effects and sales proceeds, in particular.

EUR m	2015	2014
Earnings as per IFRS	**1,206.6**	**889.3**
Valuation result	–1,734.1	–952.7
Earnings from Disposals	–68.9	–52.4
Tax on profits or losses on disposal[1]	6.9	5.2
Valuation of financial instruments and close-out costs	271.0	185.3
Deferred taxes	552.6	115.3
Non controlling interest	–6.2	–5.9
EPRA Earnings	**227.9**	**184.1**
Number of shares outstanding (undiluted) in m	337.4	298.1[2]
EPRA Earnings (undiluted) in EUR per share	**0.68**	**0.62**
Number of shares outstanding (diluted) in m	370.2	329.9[2]
EPRA Earnings (diluted) in EUR per share	0.62	0.56

[1] For simplification a lump-sum of 10 % of the Earnings from Disposals are calculated as taxes
[2] With consideration of the effects arising out of the capital increase in June 2015 (so-called scrip adjustment of approximately 1.01)

EPRA Vacancies

The EPRA vacancy rate is calculated on the basis of the ratio of the estimated annualised market rents for the vacant properties to the market rents for the portfolio as a whole.

in %	2015	2014
EPRA Vacancies	1.9	2.3

Employees

Deutsche Wohnen has undergone a major transformation in recent years in the wake of the extensive growth experienced by the company, and has thereby succeeded in establishing a reputation as an attractive employer within the property sector. It is above it our focus on strategic employee and development and recruitment measures which enables us to attract and retain skilled personnel capable of meeting our high quality standards.

Deutsche Wohnen had a total of 766 employees as at 31 December 2015 (31 December 2014: 784). With approximately 70 % the majority thereof were employed at Deutsche Wohnen Management GmbH (DWM), Deutsche Wohnen Immobilien Management GmbH (DWI) and Deutsche Wohnen Kundenservice GmbH (DWKS), and as such were responsible for the management and administration of the properties, the management of rental contracts and tenant support. A total of 65.1% of our employees are female. The average length of service, at approximately nine years, has remained stable as compared to previous years.

Employees	31/12/2015	31/12/2014
Deutsche Wohnen[1]	**766**	**784**
Number of women (in %)[2]	499 (65.1)	522 (66.6)
Number of men (in %)	267 (34.9)	262 (33.4)
Number of trainees (in %)	47 (5.8)	58 (7.4)
Average age in years	41.3	41.9

[1] Excl. Management Board and trainees; incl. employees on maternity/paternity/parental leave, temporary staff and marginal employees
[2] Excl. Management Board and trainees

Strategic talent management, the promotion of work-life balance and family-friendly working conditions, as well as diversity and equality of opportunity, are the cornerstones of our personnel policy. Staff expenses amounted to EUR 45.9 million in 2015 (2014: EUR 56.9 million). Our superior training programme and dual course of study options mean that we are able to meet a sizeable proportion of our own future requirements for highly accomplished staff from among our own ranks.

In the year under review, we further increased our transparency vis-à-vis our employees by means of structured employee interviews and the implementation of a performance-based and market-aligned system of remuneration. A systematic employee survey conducted by Deutsche Wohnen every two years since 2014 provides important insight into the needs of our employees and forms the basis of our employee development measures.

Flexible working arrangements and women in management positions	31/12/2015	31/12/2014
Deutsche Wohnen		
Women in management positions in %[1]	51.7	48.2
Employees opting for part-time employment in %[1]	8.5	11.7
Employees opting to take parental leave in %	6.1	6.4

[1] Excl. Management Board and trainees

Deutsche Wohnen encourages diversity and does not tolerate any discrimination against its employees on grounds of their gender, age, background, disability or sexual orientation. We offer flexible working arrangements, for example part-time employment, to parents employed at our company with a view to helping them achieve a better work-life balance; 8.5 % of our workforce availed themselves of this option in the year under review, while 6.1 % opted to take parental leave. The consistently high proportion of female employees and the high proportion of women in management positions (2015: 51.7 %) within the company provide continued motivation for our endeavours in this regard.

KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs GmbH employed a further 1,393 staff members as at 31 December 2015.

Consolidated financial statements
Further information

REPORT ON THE INDIVIDUAL FINANCIAL STATEMENTS OF DEUTSCHE WOHNEN AG

Fundamentals of Deutsche Wohnen AG

Deutsche Wohnen AG (DWAG), Frankfurt/Main, is the parent company of the corporate group. It acts as a holding company and, together with its employees, is responsible for performing all of the important central functions within the group. The individual financial statements have been prepared in accordance with the provisions of the German Commercial Code (HGB) applicable to large corporations and the supplementary provisions of the German Stock Corporation Act (AktG). Deutsche Wohnen AG is a capital markets-oriented company and is listed on the Frankfurt Stock Exchange, among others.

The report on the financial performance and financial position of the group and the discussion of the risks and opportunities to which it is exposed also fundamentally apply to Deutsche Wohnen AG.

Employees

As at 31 December 2015, 158 employees[1] (previous year: 117) and 47 trainees and students (previous year: 58) were employed at Deutsche Wohnen AG.

Management Board analysis of business operations

The financial year 2015 was a successful one for the company. The capital increase implemented in June 2015, the issuance of low interest-bearing convertible bonds in previous years and the issuance of a corporate bond in the financial year under review resulted in a sustainable improvement in net income from interest. The profit/loss for the period fell, as compared to the previous year (EUR 177.3 million), to EUR 127.6 million, due to non-recurrent transaction costs.

Financial performance and financial position of Deutsche Wohnen AG

Financial performance

In the financial year 2015, Deutsche Wohnen AG realised annual profit in the amount of EUR 127.6 million on the basis of dividend payments from subsidiaries.

	2015	2014	Changes	Changes
	EUR m	EUR m	EUR m	relative in %
Revenues	26.4	18.2	8.2	45
Other operating income	10.2	1.8	8.4	467
Staff expenses	–19.7	–14.6	–5.1	35
Other operating expenses	–97.1	–28.1	–69.0	246
Depreciation and amortisation	–1.5	–1.6	0.1	–6
Operating results	**–81.7**	**–24.3**	**–57.4**	**236**
Net income from interest	0.1	–14.7	14.8	–101
Income from shareholdings	209.2	216.3	–7.1	–3
Annual earnings	**127.6**	**177.3**	**–49.7**	**–28**

Deutsche Wohnen AG acts as a holding company and generates revenues from the provision of business management services to the entire group. The change in the amount of revenues as compared to the previous year is due, in particular, to its adoption of the role of holding company for the GSW Group as at 1 January 2015.

[1] All employees incl. maternity/paternity/parental leave, incl. temporary staff and marginal employees, excl. trainees

Other operating income for the financial year 2015, at EUR 7.4 million, largely comprises income from the cancellation of reversals of deferred expenses and accrued income carried out in previous years and recognised as expenses in connection with the reporting on the balance sheet of the equity share resulting from the issuance of convertible bonds; this balance sheet reporting has undergone changes in the wake of the more recent case law of the German Federal Fiscal Court (BFH). Otherwise, as in the previous year, other operating income primarily comprises income from the passing on of costs within the group and the reversal of provisions.

The increase in staff expenses is largely attributable to the transfer of employees for the performance of holding functions for the GSW Group and to the growth of the group as a whole: Deutsche Wohnen AG thus had an annual average of 150 employees in 2015 (previous year: 113). Staff expenses comprise expenses – not having an effect on cash and cash equivalents – arising as a result of the programme of share-based remuneration for members of the Management Board in the amount of EUR 1.0 million.

In addition to ongoing legal and consultancy fees and IT costs, other operating expenses comprise, in particular, costs relating to capital increases and transaction costs. Transaction costs primarily relate to the takeover bids for conwert Immobilien Invest SE and LEG Immobilien AG, as well as the takeover bid by Vonovia SE.

Net income from interest consists of interest expenses in the amount of EUR 20.8 million (previous year: EUR 28.4 million) and interest income of EUR 20.9 million (previous year: EUR 13.7 million).

Interest expenses for the financial year 2015 comprise non-recurring expenses for the issuance of a corporate bond in the amount of EUR 2.1 million.

Interest expenses for the financial year 2014 comprise non-recurring expenses resulting from the termination and transfer of interest rate hedge transactions in the amount of EUR 6.4 million, non-recurring handling fees for the issuance of convertible bonds in the amount of EUR 3.6 million and the scheduled reversal, not having an effect on cash and cash equivalents, of deferred expenses and accrued income for the equity share reported on the balance sheet upon the issuance of convertible bonds in 2014 in the amount of EUR 6.8 million.

Value created at the subsidiary level accrues, via the earnings from shareholdings, to Deutsche Wohnen AG in its capacity as holding company. Earnings from shareholdings take account of transfers of earnings from subsidiaries pursuant to profit transfer and/or domination agreements and from partnerships in the total amount of EUR 10.9 million (previous year: EUR 7.1 million) as well as dividend payments from subsidiaries in the amount of EUR 198.3 million (previous year: EUR 209.2 million).

Financial position

	31/12/2015		31/12/2014		Changes
	EUR m	%	EUR m	%	EUR m
Fixed assets	3,123.3	45.0	2,600.1	51.2	523.2
Receivables and other assets	3,309.6	47.8	2,193.5	43.2	1,116.1
Cash and bank balances	501.0	7.2	284.7	5.6	216.3
	6,933.9	**100.0**	**5,078.3**	**100.0**	**1,855.6**
Equity	4,166.5	60.1	3,309.2	65.2	857.3
Provisions	39.8	0.6	16.7	0.3	23.1
Liabilities	2,727.6	39.3	1,752.4	34.5	975.2
	6,933.9	**100.0**	**5,078.3**	**100.0**	**1,855.6**

The fixed assets of Deutsche Wohnen AG, amounting to EUR 3,123.3 million (previous year: EUR 2,600.1 million), primarily consist of shares in affiliated companies amounting to EUR 3,117.2 million (previous year: EUR 2,595.7 million).

Shares in affiliated companies increased by EUR 500.0 million, in particular as a result of capital contributions to subsidiaries.

Further accruals relate to the increase in the shareholding in GSW Immobilien AG, Berlin, from approximately 93.1 % to approximately 93.8 %, due to ongoing tendering of shares.

Receivables and other assets primarily comprise receivables from affiliated companies, which increased in the context of the cash pooling system with Deutsche Wohnen AG as the central cash pool leader.

The equity of Deutsche Wohnen AG increased in the financial year 2015 by EUR 906.6 million as a result of the cash capital increase in June 2015 and by EUR 22.7 million as a result of the ongoing capital increase in kind pursuant to the domination agreement concluded with GSW Immobilien AG, which grants the minority shareholders the right to exchange shares of GSW Immobilien AG for shares of Deutsche Wohnen AG. Equity furthermore increased by EUR 0.7 million as a result of a capital contribution in connection with share-based remuneration for members of the Management Board and also as a result of the annual profit in the amount of EUR 127.6 million. The capital reserves in the amount of EUR 70.5 million which were established in 2013 and 2014 in connection with the issuance of convertible bonds were liquidated in the financial year 2015 in accordance with the most recent case law of the BFH. The payment of a dividend reduced the equity by EUR 129.9 million. The issued capital amounted to EUR 337.4 million as at the reporting date (previous year: EUR 294.3 million). The equity ratio amounted to 60% (previous year: 65%).

The increase in provisions is largely due to outstanding invoices relating to consultancy fees and transaction costs.

Liabilities can be broken down as follows:

EUR m	31/12/2015	31/12/2014	Changes
Liabilities to affiliated companies	1,569.6	1,095.8	473.8
Convertible bonds	651.2	651.2	0.0
Corporate bonds	503.0	0.0	503.0
Other liabilities	3.8	5.4	–1.6
	2,727.6	1,752.4	975.2

The increase in liabilities is attributable to the increase in liabilities to affiliated companies as a result of the intra-group cash pool with Deutsche Wohnen AG as the central cash pool leader, which has led to a corresponding increase in receivables from affiliated companies.

Furthermore, a corporate bond in the nominal amount of EUR 500.0 million was issued in 2015. This corporate bond is unsecured, grants interest of 1.375% p.a. and has a term of five years until 2020.

The debt ratio of Deutsche Wohnen AG (ratio of debt capital to total assets) as at the reporting date is 40% (previous year: 35%). The increase in the debt ratio is attributable to the changes made to the balance sheet structure, because the centralised cash pooling system and capital payments to subsidiaries resulted in an increase in the balance sheet total.

The presentation of a consolidated statement of cash flows is waived in accordance with sec. 264 para. 1 sent. 2 of the German Commercial Code (HGB).

Deutsche Wohnen AG was able to meet its financial obligations at all times in the financial year 2015.

Deutsche Wohnen AG has sufficient liquidity to meet its payment obligations through the intra-group cash management system and external credit lines.

Forecast

Deutsche Wohnen AG acts as a holding company within the group and as such is dependent upon the growth of its operating subsidiaries. In our plan for the financial year 2016, we have assumed that legal and fiscal framework conditions will not change. We furthermore expect the company to continue to operate successfully; we do not currently see any risks that could pose a threat to the company's existence. Overall, we once more anticipate a favourable environment for growth over the 2016 forecast period.

Our forecasts are based on the business projections derived from our planning instruments and take account of possible risks and opportunities associated with our future development. Nevertheless, some risks and opportunities associated with our future development remain, as is shown in the risk and opportunity report.

The financial position and financial performance of Deutsche Wohnen AG is dependent on the financial development of its subsidiaries. Earnings are also dependent on subsidiaries' transfer of profits and distributions.

We expect to realise earnings, excluding one-off items, in a positive amount in 2016.

EVENTS AFTER THE REPORTING DATE

At the beginning of January 2016, economic ownership of four property-holding real estate companies with a total of approximately 8,700 residential units was transferred to the Deutsche Wohnen Group in the context of its acquisition of the "OLAV" portfolio. This did not constitute a business combination. The transfer of further portions of the portfolio comprising approximately 4,800 residential units is expected to occur in the first and second quarters of 2016.

By way of transfer of economic ownership as at 1 January 2016, GSW Immobilien AG additionally acquired 51% of the shares in FACILITA Berlin GmbH, Berlin; this transaction constitutes a business combination. The allocation of the purchase price has yet to be undertaken, however it is not expected that any hidden assets or liabilities will be discovered, as the carrying amounts are commensurate with the fair values, the amount of which is immaterial. FACILITA will be fully consolidated from the date of its acquisition. The effects on the balance sheet are immaterial.

On 12 February 2016, Vonovia announced that it had not reached the minimum acceptance threshold for the hostile takeover bid made to the shareholders of Deutsche Wohnen.

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

RISK AND OPPORTUNITY REPORT

Risk management

Deutsche Wohnen AG continually examines any opportunities that arise to secure the continued development and growth of the group. The exploitation of such opportunities may also entail exposure to certain risks, in which case awareness, assessment and management of all of the important aspects of those risks will be of crucial importance. Only in this way is it possible to address risks in a professional manner. For this purpose, a central risk management system is in place within Deutsche Wohnen, which ensures the identification, measurement, management and monitoring of all material risks to which the group is exposed. A central component of this system is detailed reporting, which is continuously monitored and developed. It creates a link to identified risks on the basis of relevant key operating figures as well as financial data. Particular emphasis is placed on the key figures relating to changes in rentals and privatisations, cash flow, liquidity and balance sheet items.

As a result of intensive communication at the management level of the group, all decision-makers are constantly aware of all relevant developments within the company. Divergent developments or emerging risks that could potentially threaten the continued operations of the group are thereby identified at an early stage and appropriate remedial action is taken.

With regard to (group) accounting procedures, the risk management system is part of Deutsche Wohnen's system of internal controls.

The main features of our existing internal control and risk management system with regard to the (group) accounting procedures may be summarised as follows:

- Deutsche Wohnen is characterised by clear organisational, corporate, controlling and monitoring structures.
- There are group-wide harmonised planning, reporting, controlling and early warning systems and processes in place which facilitate the comprehensive analysis and management of performance-related risk factors and risks which pose a threat to the continued operations.
- The functions in all areas of the financial reporting process (e.g. financial accounting and controlling) are clearly assigned.
- The IT systems used for accounting purposes are protected against unauthorised access.
- Standardised software is predominantly used for the financial systems adopted.
- Adequate internal guidelines (including a group-wide risk management policy) are in place and are adapted as necessary.

- The departments involved in (group) financial reporting meet the quantitative and qualitative requirements.
- The completeness and accuracy of (group) accounting data is regularly monitored by means of spot checks and plausibility tests carried out both manually and with the aid of the applied software.
- Significant (group) accounting-related processes are subject to regular audits. The existing group-wide risk management system is continuously adapted to current trends and continually checked for its functionality.
- We consistently subject all (group) accounting-related procedures to a system of dual control ("four eyes" principle).
- The Supervisory Board deals, among other things, with significant issues of (group) accounting, risk management, commissioning the audit and the main focus of the audit.

The internal control and risk management system with regard to the accounting procedures, the essential features of which are described above, ensures that business-related issues are properly recorded, processed and recognised on the balance sheet, and included as such in the external accounts.

The clearly defined organisational, corporate, control and monitoring structures in place, as well as the allocation of appropriate staff and equipment to the accounting department, provide the foundation for the efficient functioning of the various components of the financial reporting system. Clear statutory and internal regulations and guidelines ensure the uniform and proper implementation of financial reporting procedures.

The internal control and risk management system ensures that the accounts of Deutsche Wohnen AG and all of the companies included in the consolidated financial statement are prepared in a uniform manner and in line with the legal and statutory regulations and internal guidelines.

The following risk categories have been identified and broken down into groups within the Deutsche Wohnen risk management system:

1. Strategic risks
2. Legal, corporate and political risks
3. Organisational and employee risks
4. Market risks
5. Property risks
6. Financial risks
7. Investment risks

Individual risks are managed at the department level and, where they involve an amount of damage in excess of EUR 500 thousand, are verified and allocated to the specified risk categories and early warning indicators in the context of the risk inventory. Newly identified individual risks are subject to ad hoc notification requirements and will be supplemented accordingly.

Subsequently, the evaluation of risks is on the basis of defined threshold values for the parameters on the amount of damage, probability of materialisation, relevance and countermeasures implemented. The relevance parameter demonstrates whether any factors are on hand which indicate any actual materialisation of early warning indicators. Countermeasures are correspondingly taken into account in the evaluation. Risks are ultimately assigned one of three priority levels: a risk which is considered to be high priority will be identified as a material risk.

The evaluations are updated by the risk management officers in consultation with the risk managers in the context of the quarterly risk inventory and subsequently discussed at personal meetings attended by all of the risk management officers, the risk managers, the management and the Management Board. The goal of this system is to ensure company-wide transparency with regard to the risk situation and the handling of risks across all segments.

The Supervisory Board receives comprehensive information on all relevant issues and developments affecting the group at each of its meetings. In addition, the internal risk management guidelines are updated as required.

Risk report

Strategic risks

Risks arising as a result of the failure to identify trends
Where market developments or trends are not identified, this could give rise to risks which could pose a threat to the continued existence of the company. In order to minimise these risks, all of the business segments are regularly made aware of the need for close monitoring of developments in their relevant sectors and for prompt notification of any changes to the risk management department, which will then take appropriate action.

Legal, corporate and political risks

Legal risks
Risks involving potential losses for the company may arise as a result of non-compliance with statutory regulations, non-implementation of new or amended legislation, the lack of comprehensive regulations in concluded contracts or insufficient management of insurance arrangements.

Orders for the suspension of construction work and non-procurement of building permits could also have an adverse effect on the company's operations as these could give rise to unscheduled costs or construction delays. The removal of contamination and the implementation of amendments to statutory provisions could result in increased expenses.

On 30 April 2014, a control agreement was concluded between Deutsche Wohnen AG, as the controlling company, and GSW Immobilien AG, as the controlled company, and took effect upon its registration in the commercial register on 4 September 2014. Pursuant to this agreement, Deutsche Wohnen AG is obligated to assume any losses incurred by GSW. Furthermore, Deutsche Wohnen AG has undertaken, upon request from the external shareholders of GSW to that effect, to acquire the latter's shares in exchange for shares of Deutsche Wohnen AG in the ratio of currently 3 : 7.079 (offer of compensation), guaranteeing to pay any external shareholders of GSW not accepting this offer a compensation payment in the form of an annual guaranteed dividend of EUR 1.66 gross per share over the term of the control agreement.

Motions brought by individual shareholders of GSW for the initiation of shareholder actions pursuant to sec. 1 no. 1 of the German Shareholder Action Act (Gesetz über das gesellschaftsrechtliche Spruchverfahren – SpruchG) for the review of the reasonableness of the offer of compensation and the compensation payment are currently pending before the courts. Should a court order or the terms of an amicable settlement result in the stipulation of a larger settlement and/or a larger amount of compensation, external shareholders of GSW may be able to demand supplementation of their settlement or compensation payments at the expense of Deutsche Wohnen.

Corporate risks
Furthermore, risks may arise in connection with past or future corporate mergers. In order to counteract these risks, the Management Board will in specific cases commission the carrying out of any necessary analyses for the purposes of obtaining a comprehensive overview of, and suggestions for dealing with, the identified risks. In addition, the Management Board will obtain in-depth advice from the company's Legal/Compliance department as well as from external legal advisers at renowned law firms before entering into any specific negotiations. The Management Board is aware that strategic external growth should not be pursued under all circumstances.

Political and regulatory risks
Regulatory intervention in tenancy law could affect the financial position of a residential property company.

For example, the legislative amendment in the form of the Act for the Moderation of Rent Increases in Berlin adopted by the Federal Government as at 1 June 2015 restricts the scope for rent increases upon the re-letting of living space to a maximum of 10 % above the customary local reference rent, except where modernisation work has been carried out, among other things. The new legislation did not have any significant effect on the financial position or financial performance of Deutsche Wohnen in the financial year 2015.

Further amendments to tenancy legislation are currently under discussion. These relate, in particular, to changes to the creation of the rent index, the apportionment of modernisation costs and the limitation of rent increases as well as the introduction of a regulation regarding cases of personal hardships. As a result, this could lead to lower rent increases and depending on its effect also on depreciation of the properties.

Organisational and employee risks

IT risks
Deutsche Wohnen AG uses SAP IT applications on a group-wide basis.

This theoretically exposes it to the risk of total failure of these applications and, consequently, significant disruption to its business operations. As a result, we have agreed with our IT service provider upon the provision of functioning operational, maintenance and administration processes, as well as of effective monitoring mechanisms. This is designed to prevent such a system failure and any possible associated data losses.

Personnel risks
A decisive factor for the success of our business operations are the knowledge and special skills of our employees. However, there is a risk that Deutsche Wohnen may not be able to retain the most qualified or best suited employees. We counteract this by providing a stimulating working environment and by means of financial and non-financial incentives. We believe that Deutsche Wohnen is one of the most attractive employers in its sector.

Risks arising in connection with employee conduct
Our code of conduct, which prescribes and defines dealings which are in compliance with the law, applies to and is binding on all of the company's employees. There is a risk that individual employees will fail to adhere to these guidelines and that the company may incur damage to its reputation and other losses as a result.

Every new employee is handed a copy of the code of conduct and undertakes to comply with it upon commencing his or her employment. In addition, the managerial staff ensure that their employees are made aware of material compliance-related risks. The Compliance Officer with group-wide responsibility in this context manages the company's list of and informs management, employees and business partners about the relevant legal framework and the consequences of violations of insider regulations. In addition, the Compliance Officer is the point of contact for any questions employees may have and for handling reports of suspected cases of non-compliance.

There are rules relating to signatures in force throughout the company which require two signatories and plausibility checks in accordance with a system of dual control ("four eyes" principle). The level within the company hierarchy of the signatories required will depend on the value of the invoice in question, rising in tandem with the latter.

General acquisition and integration risks
We subject every acquisition to in-depth review. In the process, a legal, financial and technical due diligence is conducted, and external specialists are consulted in case of need. This procedure is a standardised process implemented by Deutsche Wohnen for the purposes of identifying and assessing the risks associated with the acquisitions. We continue to pursue our growth strategy by means of acquisitions in existing as well as new regions, which we anticipate will enable us to realise synergies and cost savings. Nonetheless, we cannot rule out the possibility that it may only be possible to achieve these goals to a partial extent or at a later date. Furthermore, the performance of the acquired holdings will depend on various factors: the rents we expect to receive, the possible lowering of vacancy rates, the expense incurred in relation to maintenance measures, privatisation targets, the sale of non-strategic units and the costs relating to the integration process. The integration of new holdings requires the reorganisation of the administrative and management systems as well as the internal structures and processes. These factors may diverge from our estimates and result in a failure to realise the projected earnings or give rise to additional risks.

Market risks

Market risks may arise in the lettings market if the economic situation in Germany deteriorates, causing market rents to stagnate or fall. In a stagnant or shrinking economy, there may also be increased unemployment, which will limit the financial resources of tenants. A decline in net disposable income – whether due to unemployment, increased tax liability, tax adjustments or increased ancillary costs – could also have an adverse effect on Deutsche Wohnen's business operations, in the form of fewer new lettings, lower rents for new lettings or rising vacancy rates.

Should the economic situation in Germany deteriorate, this could also give rise to the risk of jobs being lost and tenants thus losing their regular income and no longer being able to pay their rent on time or at all. The Management considers the probability of this risk materialising to be low; it can be addressed at an early stage by maintaining close contact with tenants and by means of early recognition of financial problems, enabling Deutsche Wohnen to offer tenants smaller and cheaper residential units from its diversified portfolio.

In addition, a deterioration in the economy as a whole could result in a decline in interest in the purchase of properties, which would give rise to the risk, in both the individual privatisation and block sale contexts, of potential purchasers putting property investments on hold and thus causing delays in Deutsche Wohnen's disposal schedule.

Deutsche Wohnen recognises its investment properties (i.e. properties which are held with a view to generating rental income or for value enhancement purposes) at their fair value on the balance sheet. The fair value amount will be governed, in particular, by developments on the property market as a whole, those on the regional markets, the growth of the economy and – to a lesser degree – interest rate levels. There is therefore a risk that, in the event of negative developments on the property market or with the general economic situation or by increasing interest, the carrying amounts of its real estate assets reported by Deutsche Wohnen on its consolidated balance sheet may have to be amortised.

Property risks

Property risks may arise in connection with individual properties, the portfolio as a whole or the locations of the properties.

At the individual property level, these will relate, in particular, to maintenance lapses, structural damage, inadequate fire protection or wear and tear to properties caused by tenants. Risks can also arise in connection with site contamination – including wartime contamination, pollutants in soil or hazardous substances in building materials or possible breaches of building regulations. At the portfolio level, risks appear as a result of a concentration in the structure of the holdings. Such risks may include increased maintenance and refurbishment expenses and an increased difficulty in letting units.

Financial risks

Risks arising out in connection with group structures and shareholdings

With the group's number of shareholdings and complex ownership structure, increased transparency and greater management input are needed to prevent these having a negative impact on the group's business operations. These are also increasingly subject to provisions of commercial and tax law. Inadequate planning and management and a lack of effective controlling of investment proceeds could result in lower revenues.

Tax risks

Fundamental changes in tax regulations can lead to financial risks. For example, Deutsche Wohnen has established deferred tax assets in the amount of EUR 276.5 million on loss carry-forwards. Should the use of loss carry-forwards be subject to time restrictions or even denied entirely, this would give rise to an expense resulting from the amortisation of these deferred tax assets.

In the case of some subsidiaries, the external auditing of the data for past years has not yet been concluded and it is therefore possible that additional amounts of tax will be payable.

Deutsche Wohnen is subject to the rules relating to interest caps limiting the deduction for tax purposes of interest expenses in determining income, and the possibility that the application of these rules could in the future result in an additional tax burden cannot be excluded.

Furthermore, changes in our shareholder and organisational structure could result in liability to pay property transfer tax or the loss of tax loss carry-forwards.

The Deutsche Wohnen Group is subject to employee benefit liabilities arising out of the company's pension scheme in the form of pension commitments, in respect of which provisions in the amount of EUR 64.6 million were established as at 31 December 2015. However, the actual amount of these liabilities cannot be calculated in full ahead of time and involves a considerable degree of uncertainty, with the result that the actual amount of the employee benefit liabilities may exceed the amount of the established pension provisions. In addition, some subsidiaries/group companies are members of the Pension Institution of the Federal Republic and the Federal States (Versorgungsanstalt des Bundes und der Länder – VBL). Changes in the structure of the VBL can lead to a withdrawal from the institution thereby giving rise to significant claims for payment of equivalent amounts. Consequently, all personnel measures are carried out incorporating legal advice and coordination.

Liquidity risks

Deutsche Wohnen includes delayed cash flows from revenues and the granting of loans and unforeseen expenses leading to liquidity problems among its financial risks. Furthermore, fluctuations in the valuation of properties (IAS 40) due to negative developments in the residential property market and of derivatives could result in annual adjustments on the profit and loss statement.

Financial market risks and risks arising out of financial instruments

Following the successful refinancing and restructuring of the loan portfolio in 2014 and 2015, no significant liabilites are to be refinanced until and including 2019.

However, as a general rule banks may no longer be able or willing to extend expiring credit lines. The possibility that refinancing could become more expensive and that future contractual negotiations could become more time-consuming cannot be ruled out.

Furthermore, the loan agreements concluded by the company contain financial covenants, non-compliance with which could result in the extraordinary termination of loans by the banks. In the case of Deutsche Wohnen, these affect key financial figures which mostly relate to its ability to service its debts (debt service cover ratio (DSCR)/interest service cover ratio (ISCR)) and its debt ratio based on rental income (multiplier).

Significant risk exposure for the group arising out of financial instruments comprises interest-related cash flow risk, liquidity risk and default risks. The company's Management draws up and reviews risk management guidelines for each of these risks. **Default risks,** or the risk that a contractual partner will not be able to meet its payment obligations, are managed by means of credit lines and control processes. Deutsche Wohnen does not face any considerable default risk, either from partners or from groups of partners with similar characteristics. The **risk of a liquidity shortfall** is assessed on a daily basis with the aid of a liquidity planning tool. Deutsche Wohnen strives at all times to maintain liquid funds to enable it to meet any future obligations. The **interest rate risk** to which the group is exposed primarily relates to non-current financial liabilities subject to floating interest rates, and is hedged using interest rate derivatives. Please refer to our statements in the Notes from 104.

The goodwill acquired in connection with the takeover of GSW Immobilien AG (EUR 535 million) is routinely subjected to annual impairment testing, which could result in unscheduled, non-cash expenses having an effect on the financial position or financial performance of the company. No unscheduled expenses were recorded as at 31 December 2015.

Investment risks

The selection and planning of major maintenance measures can result in incorrect allocation of investment funds. It is also possible that additionally acquired units will not generate the expected returns, which could have an adverse effect on the group's business operations. Moreover, incomplete information contained in due diligence reports and evaluations as well as non-transparent allocation decisions and non-compliance with allocation provisions (e.g. in the case of the applications for public funding, resulting in the company being required to repay the funding) may give rise to risks.

Other risk factors directly related to investments made by the company include exceeding budgeted costs, non-compliance with deadlines and failure to meet standards for equipment, and may involve additional expenses for the company, as may delayed start-ups, rental losses (possibly rent reductions) or inadequate rectification of deficiencies. We avail ourselves of the services of external and internal specialists as well as relying on ongoing project monitoring in order to minimise these risks.

Opportunities for future development

In the financial year 2015, Deutsche Wohnen laid substantial groundwork for the company's continued positive performance.

As at the balance sheet date, its market capitalisation amounted to approximately EUR 8.6 billion, which represents an increase of about 48 % as compared to the previous year. As a result, Deutsche Wohnen has now made itself more visible in the hands of international investors, which could lead to advantageous interest rates on the capital markets.

FORECAST

The Deutsche Wohnen residential property portfolio exhibits considerable potential for growth, particularly in its core+ regions, with Berlin, Dusseldorf and the Rhine-Main region ranking top among Germany's major cities. In addition, the quality of the property portfolio has been further enhanced through acquisitions of attractive properties in our core+ regions and also as a result of portfolio streamlining measures.

Deutsche Wohnen's financing structure is highly stable and efficient: The group has secured financing for the long term and has a Loan-to-Value Ratio (LTV) which is lower than the average, having fallen consistently over the past few years. Our business model is accepted by our banking partners and our credit rating has improved steadily over the course of time.

In June 2015, the international rating agencies Standard & Poor's and Moody's raised our long-term issuer ratings to A– in the case of Standard & Poor's (previous year: BBB+) and A3 in the case of Moody's (previous year: Baa1), currently in both cases with sound prospects, reinforcing Deutsche Wohnen's position as one of the most highly ranked real estate companies in Europe. The issuer ratings accord us a greater degree of financial flexibility.

The favourable access to the equity and debt capital markets, together with the very low rates of interest at present, providing us with good opportunities for financing our future growth.

Overall, the strategy over the past few years of concentrating and orientating the portfolio on and towards growth markets – while at the same time lowering the company's debt ratio and the group interest rate – is likely to create great potential for value enhancement in the context of the Deutsche Wohnen's future development, thereby reinforcing its competitive edge over its competitors.

Overview of our risk position

Of all of the risks described in the foregoing, we consider financial risk and political and regulatory risk to be the most material. There were no significant changes in our overall risk position in the financial year 2015 as compared to previous years. In view of the countermeasures taken in this regard, we consider our overall risk exposure to be moderate and manageable. In our view, we are not currently exposed to any specific risks which pose a threat to the company's continued existence.

General economic conditions

The moderate growth of the economy experienced in the financial year 2015 is expected to continue with the same pace in 2016 according to the German Council of Economic Experts. In spite of an anticipated tightening of monetary policy, the United States and the United Kingdom are expected to maintain their stable growth. The economic recovery within the Eurozone is likely to continue, however it is in a fragile state and vulnerable to the anticipated abatement of the supporting effects of the exceptional measures which have been implemented recently. Overall, GDP in the global economic context is expected to increase by 2.6%, while the Eurozone is expected to record a growth of 1.5%.

It is anticipated that the German economy will continue on its upward trend, growing by 1.6% in 2016, and thus outpacing the country's "production capital". This upturn is due to the positive situation on the German job market and the resultant growth in private consumption. The number of gainfully employed persons is also set to increase once again by more than 300,000 in 2016.[1)]

Residential property and financial market

The prospects for the German residential property market are also good. Demand for residential property as a whole is set to rise further, with the country's economically strong regions and cities benefiting most from this development. New construction activity is also expected to increase in the years to come, however it is unlikely to even come close to meeting the need for new builds in Germany's cities, partially as a result of new measures of government intervention in the residential property market. In contrast, vacancy rates in demographically weak regions will continue to rise. In the investment market, returns are set to fall further.[2)]

In the financial markets context, there are no indicators of any major changes in the low interest rate policy, so that we base our planning on the assumption of lasting low interest rates. Thus, favourable financing conditions and low returns on alternative forms of capital investment should continue to stimulate demand for residential property.

1) German Council of Economic Experts – Annual Report 2015, published in November 2015
2) JLL, Overview of the German Residential Property Market, 1. half-year 2015

Forecast for the financial year 2016

Our forecasts are based on the business projections derived from our planning instruments and appropriately take account of possible risks and opportunities associated with our future development. Nevertheless, some risks and opportunities associated with the future development remain, as is shown in the risk and opportunity report.

In addition, our projections reflect assumptions as regards developments both in the economy as a whole and in the residential property market. We anticipate an FFO I of at least EUR 360 million in the financial year 2016, including the most recent acquisitions. This represents a basic scenario, i.e. excluding any further acquisitions and opportunistic disposals.

For the individual business segments we are planning the financial year 2016 as follows:

For the segment Residential Property Management, we intend to continue focusing on conurbations and on further enhancing the quality of our properties through investment. In 2014, as part of the re-evaluation of our portfolio, we launched a modernisation programme for the coming years in the amount of approximately EUR 400 million, with these funds earmarked for investment in the Core^{+} regions for the purpose of generating further potential for value. In 2016, ongoing maintenance measures are set to remain at the previous year's level, namely between EUR 9 per sqm and EUR 10 per sqm. We do not expect any material changes with regard to vacancies up to the end of the year. The projected like-for-like increase in rents amounts to 2.5%. Overall, we expect to realise segment earnings of approximately EUR 570 million.

Our Disposals segment will continue to focus on privatisation measures and the disposal of the holdings in the remaining Non-Core regions. Disposals from within the strategic core and growth regions will be decided depending on the situation and the opportunities.

We expect the Nursing and Assisted Living segment to contribute towards overall earnings in the amount of approximately EUR 16 million.

Interest expenses are likely to fall to approximately EUR 110 million in the wake of the refinancing measures taken in the past financial year.

Assuming the framework conditions remain stable, we also expect our property holdings to realise valuation gains in 2016, and thus anticipate an EPRA NAV per share of between EUR 25 and EUR 26 and a Loan-to-Value Ratio of approximately 40%. One-off items, such as unscheduled depreciation and amortisation of goodwill, have not been included in the projections, as we anticipate that, among other things, interest rates will remain low.

REMUNERATION REPORT

The remuneration report describes the principles underlying the system of remuneration for the members of the Management Board and the Supervisory Board of Deutsche Wohnen AG and explains the composition and amount of the individual remuneration paid to each of the Board members.

System of remuneration for the Management Board

The remuneration system for the Management Board and the total remuneration of the individual members of the Management Board are determined by the Supervisory Board and are subject to regular review. The remuneration is governed by the German Stock Corporation Act (AktG), supplemented by the regulations of the German Corporate Governance Code (GCGC).

Criteria for the appropriateness of the remuneration paid to members of the Management Board are the responsibilities of the individual member, his/her personal performance, the economic situation, the success and future prospects of the company, the extent to which the amount of his/her remuneration is customary among his/her peers and the remuneration structures within the company. The system of remuneration as a whole is geared towards the sustainable development of the company.

The contracts of all of the members of the Management Board provide for the payment of compensation in the event that their term of office ends early for reasons other than termination for good cause. The amount of this payment is limited to a maximum of two years' remuneration (settlement cap) and will not constitute remuneration for more than the residual term of the employment contract. The contracts also provide for the payment of compensation in the event of an early termination of the term of office as a result of a change of control, in which case the amount of the payment is limited, in line with sec. 4.3.2 of the GCGC, to a maximum of three years' remuneration and will not constitute remuneration for more than the residual term of the employment contract.

In addition to fixed remuneration, the members of the Management Board receive variable short-term and variable long-term remuneration, which may be withheld in the event of the non-attainment of targets and are also subject to an upper limit. The members of the Management Board, moreover, receive benefits in kind in the form of insurance premiums and personal use of means of communication and company vehicles. The contracts also provide for the Supervisory Board being able to approve bonuses in the event of extraordinary developments, the amount of which is limited. No pension arrangements have been made.

The variable short-term remuneration component – short-term incentive (STI) – is orientated towards short-term company targets, which are agreed annually in a target agreement between the Management Board and the Supervisory Board. The level of target attainment is determined after the respective financial year has ended. All claims to remuneration will be forfeited if the level of target attainment is lower than 75 %, with the upper limit in this regard being 125 %.

The variable long-term remuneration component – long-term incentive (LTI) – was revised in 2014.

Original long-term incentive (PSU Plan)

The PSU Plan is based on the provisions of the Deutsche Wohnen executive participation programme, the "Performance Share Unit Plan" (PSU Plan). According to this, the amount of the LTI depends on the development of the key figures of Funds from Operations (FFO), Net Asset Value (NAV) and the share price of Deutsche Wohnen AG within a four-year performance period.

A new performance period began each year as part of the PSU Plan. At the start of this period, a base value was agreed for each member of the Management Board in accordance with the contractual remuneration commitments stated in their contracts of employment. An entitlement for payment of the remuneration component only exists after the expiry of the relevant performance period, i.e. after four years. The amount of the payment entitlement is dependent on the development of the key figures for the FFO, NAV and the share price of Deutsche Wohnen during the performance period. In the event of extremely positive developments, there was a cap (three times the base value) on the maximum amount to be paid out. A negative development reduced the amount of the initial base value and the amount paid up to the total loss of the payment right.

New long-term incentive: Stock option programme (Aktienoptionsprogramm – AOP)

The introduction of the stock option programme 2014 ("AOP 2014") is to allow the members of the Management Board, who shape and implement the company's strategy and thus bear major responsibility for its performance, to partake in the company's financial risks and opportunities.

However, in order to safeguard the shareholders' interest in the sustainable enhancement of the value of the company, the stock options may only be exercised where defined performance targets are reached at the end of the waiting period. The stock options may only be exercised if and to the extent that the following performance targets are reached: Increase in (i) Adjusted NAV per share, (ii) FFO I (without disposals) per share and (iii) the share price development. These take account of both the relative performance of the company's share as compared to a group of publicly listed German competitors as well as the absolute development of the industry-specific corporate metrics NAV per share and FFO per share. This is intended to encourage the beneficiaries of the programme to act in furtherance of the goal of attaining positive sustainable performance on the part of the company.

In accordance with sec. 193 para. 2 sent. 4 of the German Stock Corporation Act (AktG), the waiting period for a tranche of stock options will in each case commence on the date of issue and end four years after that date. The period for the exercise of the options is three years. Stock options that are not or cannot be exercised by the end of the relevant seven-year term will expire or be forfeited without reparation or compensation.

The following stock options have been granted to date:

	Michael Zahn		Lars Wittan	
	2014	2015	2014	2015
Basis: 150 % of the LTI	1,125	1,125	390	390
Reference price in EUR	16.96	24.16	16.96	24.16
Options granted (number)	66,332	46,565	22,995	16,142

The final allocation will be undertaken upon the expiration of the waiting period and depending on the attainment of the above-mentioned criteria.

In addition to their stock options, Mr Michael Zahn holds 26,389 and Mr Lars Wittan 11,104 shares in the company.

The members of the Management Board have been granted the following remuneration:

	Michael Zahn Chief Executive Officer since 1/9/2007				Lars Wittan Member of the Management Board since 1/10/2011				Andreas Segal Member of the Management Board from 31/1/2014 until 10/11/2015			
EUR k	2014	2015	2015 (Min.)	2015 (Max.)	2014	2015	2015 (Min.)	2015 (Max.)	2014	2015	2015 (Min.)	2015 (Max.)
Fixed remuneration	731	825	825	825	344	376	376	376	386	426	426	426
Supplementary payments	28	34	34	34	25	24	24	24	30	26	26	26
Total fixed	**759**	**859**	**859**	**859**	**369**	**400**	**400**	**400**	**416**	**452**	**452**	**452**
Short-term incentive	500	500	0	625	240	240	0	300	240	240	0	300
short-term due	500	500	0	625	240	240	0	300	240	240	0	300
long-term due	0	0	0	0	0	0	0	0	0	0	0	0
Long Term incentive	750	750	0	1,125[1]	260	260	0	390[1]	260	260	0	390[1]
Total variable	**1,250**	**1,250**	**0**	**1,750**	**500**	**500**	**0**	**690**	**500**	**500**	**0**	**690**
Total amount	**2,009**	2,109	859	2,609	**869**	900	400	1,090	**916**	952	452	1,142

[1] The maximum limit corresponds to the target achievement of the three parameters, not to the share price development

As at the reporting date the entitlements of the Management Board resulting from the original PSU Plan for 2011 to 2013 have a value of EUR 1.87 million (Michael Zahn: EUR 0.90 million, Helmut Ullrich: EUR 0.37 million and Lars Wittan: EUR 0.60 million).

The following amounts were paid to the members of the Management Board in the financial year 2015:

	Michael Zahn		Lars Wittan		Andreas Segal	
EUR k	2014	2015	2014	2015	2014	2015
Fixed remuneration	731	825	344	376	386	426
Supplementary payments	28	34	25	24	30	26
Total fixed	**759**	**859**	**369**	**400**	**416**	**452**
Short-term incentive	309	725	155	313	0	300
short-term due	309	625	155	300	0	300
long-term due	0	100	0	13	0	0
Long Term incentive	0	450	0	143	0	550
Total variable	**309**	**1,175**	**155**	**456**	**0**	**850**
Severance payment	0	0	0	0	0	1,650
Special remuneration 2013	294	399	178	242	0	0
Total amount	**1,362**	2,433	**702**	1,098	**416**	2,952

Special remuneration was granted in 2013 for the successful acquisition of GSW Immobilien AG. The final instalment, which had been granted subject to the realisation of synergies and was to be immediately invested in shares of Deutsche Wohnen AG, was paid out in 2015.

Mr Segal was paid a severance package in the amount of EUR 1.6 million upon his early departure from the company. Apart from this, the agreement provided for the payment of compensation with regard to the existing LTI in the amount of EUR 0.6 million.

The PSU Plan 2011 and the retained portion of his short-term variable remuneration in the total amount of EUR 0.4 million were paid out to the former member of the Management Board, Helmut Ullrich, in 2015.

No loans or advances were granted to members of the Management Board of Deutsche Wohnen AG in the financial year 2015.

System of remuneration for the Supervisory Board

Each member of the Supervisory Board receives a fixed remuneration of EUR 60 k; the Chairman of the Supervisory Board receives double that amount and the Deputy Chairman of the Supervisory Board receives one and a half times that amount as remuneration. A Supervisory Board member receives lump-sum remuneration in the amount of EUR 10 k per financial year for membership of the Audit Committee, with the Chairman receiving double that amount. Remuneration for membership of any other Supervisory Board committees, with the exception of the Nomination Committee, is paid in the amount of EUR 5 k per member, committee and financial year. Each member of the Nomination Committee receives EUR 2.5 k per committee meeting.

The Supervisory Board remuneration for the financial year amounts to EUR 520.8 k (previous year: EUR 240 k) net of value added tax. Mr Flach receives EUR 140 k net (previous year: EUR 65 k), Dr Kretschmer receives EUR 117.5 k net (previous year: EUR 50 k), Mr Clement receives EUR 60 k net (previous year: EUR 30 k), Mr Hünlein receives EUR 67.5 k net (previous year: EUR 30 k), Dr Stetter receives EUR 72.9 k net (previous year: EUR 35) and Mr Wisser receives EUR 62.9 k (previous year: EUR 16.8 k on a pro rata temporis basis).

The company will reimburse the members of the Supervisory Board for any reasonable expenses incurred by them in the performance of their duties. The company will also reimburse the amount of any value added tax accruing on the remuneration paid to the members of the Supervisory Board, provided that the latter are entitled to invoice the company for the value added tax on a separate basis and avail themselves of this option.

Furthermore, the company has taken out liability insurance on behalf of the members of the Supervisory Board (so-called D&O insurance), with retention of 10 % of the value of the damage in question. This retention amount is limited, for all events of damage occurring within an annual policy period, to one-and-a-half times the amount of the fixed annual remuneration for the member of the Supervisory Board in question.

Miscellaneous

No loans were granted by the company to members of the Supervisory Board.

TAKEOVER-RELEVANT INFORMATION

pursuant to sec. 289 para. 4 and sec. 315 para. 4 of the German Commercial Code (HGB)

Issued capital and shares

The registered capital of Deutsche Wohnen AG as at 31 December 2015 amounted to EUR 337,411,867.00 (previous year: EUR 294,259,979.00) and is divided into 337,411,867 no-par value bearer shares with a notional share of the registered capital of EUR 1.00 per share. Deutsche Wohnen AG only has bearer shares.

All shares carry the same rights and obligations. Every share entitles the holder to one vote at the Annual General Meeting and determines the basis for the division of company profit amongst shareholders. The rights and obligations of the shareholders are outlined in detail in the provisions of the German Stock Corporation Act (AktG), in particular sec. 12, 53a ff., 118 ff. and 186 AktG. There are no shares with special rights conferring powers of control.

Capital increase

On 20 May 2015, the Management Board of Deutsche Wohnen AG with approval of the Supervisory Board, has resolved on a cash capital increase from its authorised capital, granting subscription rights to existing shareholders. On 4 June 2015, Deutsche Wohnen issued 42,166,532 new ordinary bearer shares with no-par value that carry full dividend entitlement from 1 January 2015 at a subscription price of EUR 21.50.

Shares of the capital representing more than 10 % of the voting rights

Pursuant to sec. 21 para. 1 of the German Securities Trading Act (WpHG), any shareholder whose shareholding reaches, exceeds or falls below of the thresholds of 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 % or 75 % of the voting rights of a publicly listed company must inform that company and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) accordingly without delay. Since notification on 5 February 2015 that the shareholdings of Sun Life Financial Inc. fell below the threshold of 10 %, there are no direct or indirect shareholdings that exceed 10 %.

Powers of the Management Board to issue or buy back shares

Authorised capital

By resolution of the Annual General Meeting held on 12 June 2015, which was entered into the commercial register on 14 July 2015, the Management Board has been authorised to increase the company's registered capital, with the consent of the Supervisory Board, by up to EUR 100 million once or several times in the period until 11 June 2018 by means of the issuance of up to 100 million new bearer shares against cash contributions and/or contributions in kind **(Authorised Capital 2015/I).** Shareholders are to be granted subscription rights in principle within the scope of the authorised capital. However, in certain cases, the Management Board is entitled to exclude the subscription rights of shareholders with the agreement of the Supervisory Board and subject to the conditions of the Articles of Association. The Authorised Capital 2014/I was cancelled upon the registration of the Authorised Capital 2015/I.

Contingent capital

The **Contingent Capital 2013/I** in the amount of EUR 16,075,714.00 serves the issuance of shares to the owners of convertible bonds with a total nominal value of EUR 250 million issued by Deutsche Wohnen AG on 22 November 2013 pursuant to the authorisation of the Annual General Meeting of 28 May 2013. It will only be exercised insofar as conversion rights arising out of the aforementioned convertible bonds are exercised, or insofar as conversion obligations arising out of the bonds are fulfilled, and provided that own shares, shares issued out of authorised capital or other benefits are not used to service the obligations.

By resolution of the Annual General Meeting on 12 June 2015 the **Contingent Capital 2014/I** was reduced by cancellation in an amount of EUR 25 million and remains in an amount of EUR 25 million. The contingent capital increase serves the issuance of shares to the owners of convertible bonds with a total nominal value of EUR 400 million issued by Deutsche Wohnen AG on 8 September 2014 pursuant to the authorisation of the Annual General Meeting of 11 June 2014. It will only be exercised insofar as conversion rights arising out of the aforementioned convertible bonds are exercised, or insofar as conversion obligations arising out of the bonds are fulfilled, and provided that own shares, shares issued out of authorised capital or other benefits are not used to service the obligations.

A resolution of the Annual General Meeting held on 11 June 2014 authorised the contingent increase of the registered capital of the company by up to a further EUR 15 million by means of the issuance of up to 15 million new no-par value bearer shares **(Contingent Capital 2014/II).** The contingent capital increase serves the granting of compensation in the form of shares in the company to the external shareholders of GSW Immobilien AG ("GSW") in accordance with the provisions of the domination agreement between the company and GSW dated 30 April 2014 at the exchange ratio specified in clause 5 para. 1 of the domination agreement (seven no-par value shares of Deutsche Wohnen AG in exchange for three no-par value shares of GSW Immobilien AG) or at an adjusted exchange ratio pursuant to clause 5 para. 4 or clause 5 para. 5 of the domination agreement. On 4 June 2015 the exchange ration was adjusted to 7.0790 no-par value shares of Deutsche Wohnen AG in exchange for three no-par value shares of GSW Immobilien AG according to clause 5 para. 4 of the domination agreement due to the capital increase of the same day. To the extent that this is necessary pursuant to clause 5 para. 2 of the domination agreement, the company will pay compensation for fractional shares in cash. As at 31 December 2015, EUR 9,028,604.00 of this Contingent Capital 2014/II had been used – by means of the issuance of 9,028,604 new no-par value bearer shares with a corresponding increase of the registered capital –, with EUR 5,971,396.00 remaining per 31 December 2015. Individual shareholders of GSW have brought motions for the initiation of appraisal proceedings for the review by the court of the appropriateness of the settlement offer and the compensation. Therefore, in accordance with sec. 305 para 4 sent. 3 of the German Companies Act (AktG), GSW shareholders can exchange their GSW shares for Deutsche Wohnen shares on the basis of the terms of the offer or of the decision of the legal review procedure or of an amicable agreement reached on this matter until up to two months after publication of the final decision of the legal review procedure in the Federal Gazette. If a higher level of compensation and/or a higher settlement is decided upon by the court, then, subject to statutory provisions, minority shareholders of GSW Immobilien AG can demand an addition to the compensation or settlement they have already received. In light of this, an issuance of shares remains a possibility.

Furthermore, the contingent increase of the registered capital by up to EUR 12,879,752.00 by means of the issuance of up to 12,879,752 new no-par value bearer shares, each representing a share of the registered capital of EUR 1.00 has been authorised **(Contingent Capital 2014/III).** This contingent capital serves solely the purpose of the issuance of share options to the members of the Management Board of the company and to selected executives of the company and affiliated companies in accordance with the more specific provisions of the authorising resolution adopted by the Annual General Meeting held on 11 June 2014. The contingent capital increase will only be implemented insofar as holders of share options exercise their subscription rights with regard to shares of the company and the company does not issue own shares for the purposes of upholding those subscription rights. Any new shares issued as a result of the exercise of share options will be entitled to dividends for the first financial year with regard to which, at the time of their issuance, no resolution had yet been adopted by the Annual General Meeting as to the use of the net profit, to the extent legally and effectively permissible. Alternatively, the new shares will be entitled to dividends as of the financial year in which they accrue.

By resolution of the Annual General Meeting held on 12 June 2015 the registered capital is conditionally increased by up to EUR 50 million through the issuance of up to 50 million new no-par value bearer shares **(Contingent Capital 2015/I).** The contingent capital increase serves to grant shares to the holders or creditors of convertible bonds, bonds with warrants, participation rights and/or participating bonds (or combinations of these instruments) issued by Deutsche Wohnen AG or dependent companies or companies directly or indirectly majority-owned by Deutsche Wohnen AG on the basis of the authorising resolution adopted by the Annual General Meeting held on 12 June 2015 in the period until 11 June 2020. It will only be exercised insofar as conversion or option rights arising out of the aforementioned convertible bonds or bonds are exercised, or insofar as conversion obligations arising out of the bonds are fulfilled, and provided that own shares, shares issued out of authorised capital or other benefits are not used to service the obligations. The Management Board has been authorised by a resolution of the Annual General Meeting of 12 June 2015 to issue no-par value convertible and/or warrant bearer bonds and/or profit participation rights with option or conversion rights (or a combination of these instruments) in a nominal amount of up to EUR 1.5 billion and to grant the creditors thereof conversion or option rights for Deutsche Wohnen shares representing a share of the issued capital of up to EUR 50 million.

Acquisition of own shares

The acquisition of own shares is authorised pursuant to sec. 71 ff. of the German Stock Corporation Act (AktG) and also, as of the balance sheet date, by the Annual General Meeting held on 11 June 2014 (agenda item 14). The Management Board is authorised, with the consent of the Supervisory Board and subject to compliance with the principle of equal treatment under sec. 53a German Stock Corporation Act (AktG), to purchase and use the company's shares prior to 10 June 2019 up to a total of 10% of the company's outstanding share capital at the time the resolution is passed, or at the time the authorisation is used if this figure is lower. Shares acquired using this authorisation together with other treasury shares the company has previously acquired and still holds or are attributable to it under sec. 71a ff. German Stock Corporation Act (AktG) may not at any time exceed 10% of the Company's share capital.

The authorisation may not be used for the purposes of trading in own shares.

As at the balance sheet date, the company did not have any own shares.

Appointment and dismissal of members of the Management Board and amendments to the Articles of Association

Members of the Management Board are appointed and dismissed pursuant to sec. 84 and sec. 85 of the German Stock Corporation Act (AktG). The Supervisory Board appoints members of the Management Board for a maximum of five years. A reappointment or an extension of the term of office are both permitted for a maximum of five years. The Articles of Association of Deutsche Wohnen AG additionally stipulate in sec. 5 that the Management Board has to consist of at least two members and that otherwise the Supervisory Board determines the number of Management Board members. It may appoint deputy members of the Management Board and nominate a member of the Management Board as Chief Executive Offices or Spokesperson of the Management Board.

According to sec. 119 para. 1 no. 5 of the German Stock Corporation Act (AktG), the Annual General Meeting decides on changes to the Articles of Association. Pursuant to sec. 10 para. 5 of the Articles of Association, the Supervisory Board is authorised to make changes to the Articles of Association which affect the version only. Pursuant to sec. 10 para. 3 of the Articles of Association, the resolutions of the Annual General Meeting are passed by a simple majority of votes and, if a majority of shares is required, by a simple majority of capital, unless otherwise prescribed by law or the Articles of Association.

Change-of-control clauses and compensation agreements in the event of a takeover offer

The essential agreements of Deutsche Wohnen AG and its group companies which are subject to a change of control relate to financing arrangements. As is customary in such cases, these entitle the lender to terminate the financing arrangement and demand early payment of the redemption amount in the event of a change of control.

Under certain circumstances, a change of control could have impact on the convertible bonds and the corporate bonds issued by Deutsche Wohnen AG. The respective terms and conditions contain standard agreements that grant the holders the right to terminate and convert the bonds prematurely in case a change of control according to the definition in the Terms and Conditions comes into effect.

The employment contracts of the members of the Management Board likewise contain provisions applicable in the event of a change of control. In the event of premature termination of their employment due to a change of control of the company, the members of the Management Board will receive benefits in accordance with the requirements of sec. 4.2.3 of the German Corporate Governance Code and with the limitation on the cap on remuneration prescribed in therein in each case.

CORPORATE MANAGEMENT

We have published the information according to sec. 289a of the German Commercial Code (HGB) on our website http://ir.deutsche-wohnen.com.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

as at 31 December 2015

EUR k	Notes	31/12/2015	31/12/2014
ASSETS			
Investment properties	D.1	11,859,098	9,610,999
Property, plant and equipment	D.3	45,655	25,940
Intangible assets	D.4	546,329	546,074
Derivative financial instruments	D.7	27	41
Other non-current assets		22,255	28,574
Deferred tax assets	D.17	325,513	351,678
Non-current assets		**12,798,877**	**10,563,306**
Land and buildings held for sale	D.5	66,913	58,055
Other inventories		3,501	3,481
Trade receivables	D.6	13,368	17,704
Income tax receivables		8,094	4,032
Derivative financial instruments	D.7	3	13
Other current assets		10,210	10,316
Cash and cash equivalents	D.8	661,566	396,398
Subtotal current assets		**763,655**	**489,999**
Non-current assets held for sale	C.10	137,582	392,911
Current assets		**901,237**	**882,910**
Total assets		**13,700,114**	**11,446,216**

EUR k	Notes	31/12/2015	31/12/2014
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Issued share capital	D.9	337,412	294,260
Capital reserve	D.9	3,558,901	2,735,911
Retained earnings	D.9	2,757,141	1,662,702
		6,653,454	**4,692,873**
Non-controlling interests	D.9	218,548	183,192
Total equity		**6,872,002**	**4,876,065**
Non-current financial liabilities	D.10	3,718,128	4,509,319
Convertible bonds	D.11	964,204	747,424
Corporate bonds	D.11	495,298	0
Employee benefit liabilities	D.12	64,551	67,655
Derivative financial instruments	D.7	33,064	126,418
Other provisions	D.15	12,357	17,209
Other liabilities		62,495	0
Deferred tax liabilities	D.17	1,110,209	557,896
Total non-current liabilities		**6,460,306**	**6,025,921**
Current financial liabilities	D.10	62,305	263,676
Convertible bonds	D.11	1,234	1,234
Corporate bonds	D.11	3,024	0
Trade payables		194,568	137,987
Liabilities to limited partners in funds	D.13	6,413	6,287
Other provisions	D.15	17,083	19,217
Derivative financial instruments	D.7	11,760	18,543
Tax liabilities	D.16	37,519	46,120
Other liabilities		33,900	45,123
Subtotal current liabilities		**367,806**	**538,187**
Financial liabilities regarding non-current assets held for sale	C.10	0	6,043
Total current liabilities		**367,806**	**544,230**
Total equity and liabilities		**13,700,114**	**11,446,216**

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the period from 1 January to 31 December 2015

EUR k	Notes	2015	2014
Income from Residential Property Management	E.1	633,965	626,260
Expenses from Residential Property Management	E.2	– 114,728	– 120,446
Earnings from Residential Property Management		519,237	**505,814**
Sales proceeds		673,986	257,420
Cost of sales		– 21,487	– 12,096
Carrying amounts of assets sold		– 583,613	– 192,947
Earnings from Disposals	E.3	68,886	**52,377**
Income from Nursing and Assisted Living		67,181	68,243
Expenses from Nursing and Assisted Living		– 51,593	– 51,896
Earnings from Nursing and Assisted Living	E.4	15,588	**16,347**
Corporate expenses	E.5	– 74,698	– 90,515
Other expenses/income	E.6	– 63,993	– 29,610
Subtotal		465,020	**454,413**
Gains from the fair value adjustments of investment properties	D.1	1,734,129	952,667
Depreciation and amortisation	D.3/4	– 5,657	– 6,092
Earnings before interest and taxes (EBIT)		2,193,492	**1,400,988**
Finance income		876	953
Gains/losses from fair value adjustments of derivative financial instruments and convertible bonds	D.7/11	– 213,708	– 111,523
Gains/losses from companies valuated at equity	B.3	1,840	– 457
Finance expense	E.8	– 195,344	– 268,532
Profit before taxes		1,787,156	**1,021,429**
Income taxes	E.9	– 580,582	– 132,177
Profit for the period		1,206,574	**889,252**
Thereof attributable to:			
Shareholders of the parent company		1,161,404	855,907
Non-controlling interests		45,170	33,345
		1,206,574	**889,252**
Earnings per share			
Undiluted in EUR		3.62	2.93
Diluted in EUR		3.62	2.93

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 December 2015

EUR k	2015	2014
Profit of the period	1,206,574	**889,252**
Other comprehensive income		
Items reclassified as expense at a later stage		
Net gain/loss from derivative financial instruments	61,603	1,605
Income tax effects	– 22,797	2,856
	38,806	**4,461**
Items not reclassified as expense at a later stage		
Actuarial losses/gains in pensions and impacts of caps for assets	1,695	– 13,138
Income tax effects	– 3,075	5,084
	– 1,380	**– 8,054**
Other comprehensive income after taxes	37,426	**– 3,593**
Total comprehensive income, net of tax	1,244,000	**885,659**
Thereof attributable to:		
Shareholders of the parent company	1,198,773	852,613
Non-controlling interests	45,227	33,046

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 January to 31 December 2015

EUR k	Notes	2015	2014
Operating activities			
Profit/loss for the period		1,206,574	889,252
Finance income		–876	–953
Finance expense		195,344	268,532
Gains/losses from companies valuated at equity		–1,840	457
Income taxes		580,582	132,177
Profit/loss for the period before interest and taxes		**1,979,784**	**1,289,465**
Non-cash expenses/income			
Fair value adjustment of investment properties	D.1	–1,734,129	–952,667
Depreciation and amortisation	D.3/4	5,657	6,092
Adjustment of derivative financial instruments and convertible bonds	D.7/11	213,707	111,523
Other non-cash operating expenses/income	G	–90,340	–42,477
Change in net working capital			
Change in receivables, inventories and other current assets		–27,995	14,763
Change in operating liabilities		–2,481	12,211
Net operating cash flows		**344,203**	**438,910**
Interest paid		–134,914	–203,058
Interest received		876	953
Taxes paid excluding EK-02-payments		–27,266	–10,578
Taxes received excluding EK-02-payments		37,062	1,717
Net cash flows from operating activities before EK-02-payments		**219,961**	**227,944**
EK-02-payments	D.16	0	–38,535
Net cash flows from operating activities		**219,961**	**189,409**
Investing activities			
Sales proceeds	G	680,299	261,254
Payments for investments		–750,441	–220,392
Proceeds from investments subsidies		68	872
Proceeds from dividends from shareholdings and joint ventures		56	0
Payments from sale of companies		0	–4,334
Other proceeds from investing activities		5,699	0
Payments to limited partners in funds	D.13	0	–53
Net cash flows from investing activities		**–64,319**	**37,347**
Financing activities			
Proceeds from borrowings	D.10	50,620	1,413,583
Repayment of borrowings	D.10	–1,111,823	–1,781,665
Proceeds from the issuance of convertible bonds	D.11	0	400,000
Payments from the repayment of convertible bonds	D.11	0	–1,911
Proceeds from the issuance of corporate bonds		498,445	0
One-off financing costs	E.8	–95,243	–101,188
Proceeds from sale of non-controlling interests		0	103,089
Proceeds from the capital increase	D.9	906,582	0
Other proceeds from financing activities		16,750	0
Costs of the capital increase	D.9	–20,355	–1,261
Payments		–260	0
Dividend paid to shareholder of Deutsche Wohnen AG	H	–129,873	–57,428
Dividend paid to shareholders of non-controlling interests		–5,317	0
Net cash flows from financing activities		**109,526**	**–26,781**
Net change in cash and cash equivalents		**265,168**	**199,975**
Opening balance of cash and cash equivalents		**396,398**	**196,423**
Closing balance of cash and cash equivalents		**661,566**	**396,398**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2015

EUR k	Issued share capital	Capital reserves	Retained earnings: Pensions	Retained earnings: Reserves for cash flow hedge	Retained earnings: Other reserves	Subtotal	Non-controlling interests	Equity
Equity as at 1 January 2014	**286,217**	**2,601,804**	**– 6,177**	**– 64,436**	**960,375**	**3,777,782**	**166,492**	**3,944,274**
Profit/loss for the period					889,252	889,252		889,252
Thereof non-controlling interests					– 33,345	– 33,345	33,345	0
Other comprehensive income after tax			– 8,054	4,461		– 3,593		– 3,593
Thereof non-controlling interests			15	284		299	– 299	0
Total comprehensive income, net of taxes			**– 8,039**	**4,745**	**855,907**	**852,613**	**33,046**	**885,659**
Capital increase	8,043	133,596				141,639		141,639
Costs of capital increase, less tax effects		– 857				– 857		– 857
Capital contribution relating to the remuneration of the Management Board		1,368				1,368		1,368
Change non-controlling interests					– 16,758	– 16,758	– 16,345	– 33,103
Dividend paid					– 57,428	– 57,428		– 57,428
Others					– 5,487	– 5,487		– 5,487
Equity as at 31 December 2014	**294,260**	**2,735,911**	**– 14,216**	**– 59,691**	**1,736,609**	**4,692,872**	**183,193**	**4,876,065**
Equity as at 1 January 2015	**294,260**	**2,735,911**	**– 14,216**	**– 59,691**	**1,736,609**	**4,692,872**	**183,193**	**4,876,065**
Profit/loss for the period					1,206,574	1,206,574		1,206,574
Thereof non-controlling interests					– 45,170	– 45,170	45,170	0
Other comprehensive income after tax			– 1,380	38,806		37,426		37,426
Thereof non-controlling interests			– 3	– 54		– 57	57	0
Total comprehensive income, net of taxes			**– 1,383**	**38,752**	**1,161,404**	**1,198,773**	**45,227**	**1,244,000**
Capital increase	43,152	886,133				929,285		929,285
Costs of capital increase, less tax effects		– 13,842				– 13,842		– 13,842
Transfer from the capital reserve		– 50,000			50,000	0		0
Capital contribution relating to the remuneration of the Management Board		959				959		959
Availment of reserves relating to the remuneration of the Management Board		– 260				– 260		– 260
Change non-controlling interests					– 4,122	– 4,122	– 9,872	– 13,994
Dividend paid					– 129,873	– 129,873		– 129,873
Others					– 20,338	– 20,338		– 20,338
Equity as at 31 December 2015	337,412	3,558,901	– 15,599	– 20,939	2,793,680	6,653,454	218,548	6,872,002

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year as at 31 December 2015

A General information on the consolidated financial statements of the Deutsche Wohnen Group

1 The Deutsche Wohnen Group

The consolidated financial statements of Deutsche Wohnen AG ("Deutsche Wohnen") as at 31 December 2015 were prepared by the Management Board on 18 February 2016. The Supervisory Board is scheduled to approve the consolidated financial statements at its meeting on 10 March 2016. Deutsche Wohnen AG is a publicly listed real estate company based in and operating across Germany with its registered office at Pfaffenwiese 300, Frankfurt/Main, and is registered in the commercial register of the Frankfurt/Main District Court under number HRB 42388.

The business activities of Deutsche Wohnen AG are limited to its role as the holding company for the companies in the group. These comprise, in particular, Asset Management, Corporate Finance, Investor Relations, Communication and Human Resources. The operating subsidiaries focus on residential property management and disposals relating to properties, as well as on the division Nursing and Assisted Living.

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

2 Consolidated financial statements

The consolidated financial statements of Deutsche Wohnen and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) and the commercial law provisions additionally applicable pursuant to sec. 315a para. 1 of the German Commercial Code (HGB).

The consolidated financial statements have been prepared on a historical cost basis. This excludes, in particular, investment properties, the convertible bond and derivative financial instruments, which are valued at their attributable fair value.

The consolidated financial statements comprise the financial statements of Deutsche Wohnen and its subsidiaries as at 31 December of each financial year. The financial statements for the subsidiaries are prepared using consistent accounting and valuation methods as at the same reporting date as the financial statements of the parent company.

3 Application of IFRS in the financial year

With the exception of new and revised standards and interpretations, the same accounting policies and valuation methods were applied to the consolidated financial statements for the past financial year as were used for the consolidated financial statements as at 31 December 2014.

First-time application in the financial year 2015:

Deutsche Wohnen was for the first time required to apply the provisions of IFRIC 21, which affects the balance sheet reporting of property taxes, as a tax liability already accrues at the beginning of the calendar year in this context. This had an effect on the balance sheet for the interim financial statements.

Apart from this, in the financial year 2015 there were no changes as a result of the first-time application of IFRS standards or IFRIC interpretations having a material effect on the group's financial statements.

The following shows IFRS standards which have already been published but do not yet have to be applied:

The amended IAS 19, which supplements an option to report performance-based pension commitments in which employees participate on the balance sheet, was applicable to financial years beginning from 1 February 2015 onwards. However, it does not have any effect on Deutsche Wohnen.

In May 2014, the IASB published IFRS 15 "Revenue from Contracts with Customers", a new standard relating to the realisation of revenues, pursuant to which revenues will be realised upon the customer's attaining of the power of disposal over the contracted goods and services. Furthermore, the revenues will be valued at the amount of consideration which the company expects to receive. IFRS 15 will replace the content of, for example, IAS 18 and IAS 11 and also comprises extensive new disclosure requirements. Its first-time application has been postponed until 1 January 2018, the endorsement thereof is currently still outstanding. Deutsche Wohnen is currently analysing possible effect on its reporting methodology.

The IASB published the final version of IFRS 9 "Financial Instruments" in July 2014. The new standard is obligatorily applicable from 1 January 2018 onwards and replaces IAS 39. The new provisions largely comprise the clear classification of financial instruments in accordance with the business model and the reporting on the balance sheet of expected losses on assets. Furthermore, it contains new provisions on hedge accounting, which in the future will be in line with the risk management system of the company concerned. The previous ranges of effectiveness between 80 % and 125 % will be replaced by proof of effectiveness in quantitative and qualitative terms. The endorsement thereof is currently outstanding. Deutsche Wohnen currently examines the impacts on its reporting on the balance sheet of financial instruments.

In addition, various amending standards were published in 2014. These comprise, for example, clarifications and simplifications relating to disclosure in the Notes, having regard to greater emphasis on the materiality of the disclosure in question. These amending standards have been endorsed and are applicable for reporting periods from 1 January 2016 onwards. Deutsche Wohnen does not expect them to have any material effect on its reporting methodology.

On 13 January 2016, the IASB published its new standard on the accounting procedures applicable to leases, IFRS 16, pursuant to which all leasing transactions are to be reported on the balance sheet in the form of depreciable rights of use and leasing liabilities. This standard will be mandatorily applicable from 1 January 2019 onwards, however it has not yet been endorsed. Deutsche Wohnen is currently examining possible effects.

During the reporting year, the IASB and the IFRS IC did not issue any further statements and amendments to standards having a significant effect on the consolidated financial statements.

4 Significant accounting judgements, estimates and assumptions

The preparation of the group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the group's accounting policies and valuation methods, management has made the following judgements, which have a significant effect on the amounts recognised in the consolidated financial statements. However, this excludes decisions involving estimates. Insofar as statements regarding discretionary decisions in the context of individual rules had to be made, an explanation was provided for the corresponding items.

Full consolidation of KATHARINENHOF® Group

Deutsche Wohnen AG assumes – despite not having the voting rights majority – to own the possibility to dominate KATHARINENHOF® Group, because of contractual agreements that allow the steering of significant activities and the possession of power of control via existing tender and put option arrangements. Insofar the KATHARINENHOF® Group is fully consolidated in the Deutsche Wohnen Group.

Operating lease commitments – group as lessor

The group has entered into leases to rent on its investment property portfolio. The group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions

The most important assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below.

Attributable fair value of investment properties and properties held for sale

The attributable fair value of investment properties was determined internally by portfolio valuations as at 30 June 2015 and 31 December 2015. The properties are clustered on the basis of their location and property quality. Assumptions regarding mainly the development of rents, vacancies, maintenance costs, and discount rates are made on the basis of these clusters. These valuation assumptions are subject to uncertainties due to their long-term nature that may lead to either positive or negative value adjustments in the future. The carrying amount of the investment properties and properties held for sale amounts to EUR 12.0 billion (previous year: EUR 10.0 billion).

Value of goodwill arising out of the acquisition of GSW

The value of goodwill arising out of the acquisition of GSW was determined as at 31 December 2015 on the basis of a discounted cash flow projection. The carrying amount of the goodwill arising out of the acquisition of GSW amounted to EUR 535.1 million (previous year: EUR 535.1 million) as at the balance sheet date. The following assumptions underlying the calculation of the value in use of the reporting units entail some uncertainty as to the accuracy of the estimates:

- Projected inflow of funds: The projections are based on historical empirical figures and take account of expected market growth in specific business areas on the basis of the location of the real estate portfolio in question. To the extent that the inflow of funds is reduced by 17 % in the past planning year (previous year: 27.0 %), the value in use will be commensurate with the attainable amount.

- Discount rate: The discount rate for the reporting units is determined on the basis of average weighted capital costs in line with industry standards. To the extent that the discount rate is increased to 4.29 % (previous year: 5.00 %), the value in use will be commensurate with the attainable amount.

- Growth rate: Growth rates are based on published industry-related market research. To the extent that the growth rate is reduced to 0.45 % (previous year: 0.16 %), the value in use will be commensurate with the attainable amount.

Pensions and other post-employment benefits

Expenses relating to post-employment defined benefit plans are determined on the basis of actuarial calculations. The actuarial calculations are made on the basis of assumptions regarding discount rates, future wage and salary increases, mortality and future pension increases. Such estimates are subject to significant uncertainty due to the long-term nature of these plans. The employee benefit liability from pensions obligations as at 31 December 2015 amounted to EUR 64.6 million (previous year: EUR 67.7 million).

B Basis of consolidation and consolidation methods

1 Basis of consolidation

The consolidated financial statements comprise Deutsche Wohnen AG and the subsidiaries it controls from the time of their acquisition, being the date on which the group obtains control. They continue to be consolidated until the date when such control ceases. The composition of Deutsche Wohnen can be seen in the list of shareholdings attached as Appendix 1 from 145.

In 2015, the basis of consolidation changed as follows:

- In total, 101 companies (previous year: 98) were integrated by means of full consolidation (Appendix 1).

- Three companies were fully consolidated from 1 July 2015 as a result of acquisitions of properties in the context of share deals. These transactions did not constitute business combinations, as they did not involve an acquisition of business operations within the meaning of IFRS 3.

2 Consolidation methods

The financial statements for the subsidiaries are prepared using consistent accounting and valuation methods as at the same reporting date as the financial statements of the parent company. Subsidiaries are fully included in the consolidation from the time of their acquisition, this being the date on which the group obtains control. They continue to be consolidated until the date on which the parent company's potential of control ceases.

Consolidation of capital is made in accordance with the acquisition method. The acquisition costs arising in the context of the acquisition of companies and businesses are offset against the fair value of the acquired assets and liabilities at the time of the acquisition. A difference in a positive amount resulting from this offsetting is recognised under assets as goodwill. Negative differences are immediately recognised in the consolidated profit and loss statement. The date of the acquisition represents the date at which the control over the assets and financial and operating activities of the acquired company or business is transferred to the group. Differential amounts arising out of disposals or acquisitions of shares of non-controlling shareholders are offset within equity.

All intra-group balances, transactions, revenues, expenses, and gains and losses from intra-group transactions which are included in the carrying amount of the assets are eliminated in full.

Joint ventures and associated companies are consolidated in accordance with the equity method pursuant to IAS 28, with the shareholding in question initially being reported at cost on the balance sheet and the recorded carrying amount thereafter being carried forward by means of pro rata changes in the equity of the associate or joint venture concerned.

Non-controlling interests (minority interests) represent the share of the profits and net assets not attributable to the shareholders of the parent company of the group. Non-controlling interests (minority interests) are reported separately in the consolidated profit and loss statement and on the consolidated balance sheet. The disclosure on the consolidated balance sheet is made within equity, separate from the equity attributable to the shareholders of the parent company.

3 Disclosure of shares in other companies

Deutsche Wohnen largely determines the character of its shares on the basis of the size of the shareholding in question and whether it exercises control within the meaning of IFRS 10.

Companies over which Deutsche Wohnen exercises control are classified as subsidiaries and fully consolidated.

Companies jointly owned and controlled by Deutsche Wohnen and partners outside of the group are classified in accordance with the criteria stipulated by IFRS 11. Companies over whose business operations Deutsche Wohnen exercises significant influence are classified as associated companies. Both joint ventures and associated companies are reported on the balance sheet in accordance with the equity method pursuant to IAS 28.

Deutsche Wohnen furthermore has interests in companies which constitute only minority shareholdings or which, as a result of limited voting rights, do not confer control over those companies. These are reported on the balance sheet as financial instruments (AfS) at amortised cost in accordance with IAS 39, since the fair value cannot reliably be determined.

The group's interests are outlined in the list of shareholdings as at 31 December 2015 (Appendix 1 145).

The following supplementary disclosure is made in accordance with the stipulations of IFRS 12:

Shares in fully-consolidated subsidiaries

At the reporting date, Deutsche Wohnen AG had 100 subsidiaries (previous year: 97). Access to the assets and liabilities of these is not subject to any restrictions.

Parties outside of the group hold minority shareholdings in some of the subsidiaries, which, however, only involve earnings entitlements. These are reported as minority interests in the consolidated financial statements. No significant distributions were made to minority shareholders in the year under review. As at 31 December 2015, the percentage of non-controlling interests in GSW Immobilien AG amounted to 6.2 % (previous year: 7.9 %).

Since 1 January 2015, Deutsche Wohnen's shareholding in the KATHARINENHOF® Group has amounted to 49 %. Nevertheless, it is a fully consolidated subsidiary because Deutsche Wohnen owns steering rights that allow significant influence on operations of KATHARINENHOF® Group. Furthermore, Deutsche Wohnen is in possession of power of control via existing tender and put option arrangements.

For the major subsidiaries with minority shareholdings the following consolidated financial information results:

EUR m	GSW Group
Non-current assets	4,410.6
Current assets	379.3
Cash and cash equivalents	121.9
Non-current liabilities	–2,139.0
Current liabilities	–194.0
Net assets	**2,578.7**
Earnings from Residential Property Management	191.3
Profit for the period	**631.1**
Other comprehensive income	16.2
Cash flows	35.0

For the companies of the group, Deutsche Wohnen AG granted guarantees, securities and other collateral towards third parties in the amount of EUR 967.0 million.

Shares in joint arrangements and associates

At the reporting date, Deutsche Wohnen had holdings in seven joint ventures and one associated company, with these companies being jointly managed by Deutsche Wohnen and an external partner company. The shareholdings are reported on the balance sheet in accordance with the equity method; no quoted market prices are available.

The joint ventures are currently deemed to be immaterial, generating annual earnings in the total amount of EUR 3.7 million in the financial year 2015 (previous year: EUR 0.4 million) and being reported on the balance sheet at a total carrying amount of EUR 7.1 million (previous year: EUR 4.3 million). The at-equity valuation of the joint ventures results in a valuation gain of EUR 1.8 million (previous year: valuation loss of EUR 0.5 million).

Deutsche Wohnen is not subject to any material financial obligations or guarantees/securities relating to the joint ventures or associates.

Shares in non-consolidated companies

Deutsche Wohnen holds shares in 18 (previous year: 19) non-consolidated companies which are deemed to be immaterial within the group. These generally relate to shareholdings in other property companies. No material obligations exist in relation to these companies.

Deutsche Wohnen's total risk exposure regarding these shareholdings is commensurate with their carrying amounts. The carrying amounts of the non-consolidated companies amounted to approximately EUR 5.8 million as at 31 December 2015 (previous year: EUR 14.9 million).

C Accounting policies and valuation methods

1 Assessment of the attributable fair value

The attributable fair value is the price which would be received for the disposal of an asset or paid for the transfer of a liability in the context of an orderly business transaction between market participants on the assessment date. The assessment of the attributable fair value is based on the presumption that the business transaction in the context of which the asset is sold or the liability is transferred occurs in either:

- The primary market for the asset or liability in question, or
- Where no primary market exists, the most advantageous market for the asset or liability in question.

The group must have access to the primary or most advantageous market. The attributable fair value of an asset or a liability is determined by reference to the assumptions on which the market participants would base their pricing of the asset or liability, assuming that the market participants would thereby be acting in their own best economic interests.

The group applies valuation techniques which are appropriate in the individual circumstances and for which sufficient data is available for the carrying out of a valuation at the attributable fair value. In this context, it is required to apply observable input factors to the greatest possible extent and minimise the application of non-observable input factors.

All assets and liabilities, whose attributable fair value of which is determined or reported in the financial statements, are classified in accordance with the following fair value hierarchy, based on the input parameter at the lowest level which is of overall significance for the valuation at the attributable fair value:

- Level 1 – (Unamended) prices quoted in active markets for identical assets or liabilities.

- Level 2 – Valuation procedure pursuant to which the input parameter at the lowest level which is of overall significance for the valuation at the attributable fair value which can be directly or indirectly observed in the market.

- Level 3 – Valuation procedure pursuant to which the input parameter at the lowest level which is of overall significance for the valuation at the attributable fair value cannot be observed in the market.

In the case of assets and liabilities which are recognised in the financial statements on a recurring basis, the group will decide whether the levels within the hierarchy have been reached by carrying out a review of the classification (on the basis of the input parameter at the lowest level which is of overall significance for the valuation at the attributable fair value) at the end of each reporting period.

2 Investment properties

Investment properties are properties that are held to generate rental income or for the purposes of generating value and which are not used by the company itself or held for sale in the course of normal business activities. Investment properties include land with residential and commercial buildings, undeveloped land and land subject to third-party leasehold rights.

Investment properties are valued initially at cost including transaction costs. Subsequent to the initial recognition, investment properties are measured at their attributable fair value. Gains or losses arising from adjustments are reported in the profit and loss statement.

Internal valuations of the residential and commercial buildings were carried out as at 31 December 2015, 30 June 2015 and 31 December 2014. The portfolio was also evaluated by CB Richard Ellis GmbH, Frankfurt/Main, as at 31 December 2015, 30 June 2015 and 31 December 2014, and the total value was confirmed. Value deviations for individual properties are no larger than +/– 10 % where an absolute materiality threshold of +/– EUR 250 k is exceed. In the overall result CB Richard Ellis deviates by a rounded – 0.4 % (previous year: – 0.2 %) from the internal valuation.

Investment properties are derecognised when either they have been sold or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses from the permanent withdrawal from use or disposal of investment properties are recognised in the year of their withdrawal from use or disposal.

Properties are transferred from the investment properties portfolio if there is a change of use caused by the company either starting to use the property itself or by the commencement of development with an intention to dispose.

3 Property, plant and equipment

Property, plant and equipment are stated at cost net of cumulative depreciation and amortisation and cumulative impairment losses. Subsequent acquisition costs are recognised insofar as it is likely that a future economic benefit from the property, plant and equipment will accrue for Deutsche Wohnen.

Scheduled straight-line depreciation and amortisation is based on the estimated useful life of the asset. The useful life of buildings is 50 years. The useful life of fixed assets is four to ten years.

Impairment tests regarding the carrying amounts of property, plant and equipment are performed as soon as there are indications that the carrying amount of an asset exceeds its recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the consolidated profit and loss statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at the end of each financial year and adjusted if appropriate.

4 Intangible assets

Deutsche Wohnen only recognises acquired intangible assets on the balance sheet. These are measured on initial recognition at cost. No economic or legal restrictions are currently in place with respect to the use of the intangible assets.

Intangible assets with a certain useful life are amortised on a straight-line basis over their respective useful lives. Their useful lives are between three and five years.

Intangible assets with an uncertain useful life, including goodwill in particular, are not amortised on a scheduled basis.

5 Borrowing costs

Interest on borrowings is recognised as an expense in the period in which it arises. There were no effects from the application of IAS 23 (revised), as the relevant assets (properties) were already recognised at fair value.

6 Impairment of non-financial assets

The non-financial assets consist mainly of property, plant and equipment, intangible assets and inventories. The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's attributable fair value less disposal costs and its value in use. The recoverable amount is determined for each individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is depreciated to its recoverable amount.

Goodwill acquired in the context of the acquisition of companies and businesses and intangible assets with uncertain useful lives are subjected to an impairment review at least once a year. For impairment testing purposes, these assets are attributed to those cash-generating units which are expected to benefit from the synergies resulting from the acquisitions of the companies and businesses. These cash-generating units represent the lowest level at which these assets are monitored for corporate management purposes. After gaining control of the GSW Group a corresponding cash-generating unit exists in the rental activities of the GSW Group.

The impairment test is carried out by determining the carrying amount of the cash-generating units based on estimated future cash flows which have been derived from actual values and projected for a three-year period with a customary growth rate. The carrying amounts of the cash-generating units are, however, essentially determined by the end value which will be dependent on the projected cash flow in the third year of the medium-term planning as well as the growth rate of the cash flows thereafter and the discount rate. After the three-year period, the cash flows are extrapolated using a growth rate of 1.0 % (previous year: 1.0 %), which does not exceed the presumed average market or industry growth rate.

A discount rate, based on the group's weighted capital cost rate, of 3.77 % (previous year: 4.03 %) before taxes is used to determine the present value.

Impairment losses are recognised in the profit and loss statement in those expense categories consistent with the function of the impaired asset within the company.

For all assets an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. In this case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of scheduled depreciation and amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss statement. There is no revaluation of any unscheduled depreciation and amortisation of goodwill.

7 Financial assets

Financial assets within the scope of IAS 39 are classified by Deutsche Wohnen

- as financial assets at their attributable fair value through profit or loss,
- as loans and receivables,
- as available-for-sale financial assets, or
- as derivative financial instruments designed as hedging instruments in an effective hedge.

Financial assets are recognised initially at their attributable fair value. In the case of financial assets which are not classified as having been valued at their attributable fair value, transaction costs directly attributable to the acquisition of the asset are taken into account. Financial assets are assigned to the valuation categories upon initial recognition. If permitted and necessary, reclassifications are made at the end of the financial year.

Financial assets, securities and loans are allocated to the Available for Sale (AfS) category and generally reported at their fair value on the balance sheet. However, they will be reported at cost on the balance sheet where their fair value cannot or cannot reliably be calculated. This is the case with fixed interest-bearing securities reported on the balance sheet and also loans, for which no market prices exist upon which the calculation of their fair value could reliably be based.

Other than derivative financial instruments with and without a hedging context, Deutsche Wohnen has not to date recognised any financial assets held for trading purposes or financial assets held to maturity on the balance sheet.

The receivables and other assets recognised on the consolidated balance sheet of the Deutsche Wohnen Group are allocated to the category "loans and receivables". Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are subsequently valued at amortised cost using the effective interest method less impairment. Gains and losses are recognised in profit/loss for the period when the loans and receivables are derecognised or impaired or when amortised.

Impairment of receivables from rental activities is made on the basis of empirical values. Reasonable individual impairments are made for other receivables and assets.

Interest rate hedging transactions are valued at their attributable fair value on the basis of a mark-to-market method, regardless of whether they are classified as an effective or non-effective hedging instrument.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to receive cash flows from the financial asset have expired.

8 Inventories

Inventories comprise land and buildings held for sale and other inventories. Land and buildings held for sale are sold in the normal course of business, so it may exceed a period of twelve months.

The initial valuation is made at cost. At the reporting date, the inventories are valued at the lower value of cost or cost and net realisable value. The net realisable value is the estimated selling price realisable in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

9 Cash and cash equivalents

Cash and cash equivalents on the consolidated balance sheet comprise cash on hand and cash at bank.

10 Non-current assets held for sale

The Deutsche Wohnen Group recognises investment properties and their associated financial liabilities as assets held for sale if notarised sales contracts are present as at the reporting date but the transfer of ownership takes place at a later date. Properties held for sale are valued at their attributable fair value.

11 Financial liabilities

Financial liabilities within the scope of IAS 39 are classified by Deutsche Wohnen either

- as other financial liabilities that are carried at amortised cost,
- as financial liabilities which are reported on the balance sheet at their attributable fair value, or
- as derivative financial liabilities that meet the requirements of an effective hedging transaction.

Financial liabilities and corporate bonds

Loans and corporate bonds are initially recognised at their attributable fair value less the transaction costs directly associated with the taking out of the loan in question. After initial recognition, the interest-bearing loans are subsequently valued at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss statement when the liabilities are derecognised or during the amortisation process.

Convertible bond

Convertible bonds which, in the event of a conversion by creditors, can be serviced by the company either in cash or in the form of shares and for which a market price can be determined on the basis of share prices are valued at the attributable fair value commensurate with their nominal value when reported for the first time. The transaction costs arising in connection with the issuance are reported as finance expenses. The convertible bond is thereafter valued at its market price on the relevant reporting date. Gains and losses arising as a result of the market valuation are recognised in the profit and loss statement (financial liabilities, which are valued at their attributable fair value).

Trade payables and other liabilities

Liabilities are initially recognised at their attributable fair value. After initial recognition, they are valued at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss statement when the liabilities are derecognised or during the amortisation process.

Liabilities to limited partners in funds

In accordance with IAS 32 (revised 2003), the termination rights of a limited partner are a decisive criteria for the distinction between equity and debt capital. Financial instruments granting the owner (here: limited partner) the right to return the instrument to the issuer in return for payments of money constitute a financial liability. Due to the termination rights of the limited partners, the limited partnership interests and the "net assets of shareholders" are recognised as debt capital. In accordance with IAS 32.35 (revised 2003), the profit shares of the limited partners are consequently recognised as a finance expenses.

The net assets of the limited partners must be recognised at the fair value of any possible repayment amount at the end of the financial year. Value increases are recognised as finance expenses and impairments as finance income in the consolidated profit and loss statement. The amount of the repayment obligation is governed by the articles of association.

Within Deutsche Wohnen, there are liabilities to limited partners in funds of EUR 6.4 million (previous year: EUR 6.3 million).

Liabilities from put options

Minority shareholders owning contractually guaranteed put options for their shares that Deutsche Wohnen would have to acquire when exercised, are treated accordingly. For these put options there are liabilities at Deutsche Wohnen in an amount of EUR 16.8 million (previous year: EUR 0 million).

A financial liability is derecognised when the obligation underlying the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in the profit and loss statement.

12 Pensions and other post-employment benefits

Employee benefit liabilities are recognised for commitments (pensions, invalidity, surviving spouse pensions and surviving dependant benefits) for pensions and ongoing benefits to eligible active and former employees and their surviving dependants. In total, there are pension commitments for 822 employees (thereof 311 active employees and 511 withdrawn and retired employees), with pension payments on the basis of period of employment and the salary level at retirement age (previous year: 834 employees, thereof 325 active employees and 509 pensioners).

Expenses for benefits granted as part of defined contribution plans are determined using the projected unit credit method. Actuarial gains and losses are recognised with an earnings-neutral effect in the consolidated statement of comprehensive income.

On the basis of statutory provisions, Deutsche Wohnen pays contributions to state pension insurance funds from defined contribution plans. These current contributions are shown as social security contributions within staff expenses. Payment of the contributions does not constitute any further obligations for the group.

There is also a pension plan drawn up in accordance with the regulations governing public sector supplementary pensions. It is based on membership of a group company in the Bayerische Versorgungskammer (hereinafter BVK) – the supplementary pension fund of Bavaria – as well as the Versorgungsanstalt des Bundes und der Länder (hereinafter VBL) – the supplementary pension fund of the Federal Republic and the Federal States. The supplementary pension comprises a partial or full reduced earnings capacity pension plus an age-related pension as a full pension or surviving dependant's pension. The charge levied by the BVK and the VBL is determined by the employees' compensation, which is used to calculate the supplementary pension contribution. Changes in the structure of the VBL or a withdrawal from the institution could give rise to significant claims for payment of equivalent amounts.

The BVK and the VBL each therefore represent a multi-employer defined benefit plan that, in accordance with IAS 19.30 (a), is accounted for as a defined contribution plan because the BVK has not provided sufficient information to account for the plan as a defined benefit plan.

No specific information is known regarding any overfunding or underfunding of the plan or the related future effects on the Deutsche Wohnen Group. In future, increasing/decreasing payments of premiums by Deutsche Wohnen to the BVK and the VBL may result from possible excess or deficient cover.

13 Provisions

Provisions are recognised when the group has a present obligation (statutory or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss statement net of any reimbursement. If the impact of the interest rate is significant, provisions are discounted at an interest rate before tax that reflects the specific risks of the liability. In the case of discounting, the increase in provisions due over time is recognised as a finance expense.

14 Lease

Leasing transactions are differentiated between finance leases and operating leases.

Contractual provisions that transfer all significant risks and rewards associated with the ownership of an asset to the lessee are reported as finance leases. The lessee recognises the leased asset as an asset and the corresponding obligations are recognised as liabilities. Where the residual term is more than one year, the liability in question will be reported at its present value, with interest being compounded on an annual basis.

All other leasing transactions are reported as operating leases. Payments from operating leasing agreements are principally recorded in linear form over the contractual period as income (from the point of view of the lessor) or expense (from the point of view of the lessee).

15 Revenue and expenses recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. In addition, the following criteria have to be met when recognising revenue:

Rental income
Rental income is recognised monthly over the period of the leases in accordance with the tenancy agreement.

Disposal of properties
Revenue is recognised when the significant risks and rewards associated with the ownership of the disposed property have been transferred to the purchaser and no significant rights of disposal regarding the sold properties have been retained.

Services
Revenue is recognised in accordance with the delivery of the service.

Expenses
Expenses are recognised when these have been caused economically.

Interest expenses and income
Interest is recognised as expense or income in the relevant period.

As part of the long-term performance-based remuneration there are share-based remuneration components which are settled through funds. The remuneration components to be expensed over the vesting period correspond to the fair value of the equity-based remuneration on the reporting date. The determination of fair values is based on generally accepted valuation methodologies. Liabilities are accounted for in a corresponding amount.

16 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. In the case of a grant related to an expense item, it is recognised as planned income over the period necessary to match the grant on a systematic basis to the expenses that it is intended to compensate.

Deutsche Wohnen has received government grants in the form of disbursement subsidies, disbursement loans and subsidised-interest loans.

Disbursement subsidies, in the form of rent subsidies, are recognised in the profit and loss statement for the period in which the rent is collected. They are recognised as income from Residential Property Management.

Disbursement loans and subsidised-interest loans are property loans and are recognised as financial liabilities. In comparison with loans made under market conditions, both offer advantages such as lower interest rates or interest-free and redemption-free periods. The loans are valued at their attributable fair value and are subsequently carried at amortised cost. However, they are to be viewed in the context of rent restrictions concerning the properties, which were taken into account when determining the fair value.

Furthermore, Deutsche Wohnen received investment subsidies in the amount of EUR 0.1 million (previous year: EUR 0.9 million) and offset these against the acquisition costs.

17 Taxes

Current income tax assets and liabilities
Current income tax assets and liabilities for the current period and for previous periods are valued at the amount expected to be recovered or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those which apply as at the reporting date.

Deferred taxes
Deferred tax is created using the balance sheet-oriented liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax liabilities are recognised for all temporary differences that are subject to tax, with the following exception: In respect of taxable temporary differences associated with shareholdings in subsidiaries, associates and shares in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future, deferred tax liabilities are not recognised.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except the following:

- Deferred tax assets from deductible temporary differences which arise from the initial recognition of an asset or a liability in a transaction that is not a business combination and that, at the time of the business transaction, affect neither the profit/loss for the period for commercial law purposes nor taxable earnings may not be recognised.

- Deferred tax assets from taxable temporary differences associated with shareholdings in subsidiaries, associates and shares in joint ventures are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount for deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that apply or have been announced as at the reporting date.

Deferred taxes relating to items that are recognised in other comprehensive income or directly in equity are recognised in other comprehensive income or directly in equity and not in the consolidated profit and loss statement. Deferred tax assets that are recognised in and off the profit and loss statement are allocated on the basis of a reasonable pro rata proportion (IAS 12.63c).

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

18 Derivative financial instruments and hedging transactions

The group uses derivative financial instruments to hedge against interest rate risks. These derivatives are initially recognised at their attributable fair value when the corresponding agreement is entered into and are subsequently reported at their attributable fair value. Derivative financial instruments are recognised as financial assets if their attributable fair value is positive and as financial liabilities if their attributable fair value is negative. The valuation is carried out using the mark-to-market method.

The fair value is calculated using the discounted cash flow method, with the calculation of the present value taking account of individual credit ratings and other market factors in the form of credit rating and liquidity spreads such as are customary in the market. The valuation takes account of the risk of non-performance (counterparty risk) and the company's own credit risk in accordance with IFRS 13.42ff.

Deutsche Wohnen recognises concluded interest rate swaps on the basis of the hedge accounting regulations of IAS 39. In addition to documentation of the hedging correlation between the hedge and the underlying item, one requirement for hedge accounting is proof of the effectiveness of the hedging correlation between the hedge and the underlying item. If an effective correlation exists, the effective part of the value adjustment of the hedge is directly recognised in equity without affecting earnings. The non-effective part is recognised in the profit and loss statement. As far as the requirements for hedge accounting existed, the fair values of the hedging instruments were classified as current or non-current assets/liabilities. Deutsche Wohnen tested the effectiveness of the concluded interest hedges on a prospective (critical terms method) and a retrospective basis. In the case of derivative financial instruments which do not meet the criteria for hedge accounting, gains or losses from changes in fair value are immediately recognised in the profit and loss statement.

Deutsche Wohnen only hedges cash flows which relate to future interest expenses.

19 Share-based remuneration

The Management Board of Deutsche Wohnen has been receiving share-based remuneration in the form of subscription rights (stock options) since the financial year 2014. The stock option programme is fundamentally an option plan implemented using equity instruments.

The expenses incurred as a result of the issuance of the stock options are valued at the attributable fair value of the granted stock options at the time of their granting and calculated using generally recognised option pricing models. The expenses resulting from the issuance of the stock options are reported, together with a corresponding increase in equity (capital reserve).

The diluting effect of the outstanding stock options will be taken into account as an additional dilution in the calculation of the earnings per share to the extent that the issuance of the options and the terms underlying results in a dilution for accounting purposes of the shares of the existing shareholders.

D Notes to the consolidated balance sheet

1 Investment properties

Investment properties are recognised at their attributable fair value. Fair value developed as follows during the financial year:

EUR m	31/12/2015	31/12/2014
Start of period	9,611.0	**8,937.1**
Acquisitions	712.4	139.7
Other additions	103.7	70.1
Disposals	–165.1	–95.7
Fair value adjustment	1,734.1	952.7
Transfer	–137.0	–392.9
End of period	11,859.1	**9,611.0**

The transfer essentially includes the property reclassified as non-current assets for disposal in the current financial year.

The valuation (Level 3 of the Fair Value Hierarchy – valuation on the basis of valuation models) as at 31 December 2015 and as at 31 December 2014 was completed in accordance with the following principles, which were developed in the context of the internal periodic valuation:

Valuation on the basis of defined clusters:

- Derivation of annual rent increases and target vacancies based on the location and physical characteristics of the properties,
- Derivation of capitalisation rates and discount rates.

Derivation of the valuation based on individual properties:

- Determination of the market rent as at the reporting date,
- Development of rent per sqm of lettable area based on market rent and in-place rent,
- Development of costs (maintenance, administration, rental loss and non-recoverable operating costs, ground rent (if applicable)),
- Determination of cash flows from annual proceeds and payments and the terminal value at the end of year ten, based on the recurring cash flow expected in year eleven or an expected sales price less cost of sales,
- Calculation of a fair value based on the administrative unit as at the reporting date.

The capitalisation rate and the discount rate were derived from the property-specific risk assessments.

The maintenance expenses are calculated using type- and property-specific approaches with regard to individual valuation objects in the property valuation context, having regard to the condition of the property in question and any experience gathered in connection with maintenance work regularly carried out in the past.

The valuation result of EUR 1,734.1 million is fully recognised in the profit and loss statement. Until disposal of the valuated properties in line with the market the valuation result is unrealised.

A review of the valuation by an independent third party takes place on every balance sheet date. The valuation methods used for the internal valuation and for the valuation by third parties are therefore the same.

The following overview summarises the valuation parameters applied with respect to the individual clusters, and indicates all of the sub-clusters within the main Core+, Core and Non-Core clusters having an overall share of the total property value of at least 10 %. Sub-clusters which do not reach this threshold are reported on a consolidated basis. The stated figures are based on the "corridors" present in the individual cluster and the weighted average (in brackets):

	Core+			Core	Non-Core
31 December 2015	Berlin	Other	Total	Total	Total
Carrying amount in EUR m	8,745	2,041	10,786	946	127
Carrying amount in EUR/sqm	1,372	1,251	1,348	893	641
Share of carrying amount in %	73.7	17.2	90.9	8.0	1.1
In-place rent in EUR/sqm	5.89	6.29	5.97	5.49	4.79
Rent increases p.a. in %	2.59	2.15	2.51	1.30	1.03
Vacancy rate in %	1.7	1.5	1.7	2.0	6.3
Multiplier	19.4	16.5	18.7	13.6	12.0
Discount factor in %	5.7	6.1	5.8	6.7	7.4
Capitalisation factor in %	4.6	5.2	4.7	5.6	6.3
Maintenance costs p.a. in EUR/sqm	9.80	9.41	9.72	9.07	8.03

	Core+			Core	Non-Core
31 December 2014	Berlin	Other	Total	Total	Total
Carrying amount in EUR m	6,757	1,856	8,613	850	149
Carrying amount in EUR/sqm	1,106	1,129	1,111	803	621
Share of carrying amount in %	70.3	19.3	89.6	8.8	1.6
In-place rent in EUR/sqm	5.66	6.14	5.75	5.32	4.82
Rent increases p.a. in %	2.20	1.64	2.06	0.74	0.32
Vacancy rate in %	1.7	2.3	1.9	3.7	4.4
Multiplier	16.2	15.3	16.0	12.8	11.6
Discount factor in %	6.2	6.4	6.2	6.6	7.2
Capitalisation factor in %	5.1	5.3	5.2	5.6	6.0
Maintenance costs p.a. in EUR/sqm	10.05	9.52	9.95	9.09	8.16

There may exist interactions between unobservable input factors. For example, an increase in the vacancy rate could affect the discount factor due to a higher risk or a decrease in the vacancy rate could lead to potentially higher rental growth. Furthermore, higher achievable rents could also require higher maintenance expenses, for instance.

Adjustment of the key valuation parameters (rent increase 20 % lower than projected; increase in the discount rate of 0.1 %; increase in the capitalisation rate of 0.1 %) results in the following non-cumulated fair value adjustments on the basis of the carrying amount of the properties:

	Core+			Core	Non-Core
31 December 2015	Berlin	Other	Total	Total	Total
Rent increases in %	−4.11	−3.52	−4.00	−2.43	−1.99
Discount factor in %	−0.73	−0.75	−0.74	−0.71	−0.71
Capitalisation factor in %	−1.33	−1.20	−1.31	−0.97	−0.84

	Core+			Core	Non-Core
31 December 2014	Berlin	Other	Total	Total	Total
Rent increases in %	−3.46	−2.60	−3.29	−1.41	−0.50
Discount factor in %	−0.92	−0.75	−0.88	−0.68	−0.50
Capitalisation factor in %	−1.42	−1.09	−1.35	−1.05	−1.16

The investment properties serve as collateral for the loans. There are also agreements in individual cases pursuant to which the condition of the properties may not deteriorate or the average minimum investments have been determined on a sqm basis.

2 Lease commitments

The tenancy agreements which Deutsche Wohnen has concluded with its tenants are classified as operating leases in accordance with IFRS. Accordingly, the group acts as lessor in a diverse range of operating lease agreements (tenancies) for investment properties from which it obtains the largest part of its income and revenues.

The rental income generated from this amounted to EUR 634.0 million (previous year: EUR 626.3 million). The expenses directly associated with the investment properties amounted to EUR 114.7 million (previous year: EUR 120.4 million).

In 2016, Deutsche Wohnen will receive minimum lease payments totalling approximately EUR 174 million (previous year: EUR 155 million) from existing operating lease agreements with third parties from the current property portfolio (implied statutory cancellation period: three months).

In context of Assisted Living and Nursing Services, Deutsche Wohnen will receive additional minimum lease payments in the amount of approximately EUR 63 million in 2016 (previous year: EUR 61 million), approximately EUR 252 million in one to five years (previous year: EUR 244 million), and approximately EUR 315 million in more than five years (previous year: EUR 305 million). This is based on an assumption of a remaining lease of five years after the fifth year. The tenancy agreements are for an indefinite period and end upon the death of the tenant or upon a possible termination by the landlord in the event of a default of payments.

Deutsche Wohnen is partly subject to restrictions with regards to rental increases related to certain preferential tenants and in relation to grants in the form of subsidised-interest loans or investment subsidies. Additionally, we must comply with legal obligations when privatising residential units.

3 Property, plant and equipment

Land and buildings, technical facilities and plant and equipment classified under IAS 16 are reported under this item. They developed as follows during the financial year:

	31/12/2015			
EUR m	Owner occupied properties	Technical facilities and machinery	Plant and equipment	**Total**
Cost				
Start of period	15.1	9.7	16.3	41.1
Additions	0.1	22.5	3.8	26.4
Additions and reductions by way of company acquisitions	0.0	0.0	0.0	0.0
Disposals	0.0	– 1.1	– 1.7	– 2.8
Transfers	– 0.8	0.0	0.1	– 0.7
End of period	**14.4**	**31.1**	**18.5**	**64.0**
Cumulative depreciation and amortisation				
Start of period	2.7	3.6	8.9	15.2
Additions	0.6	2.4	2.4	5.4
Additions and reductions by way of company acquisitions	0.0	0.0	0.0	0.0
Disposals	0.0	– 0.5	– 1.6	– 2.1
Transfers	– 0.2	0.0	0.0	– 0.2
End of period	**3.1**	**5.5**	**9.7**	**18.3**
Net carrying amounts	**11.3**	**25.6**	**8.8**	**45.7**

	31/12/2014			
EUR m	Owner occupied properties	Technical facilities and machinery	Plant and equipment	**Total**
Cost				
Start of period	15.1	9.8	14.6	39.5
Additions	0.0	0.0	3.5	3.5
Additions and reductions by way of company acquisitions	0.0	0.0	– 0.1	– 0.1
Disposals	0.0	– 0.1	– 1.7	– 1.8
Transfers	0.0	0.0	0.0	0.0
End of period	**15.1**	**9.7**	**16.3**	**41.1**
Cumulative depreciation and amortisation				
Start of period	2.0	2.7	8.0	12.7
Additions	0.7	0.9	2.1	3.7
Additions and reductions by way of company acquisitions	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	– 1.2	– 1.2
Transfers	0.0	0.0	0.0	0.0
End of period	**2.7**	**3.6**	**8.9**	**15.2**
Net carrying amounts	**12.4**	**6.1**	**7.4**	**25.9**

The land and buildings included in property, plant and equipment (EUR 11.3 million, previous year: EUR 12.4 million) are mainly property-secured.

4 Intangible assets

Intangible assets developed as follows:

EUR m	31/12/2015	31/12/2014
Cost		
Start of period	556.9	555.7
Additions	2.3	1.5
Additions and reductions by way of company acquisitions	0.0	−0.3
Disposals	−5.2	–
End of period	554.0	**556.9**
Cumulative depreciation and amortisation		
Start of period	10.8	8.6
Additions	2.0	2.3
Disposals	−5.1	−0.1
End of period	7.7	**10.8**
Net carrying amounts	546.3	**546.1**
Thereof goodwill	535.1	535.1

The impairment testing resulted in no depreciation and amortisation of goodwill in the financial year 2015.

5 Land and buildings held for sale

The increase in land and buildings held for sale is largely due to the structuring of the property portfolio and the allocation of properties to the Disposals segment. In the financial year 2015, proceeds were realised in the amount of EUR 36.7 million (previous year: EUR 58.1 million). The proceeds were partly offset by carrying amounts of assets sold in the amount of EUR 25.6 million (previous year: EUR 39.7 million).

6 Trade receivables

Receivables are made up as follows:

EUR m	31/12/2015	31/12/2014
Receivables from rental activities	10.2	13.1
Receivables from the disposal of land	2.1	3.3
Other trade receivables	1.1	1.3
	13.4	**17.7**

Receivables from rental activities are interest-free and are in principle overdue. Impairments are carried out based on the age structure and/or depending on whether the tenants are active or former tenants. There have been write-downs formed of almost all overdue receivables.

In the financial year 2015, rent receivables in the amount of EUR 4.4 million (previous year: EUR 4.9 million) were depreciated and amortised or impaired. The impairment of receivables as at 31 December 2015 amounted to EUR 19.1 million (previous year: EUR 25.2 million).

Receivables from the disposal of land are interest-free and are in principle due for payment between 1 and 90 days.

The receivables from the sale of land are fully recoverable and only overdue to a very minor extent.

Other receivables are interest-free and are in principle due for payment between 1 and 90 days.

7 Derivative financial instruments

Deutsche Wohnen concluded several interest hedging transactions in a nominal amount of EUR 1.1 billion (previous year: EUR 2.0 billion). The cash flows from the underlying transactions, which are secured in the scope of the cash flow hedge accounting, will be realised in the years from 2016 to 2025. The strike rates are between – 0.18 % and 3.56 % (previous year: between 0.60 % and 4.95 %). The accumulated fair value of these transactions as at 31 December 2015 amounted to EUR 44.8 million (previous year: EUR 145.0 million).

There are no significant default risks as the interest rate swaps were concluded with banks having good credit ratings. If the interest rate level changes, the fair value changes accordingly. Income and expenses are recognised in equity for the effective part of a hedge, while the non-effective part is recognised within current earnings. If the interest rate level should rise/fall by 50 base points, the attributable fair value of the interest rate swaps will rise/fall by approximately EUR 20.6 million/EUR – 21.3 million (previous year: EUR 48 million/EUR – 48 million).

8 Cash and cash equivalents

The cash and cash equivalents in the amount of EUR 661.6 million (previous year: EUR 396.4 million) mainly consist of cash at bank and cash on hand. Bank balances earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the group, and earn interest at the respective short-term deposit rate. As at the reporting date, the Deutsche Wohnen Group had cash and cash equivalents amounting to EUR 10.6 million (previous year: EUR 16.9 million) which were restricted in use. This primarily relates to cash collateral and accounts for incoming purchase price payments for sold properties as well as cash and cash equivalents of DB 14 and the KATHARINENHOF® Group.

9 Equity

Please refer to the consolidated statement of changes in equity for the development of the group’s equity.

a) Issued share capital

As at 31 December 2015, the issued capital of Deutsche Wohnen AG amounted to approximately EUR 337.41 million (previous year: EUR 294.26 million) divided into approximately 337.41 million no-par value shares, each representing a notional share of the issued capital of EUR 1.00. The shares of Deutsche Wohnen AG are all bearer shares.

All shares carry the same rights and obligations. Every share entitles the holder to one vote at the Annual General Meeting and determines the basis for the division of company profits amongst shareholders. The rights and obligations of the shareholders are outlined in detail in the provisions of the German Stock Corporation Act (AktG), in particular sec. 12, 53 ff., 118 ff. and 186. There are no shares with special rights conferring powers of control.

The Management Board of Deutsche Wohnen AG is not aware of any restrictions which affect the voting rights or transfer of shares.

In the event of capital increases, the new shares are issued as bearer shares.

Changes in authorised capital

EUR k	2015
Authorised Capital 2014/I	
As at 1 January 2015	85,000
Cash capital increase of 4 June 2015	– 42,167
Resolution of cancellation of the Annual General Meeting held on 12 June 2015	– 42,833
As at 31 December 2015	**0**
Authorised Capital 2015/I	
Resolution of the Annual General Meeting held on 12 June 2015	100,000
Utilisation	0
As at 31 December 2015	**100,000**

By resolution of the Annual General Meeting held on 12 June 2015, which was entered into the commercial register on 14 July 2015, the Management Board has been authorised to increase the company's issued capital, with the consent of the Supervisory Board, by up to EUR 100 million once or several times during the period until 11 June 2018 by means of the issuance of up to 100 million new ordinary bearer shares against cash contributions and/or contributions in kind (Authorised Capital 2015/I).

Shareholders must in principle be granted subscription rights within the scope of the authorised capital. However, in certain cases, the Management Board is entitled to exclude the subscription rights of shareholders with the consent of the Supervisory Board and subject to the detailed provisions of the Articles of Association. The Authorised Capital 2014/I was cancelled upon the registration of the Authorised Capital 2015/I.

Changes in contingent capital

EUR k	2013/I	2014/I	2014/II	2014/III	2015/I	Total
As at 1 January 2015	16,076	50,000	6,957	12,880	–	85,913
Resolutions of the Annual General Meeting held on 12 June 2015	–	–25,000	–	–	50,000	25,000
Capital increase by means of the issuance of compensation shares (GSW domination agreement)	–	–	–985	–	–	–985
31 December 2015	**16,076**	**25,000**	**5,971**	**12,880**	**50,000**	**109,927**

The issued capital is contingently increased further by a total of up to approximately EUR 109.93 million by means of the issuance of up to approximately 109.93 million new no-par value bearer shares with dividend rights generally from the start of the financial year of their issuance (Contingent Capital 2013/I, Contingent Capital 2014/I, Contingent Capital 2014/II, Contingent Capital 2014/III and Contingent Capital 2015/I).

Issuance of option rights, bonds with warrants or conversion rights, profit participation rights or profit-sharing bonds

The resolution adopted at the Annual General Meeting held on 12 June 2015 authorised the Management Board, with the consent of the Supervisory Board, to issue no-par value convertible and/or warrant bearer bonds and/or profit participation rights with option or conversion rights (or a combination of these instruments) in the nominal value of up to EUR 1,500 million once or several times until 11 June 2020, and to grant the creditors thereof conversion or option rights for Deutsche Wohnen AG shares representing a share of the issued capital of up to EUR 50 million.

Acquisition of own shares

The acquisition of own shares is authorised pursuant to sec. 71 ff. of the German Stock Corporation Act (AktG) and also, as at the balance sheet date, by the Annual General Meeting held on 11 June 2014 (TOP 14). By resolution of the Annual General Meeting held on 11 June 2014, the Management Board has been authorised, with the consent of the Supervisory Board and subject to compliance with the principle of equal treatment (sec. 53a of the German Stock Corporation Act (AktG)), to acquire and use own shares of the company in the total amount of up to 10 % of the issued capital existing at the time of the adoption of the resolution or – where this amount is lower – at the time of the exercise of the authorisation in accordance with the issued stipulations until 10 June 2019. Shares acquired using this authorisation together with other shares of the company previously acquired and still held by the company or other shares attributable to the company pursuant to sec. 71a ff. of the German Stock Corporation Act (AktG) may not at any time exceed 10 % of the issued capital of the company.

The authorisation may not be used for the purposes of trading in own shares.

As at the balance sheet date, the company did not have any own shares.

b) Capital reserve
In 2015, EUR 50 million (previous year: EUR 0 million) was withdrawn from the capital reserve.

The capital reserve increased by EUR 823.0 million in 2015 (previous year: EUR 133.6 million). This is a result of additional payments from the issuance of new bearer shares in fulfilment of the settlement offer made to the GSW shareholders pursuant to the domination agreement and in the context of the capital increase with subscription rights implemented in June 2015. The costs incurred due to the capital increases in the amount of EUR 20.4 million (previous year: EUR 1.3 million) and the income tax effects related to these costs in the amount of EUR 6.5 million (previous year: EUR 0.4 million) were offset against the premium payments.

Furthermore, the capital reserve increased by EUR 0.7 million in the financial year as a result of the payment of share-based remuneration to the members of the Management Board (previous year: EUR 1.4 million).

c) Retained earnings
Retained earnings comprise the revenue reserve of Deutsche Wohnen and the accumulated profit/loss carried forward.

The statutory reserve is mandatory for German stock corporations. In accordance with sec. 150 para. 2 of the German Stock Corporation Act (AktG), an amount equivalent to 5% of the profit for the financial year is to be retained. The statutory reserve has a cap of 10% of the issued capital. In accordance with sec. 272 para. 2 nos. 1–3 of the German Commercial Code (HGB), any existing capital reserve is to be taken into account and the provisions required for the statutory reserve are reduced accordingly. This is measured on the basis of the issued share capital which exists and is legally effective at the reporting date and which is to be reported in this amount on the respective annual balance sheet. The statutory reserve remains unchanged at EUR 1.0 million.

d) Non-controlling interests
The share of non-controlling interests largely relates to the shares of third parties in the earnings of the fully-consolidated holding companies not wholly owned by Deutsche Wohnen.

10 Financial liabilities

The company has taken on bank loans particularly to finance property and company transactions and property acquisitions.

Deutsche Wohnen refinanced bank loans in the amount of approximately EUR 1.3 billion in the financial year 2015, also using funds from the issuance of the corporate bond in July 2015 for this purpose. The transaction costs relating to the taking out of the new bank loans in the amount of EUR 2.0 million were deducted from the loan-related liabilities and will be spread over the term of the loans and recognised in the profit and loss statement using the effective interest method.

Overall, the financial liabilities decreased mainly as a result of the refinancing as well as ongoing loan repayments.

The financial liabilities are hedged at approximately 83% (previous year: approximately 84%) at a fixed rate and/or through interest rate swaps. The average rate of interest was approximately 2.0% (previous year: approximately 2.7%).

The loan renewal structure based on current outstanding liability is as follows:

EUR m	Carrying amount 31/12/2015	Nominal value 31/12/2015	2015	2016	2017	2018	2019	≥ 2020
Loan renewal structure 2015	3,780.4	3,879.7	**–**	**18.8**	**14.3**	**21.3**	**78.9**	**3,746.4**
Loan renewal structure 2014	4,779.0	4,888.2	89.2	44.8	70.2	703.2	797.5	3,183.3

The liabilities are almost entirely secured by property as collateral.

11 Bonds and convertible bonds

In July 2015, Deutsche Wohnen issued a corporate bond with a five-year term and in the nominal amount of EUR 500 million. The costs in the amount of EUR 3.6 million incurred in connection with the issuance of the bond have been deducted from the corporate bond without affecting earnings.

The following Deutsche Wohnen bonds and convertible bonds were outstanding as at 31 December 2015:

Type	Issuance	Maturity (Max.)	Nominal EUR m	Coupon % p.a.	Carrying amount EUR m	Conversion price EUR/share
Convertible bond	2013	2020	250.0	0.5	403.8	17.788
Convertible bond	2014	2021	400.0	0.875	561.6	21.412
Total convertible bonds			**650.0**		**965.4**	
Corporate bond	**2015**	**2020**	**500.0**	**1.375**	**498.3**	**–**

12 Employee benefit liabilities

The company's pension scheme consists of defined benefit and defined contribution plans. The average term of the obligations is approximately 14.5 years (previous year: 14.9 years); payments from pension benefit plans for 2016 are expected in the amount of EUR 3.9 million (less payments on plan assets) (previous year: EUR 3.7 million).

Employee benefit liabilities are determined using the projected unit credit method in accordance with IAS 19. Future obligations are measured using actuarial methods that conservatively estimate the relevant parameters.

The level of pension obligations (defined benefit obligation of the pension commitments) was calculated in accordance with actuarial methods on the basis of an external expert report and the following factors:

in %	**31/12/2015**	31/12/2014
Discount rate	2.03	1.96
Future salary increases	2.50	2.50
Future pension increases	1.75	1.75
Increase in the contribution assessment ceiling	2.25	2.25
Mortality tables	R 05G	R 05G

The trend in salaries includes expected future salary increases that are estimated annually, depending, among other things, on the inflation rate and the length of service in the company.

The employee benefit liabilities taken over in the scope of the BauBeCon acquisition are financed through the ufba – Unterstützungskasse zur Förderung der betrieblichen Altersversorgung e.V. (Assistance Fund for the Promotion of Company Pension Plans inc. soc.) and recognised on the balance sheet as plan assets. The valuation applied an interest charge in the amount of 2.03 %.

The following summary shows the financing status of the group's pension plans, which is at the same time equivalent to the balance sheet posting:

EUR m	31/12/2015	31/12/2014
Present value of employee benefit liabilities	72.1	75.4
Less attributable fair value of the plan assets	– 7.5	– 7.8
	64.6	**67.7**

The following table shows the development of the present value of the performance-oriented liabilities and the attributed fair value of the plan assets:

EUR m	31/12/2015	31/12/2014
Opening balance employee benefit liabilities	75.4	63.3
Pension payments	– 3.6	– 3.5
Additions by way of company acquisitions	–	–
Interest cost	1.4	2.1
Service cost	0.5	0.3
Adjustments to the pension fund	0.0	0.1
Actuarial gains/losses	– 1.7	13.1
Closing balance employee benefit liabilities	**72.1**	**75.4**
Thereof pension plans with financing from plan assets	10.6	11.3
Thereof pension plans without financing from plan assets	61.5	64.1
Opening balance plan assets	7.8	8.0
Interest income from plan assets	0.1	0.3
Contributions to plan assets	0.0	0.0
Pension payments from plan assets	– 0.4	– 0.4
Actuarial losses	0.0	0.0
Closing balance plan assets	**7.5**	**7.8**

The pension expenses comprise the following:

EUR m	31/12/2015	31/12/2014
Interest cost	– 1.3	– 1.8
Service cost	– 0.5	– 0.3
Adjustments to the pension fund	0.0	– 0.1
	– 1.8	**– 2.2**

Pension commitments include old-age, disability, surviving spouse and surviving dependant pensions. They are based on the last fixed annual gross salary. Different benefit plans apply depending on the employee's position in the company.

The pro rata interest expenses are recognised as "interest expenses" in the profit and loss statement, whilst current pension payments, service expenses and adjustments to current pensions are recognised as "staff expenses".

Expenses for defined contribution plans in the total amount of EUR 5.9 million (previous year: EUR 8.2 million) were incurred. Therefore, total expenses for pension plans (defined benefit and defined contribution) amounted to EUR 6.4 million (previous year: EUR 8.6 million). For 2016, based on the current number of employees, the cost will total approximately EUR 6.8 million.

An increase in the interest rate of 0.25 % would result in a decrease in employee benefit liabilities of 3.8 %, and a rise in future salary increases of 0.5 % would result in an increase in employee benefit liabilities of 0.4 %.

The sensitivity calculations are based on the average term of the pension liabilities determined as at 31 December 2015. They were carried out for each of the actuarial parameters classified as significant with a view to demonstrating the effect on the present value of the employee benefit liabilities calculated as at 31 December 2015 on a separate basis. Given that the sensitivity analyses are based on the average term of the expected pension liabilities and consequently do not take account of the expected payment dates, they provide only approximate information or indications of future trends.

We do not currently consider any further changes to the relevant actuarial parameters, which could lead to material adjustments of the carrying amounts of the reserves for employee benefit liabilities during the next year, to be likely.

There exist provisions for commitments in case of occupational disability in favour of the members of the Management Board in an amount of EUR 7 k (previous year: EUR 4 k), which are recognised in the employee benefit liabilities as well.

13 Liabilities to limited partners in funds

On the basis of individual agreements, Rhein-Pfalz Wohnen GmbH has granted the limited partners of DB 14 a put option relating to their limited partnership interests from 2005 to 2019. Under these agreements, the group is obliged to acquire the interests initially (in 2005) at 105 % of the paid-in capital upon request. From 2005, the agreed purchase price for the interest increases by five percentage points per annum. Outstanding dividend payments are taken into account for limited partnership interests that are offered to us. The disposals of shares effected in the financial year 2015 did not involve put options.

Liabilities developed as follows during the financial year:

EUR m	31/12/2015	31/12/2014
Opening balance liabilities	6.3	**4.0**
Payment for tender	0.0	–0.1
Disposals of shares	0.0	2.4
Reversal	0.0	–0.2
Accrued interest	0.1	0.2
Closing balance liabilities	6.4	**6.3**

The liabilities to limited partners in funds as at 31 December 2015 in the full amount (previous year: EUR 6.3 million) were reported as short-term, because the payments for the remaining tenders are expected in 2016.

14 Liabilities arising out of finance leases

In the financial year 2015, Deutsche Wohnen outsourced the majority of the services relating to the heat supply for its properties to a specialist operator. The contracting agreements concluded with the operator were classified as finance leases and reported as such on the balance sheet.

The finance leases give rise to the following financial liabilities:

EUR m	31/12/2015 Due within one year	Due in 1 to 5 years	Due after 5 years
Payments	2.6	10.2	11.8
Interest component	0.3	1.1	1.0
Redemption component	2.3	9.2	10.7

15 Other provisions

The other provisions comprise the following:

EUR m	Revitali-sation	Restruc-turing	Other	Total
Start of period	5.5	7.2	23.7	36.4
Changes in the basis of consolidation	0.0	0.0	0.0	0.0
Utilisation	–0.3	–7.1	–8.6	–16.0
Reversal	0.0	0.0	–1.6	–1.6
Changes in disclosure[1]	0.0	0.0	–0.8	–0.8
Additions	0.3	6.2	4.9	11.4
End of period	5.5	6.3	17.6	29.4
Thereof non-current	1.0	0.0	11.3	12.3
Thereof current	4.5	6.3	6.3	17.1

[1] Addition not recognised in equity as a result of changes in disclosure (previously: liabilities)

The provision for revitalisation (EUR 5.5 million, previous year: EUR 5.5 million) relates to the privatisation agreement between the federal State of Berlin and GEHAG. In accordance with this agreement, GEHAG is obligated to invest an original total of EUR 25,565 k in the improvement of housing conditions. There are no regulations in the agreement regarding the time period. As in the previous year, the calculation assumes a period until 2017 and an interest rate of approximately 2.06 %. The additions are related to the interest accrued for the provision.

The provision for restructuring measures primarily comprises obligations arising out of the social compensation plan arrangements in relation to GSW Immobilien AG.

Other provisions (EUR 17.6 million; previous year: EUR 23.7 million) relate to a large number of third-party obligations.

16 Tax liabilities

Tax liabilities (EUR 37.5 million, previous year: EUR 46.1 million) primarily comprise provisions for current taxes and for possible tax-related risks arising in connection with external audits conducted with regard to GSW.

17 Deferred taxes

The deferred taxes comprise the following:

EUR m	31/12/2015	31/12/2014	Change
Deferred tax assets			
Properties	1.9	5.2	– 3.2
Pensions	8.2	7.6	0.7
Loss carry-forwards	280.4	276.5	3.9
Interest rate swaps	13.4	40.3	– 26.9
Loans	0.8	2.1	– 1.3
Other	20.7	20.1	0.6
	325.5	**351.7**	**– 26.2**
Deferred tax liabilities			
Loans	20.2	26.9	6.6
Properties	1,078.1	510.5	– 567.5
Other	11.5	20.6	9.1
	1,109.8	**557.9**	**– 551.9**
Deferred taxes (net)	– 784.3	**– 206.2**	**– 578.1**
Thereof:			
Recognised directly in other comprehensive income	– 25.5	7.6	
Recognised in profit/loss	– 552.6	– 115.3	
	– 578.1	**– 107.7**	

The actuarial gains and losses from pensions and the changes in the current market value of the effective hedges are recognised directly in equity not affecting net income. The resultant deferred taxes are likewise recognised without effects on the result and amount to EUR – 3.1 million (previous year: EUR 5.0 million) for actuarial gains and losses, as well as EUR –22.8 million (previous year: EUR 2.9 million) for the changes in the fair value of the effective hedging transactions. There were no further amounts without effects on earnings (previous year: EUR – 0.2 million).

The Deutsche Wohnen Group has corporation tax loss carry-forwards in the amount of EUR 1.3 billion (previous year: EUR 1.4 billion) and trade tax loss carry-forwards in the amount of EUR 1.1 billion (previous year: EUR 1.1 billion). The corporation tax loss carry-forward that was not capitalised amounts to approximately EUR 0.3 billion (previous year: EUR 0.4 billion) and the trade tax loss carry-forward to approximately EUR 0.2 billion (previous year: EUR 0.3 billion). In general, loss carry-forwards do not expire.

E Notes to the consolidated profit and loss statement

The consolidated profit and loss statement is prepared using the total cost method.

1 Income from Residential Property Management

The income from Residential Property Management comprises the following:

EUR m	2015	2014
Potential gross rental income	648.1	640.4
Subsidies	4.6	7.1
	652.7	**647.5**
Vacancy loss	– 18.7	– 21.2
	634.0	**626.3**

2 Expenses from Residential Property Management

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

EUR m	2015	2014
Maintenance costs	86.1	88.8
Non-recoverable operating expenses	12.7	13.8
Rental loss	6.3	8.9
Other expenses	9.7	9.0
	114.8	**120.5**

3 Earnings from Disposals

The earnings from Disposals include income from sales proceeds, costs of sale and carrying amounts of assets sold of investment properties and land and buildings held for sale.

4 Earnings from Nursing and Assisted Living

The earnings from Nursing and Assisted Living comprise the following:

EUR m	2015	2014
Income for Nursing and Assisted Living	67.2	68.2
Nursing and corporate expenses	– 17.9	– 18.6
Staff expenses	– 33.7	– 33.3
	15.6	**16.3**

5 Corporate expenses

The corporate expenses are made up as follows:

EUR m	2015	2014
Staff expenses	45.9	**56.9**
General and administration expenses		
IT costs	6.7	9.0
Building costs	7.6	8.7
Legal, consultancy and audit costs	4.1	5.7
Communication costs	2.3	2.1
Printing and telecommunication costs	2.5	2.2
Travel expenses	1.2	1.2
Insurance	0.8	0.5
Other	3.6	4.2
	28.8	**33.6**
	74.7	**90.5**

The Deutsche Wohnen Group employed an average of 763 employees, which relate to the residential segment, in the financial year (previous year: 990 employees).

6 Other expenses/income

Other expenses/income mainly comprise restructuring costs in the amount of EUR 11.6 million (previous year: EUR 15.2 million) and transaction costs in the amount of EUR 47.5 million (previous year: EUR 2.8 million).

7 Share-based remuneration

The stock option programme launched in 2014 provides for the issuance of a maximum of 12,879,752 subscription rights to the members of the Management Board of Deutsche Wohnen AG and to selected executives of the Deutsche Wohnen Group under the following conditions:

The subscription rights will be issued to beneficiaries in annual tranches until the expiration of four years from the date of the registration of the contingent capital in the commercial register, but at least until the expiration of 16 weeks after the closing of the ordinary Annual General Meeting in 2018. The amount of the annual tranches will be determined by dividing the target amount of the variable remuneration for the beneficiary in question by a reference value, which will be commensurate with the arithmetic mean of the closing price for the Deutsche Wohnen share 30 days prior to the issuance of the stock options concerned.

The subscription rights may be exercised for the first time after the expiration of four years (waiting period) and thereafter within three years (exercise period) and will expire upon the expiration of the relevant period.

The subscription rights may only be exercised if the following conditions are met:

- The service contract concluded with the beneficiary is not terminated during the waiting period on grounds for which the latter is responsible (sec. 626 para. 1 of the German Civil Code (BGB)) and
- The performance targets "Adjusted NAV per share" (40% weighting), "FFO I per share" (40% weighting) and "Share price" (20% weighting) are attained.

The performance targets for each individual tranche of the stock options relate to the development of the (i) Adjusted NAV per share, (ii) FFO I (without disposals) per share and (iii) Share price development, as compared to the EPRA/NAREIT Germany Index, calculated in accordance with the following provisions.

Within each of the aforementioned performance targets there is a minimum target, which must be attained in order for half of the stock options based on this performance target to be generally exercisable, as well as a maximum target, upon the attainment of which all of the stock options allotted to this performance target will become exercisable in accordance with the weighting of the performance target in question. The minimum target is in each case reached at 75% of target achievement and the maximum target at 150% of target achievement. The individual minimum and maximum targets are set by the company on the basis of its four-year-projections prior to the issuance of the annual tranche of stock options. Subject to any special arrangements for termination of the service or employment relationship of the beneficiary prior to the expiration of the waiting period, the number of exercisable stock options per tranche equals the total number of stock options of the respective tranche multiplied by the percentage rate calculated from the sum of the percentage rates based on attainment of one or several performance targets in accordance with the foregoing provisions, and having regard to the aforementioned weighting of the performance targets, so as to compensate for any divergences in the attainment of the performance targets in favour of the beneficiary.

At the end of the waiting period, the number of allocable subscription rights per eligible person is calculated on the basis of the degree of attainment of the performance targets. When acquiring the shares (exercise of the issued subscription rights), the beneficiary must pay EUR 1.00 per share. The shares acquired following the exercise of the options will have full voting rights and entitlement to dividends.

A total of 78,849 subscription rights were issued in the past financial year.

When calculating the value of the issued options, it was assumed that the performance targets "Adjusted NAV per share" and "FFO I (without disposals) per share" will have been met 150% by the end of the waiting period. With regard to meeting the target "Share price development", the value of the subscription rights was calculated on the basis of an assumed volatility of 27%, a risk-free interest rate of 1.5% and an expected dividend return of 2.75%. The distribution of the stock option value calculated for the subscription rights over the vesting period was calculated in consideration of the special contractual provisions that exist for the termination of service or employment relationship of the beneficiary.

The expenses relating to the stock option programme as reported in the consolidated financial statements amount to EUR 1.0 million.

8 Finance expense

The finance expense comprises the following:

EUR m	2015	2014
Current interest expenses	127.0	183.4
Accrued interest on liabilities and pensions	9.5	3.0
Non-recurring expenses in connection with the refinancing	58.7	82.2
	195.3	**268.6**

9 Income taxes

Companies resident in Germany that have the legal form of a corporation are subject to German corporation tax in the amount of 15 % (previous year: 15 %) and a solidarity surcharge in the amount of 5.5 % of the corporation tax levied. These entities are also subject to trade tax, the amount of which depends on the tax rates set by local authorities. Companies in the legal form of a partnership are only subject to trade tax. The profit less trade tax is assigned to the partners for corporation tax purposes. Limited use of corporation and trade tax loss carry-forwards is to be taken into account from the assessment period 2004 onwards. As a result, a positive tax assessment basis up to EUR 1 million may be reduced by an existing loss carry-forward without limitation; amounts in excess thereof may at most be reduced to 60 % by an existing loss carry-forward.

The anticipated nominal income tax rate for 2015 for the group's parent company Deutsche Wohnen AG is 30.18 % (previous year: 30.18 %).

The income tax expense/benefit comprises the following:

EUR m	2015	2014
Current tax expense	– 21.5	**– 16.5**
Tax expense from capital increase costs	– 6.5	**– 0.4**
Deferred tax expense		
Properties	– 571.3	– 266.8
Loss carry-forwards	3.9	155.3
Loans and convertible bonds	13.2	– 1.0
Other provisions	4.6	– 2.1
Interest rate swaps	– 11.6	– 4.7
Pensions	1.3	– 2.9
Other	7.3	6.7
	– 552.6	**– 115.3**
	– 580.6	**– 132.2**

The reconciliation of tax expense/benefit is provided in the following overview:

EUR m	2015	2014
Consolidated accounting profit before taxes	1,787.2	1,021.4
Applicable tax rate in %	30.18	30.18
Resulting tax expense	– 539.3	**– 308.3**
Permanent effect of expenses not deductible for tax purposes and trade tax corrections	– 7.7	– 3.2
Changes in unrecognised deferred taxes and loss carry-forwards	– 55.8	184.2
Income tax expenses from other periods	8.1	– 2.3
Other effects	14.1	– 2.6
	– 580.6	**– 132.2**

Current income tax expenses in the financial year 2015 include income from other periods in the amount of EUR 8.1 million (previous year: expenses EUR 2.3 million).

F Segment reporting

Deutsche Wohnen reports by business segments on the basis of the information provided to the decision makers of the Deutsche Wohnen Group. Segment information is not reported by geographical region as the property and, therefore, all operational activities are in Germany.

Deutsche Wohnen focuses on the following three main segments in the context of its business activities:

1 Residential Property Management

Deutsche Wohnen's core business activity is the management of residential properties in the context of active asset management. Asset management includes the modernisation and maintenance of the property portfolio of Deutsche Wohnen, the management of tenancy agreements, support for tenants and the marketing of residential units. The focus of property management is on the optimisation of rental income. Therefore, rental increase potential is examined continuously in the course of ongoing maintenance, tenant turnover is used as an opportunity to create value, and services are purchased based on best-available prices for real savings and passed on to the tenant.

2 Disposals

The Disposals business segment is another pillar of the Deutsche Wohnen Group's operating activities. Privatisation can either take place as individual privatisation, i.e. by selling an individual residential unit (for example to a tenant), or as block sales.

The Disposals business segment includes all aspects of the preparation and execution of the sale of residential units from our property portfolio as part of the ongoing portfolio optimisation and streamlining process.

In addition, the privatisation of residential property can take place in connection with the future acquisition of portfolios for the purpose of portfolio streamlining as well as for financing purposes.

Certain residential units, particularly in Rhineland-Palatinate, and individual holdings of the GEHAG Group as well as BauBeCon Group are subject to privatisation restrictions due to the acquisition agreements. In light of the obligations, the group is partly bound by certain specifications (for example sale to tenants, general social conditions) when making privatisation decisions. These restrictions to some extent also prohibit the disposal of the properties in question for a specified period of time.

3 Nursing and Assisted Living

The Nursing and Assisted Living segment is operated by KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH (KATHARINENHOF®) and its subsidiaries, and comprises the marketing and management of nursing and residential care homes as well as services for the care of the senior citizens who live in these homes.

Inter-company transactions primarily concern agency agreements which are carried out in accordance with the usual market conditions.

The segment reporting is attached to the notes to the consolidated financial statements as Appendix 2 (149).

The reconciliation of the segment assets to the consolidated balance sheet is illustrated in the following table:

EUR m	31/12/2015	31/12/2014
Segment assets	13,366.5	11,090.5
Deferred taxes	325.5	351.7
Income tax receivables	8.1	4.0
	13,700.1	**11,446.2**

G Notes to the consolidated statement of cash flows

The consolidated statement of cash flows shows how the group's cash and cash equivalents have changed during the financial year due to the inflow and outflow of funds. In accordance with IAS 7 ("Cash Flow Statements"), a distinction is made between cash flows from operating and from investing and financing activities.

Other non-cash operating income and expenses mainly include carrying profits from disposals (2015: EUR 90.4 million; previous year: EUR 64.5 million). In total, Deutsche Wohnen received EUR 680.3 million (previous year: EUR 261.3 million) from property disposals. Payments for investments include payments for modernisation and acquisition of investment properties and land and buildings held for sale.

As at the reporting date, the group had a total of EUR 10.6 million (previous year: EUR 16.9 million) which were restricted in use. This relates to the cash and cash equivalents of DB 14 and the KATHARINENHOF® Group as well as liquidity to purchase collection accounts, which may be used only for special repayments on loans. A maturity of up to three months results from the contractual conditions of these cash and cash equivalents.

The group has funds amounting to EUR 10 million (previous year: EUR 10 million) at its disposal from existing financing commitments that have not been utilised as at the reporting date.

Cash flows from investing and financing activities are determined when payments are made. The cash flow from operating activities in contrast is indirectly derived from the group's profit/loss.

H Earnings per share

In order to calculate the basic earnings per share, the consolidated earnings are divided by the weighted number of shares outstanding in the financial year.

The diluted and undiluted earnings amount to:

EUR m	2015	2014
Consolidated earnings for the calculation of undiluted earnings	1,161.4	855.9
./. Interest from the convertible bond (after taxes)	0.0	0.9
./. Valuation effect resulting from convertible bond (after taxes)	0.0	38.5
Adjusted consolidated earnings for the calculation of diluted earnings	**1,161.4**	**895.3**

The average number of issued shares (diluted and undiluted) amounts to:

Shares k	2015	2014
Shares issued at start of period	294,260	286,217
Addition of issued shares in the relevant financial year	43,152	8,043
Shares issued at end of period	**337,412**	**294,260**
Average of shares issued, undiluted	**320,849**	**291,627**[1]
Diluting number of shares due to exercise of conversion rights	28	13,797[1]
Average of shares issued, diluted	**320,876**	**305,424**[1]

[1] With consideration of the effects arising out of the capital increase in June 2015 (so-called scrip adjustment of approximately 1.01)

The earnings per share for continuing operations amount to:

EUR	2015	2014
Earnings per share		
Undiluted	3.62	2.93
Diluted	3.62	2.93

In the year 2015, a dividend was distributed for the financial year 2014 amounting to EUR 129.9 million or EUR 0.44 per share. A dividend in the amount of EUR 0.54 per share is planned for 2015. Based on the number of outstanding shares on 31 December 2015, this corresponds to a dividend payment of overall EUR 182.2 million.

I Other disclosures

1 Risk management

General information on risk management
The risk management system (RMS) is an instrument for achieving the main aim of the company to sustainably guarantee the profitability of Deutsche Wohnen, which mainly concentrates on the management and development of its own property portfolio. It provides the foundation for active risk control and serves as a basis for information for the Management Board and the Supervisory Board regarding the current risk situation of the company.

Risk management is an ongoing process which is divided into the following phases:

- Establishing standards
- Risk identification and analysis
- Risk management
- Reporting
- Risk controlling

Risks are monitored in a professional and timely manner in accordance with the risk management guidelines established by management. The risk management guidelines establish the roles and responsibilities, set the basic principles of the RMS and define the framework for the evaluation and management of risks. Risk is proactively managed by using risk early warning systems.

The measures relating to financial risk management are described below:

The main financial instruments used by the group – with the exception of derivative financial instruments – are bank loans, convertible bonds, a corporate bond and cash and cash equivalents. The primary purpose of these financial instruments is to finance the group's business activities. The group has various other financial assets and liabilities, such as trade receivables and trade payables, which result directly from its business activities.

The group also carries out derivative transactions in the form of interest rate swaps. The purpose of these derivative financial instruments is to manage interest rate risks that result from the group's business activities and its sources of finance. There has been no trading of interest rate swaps, nor will there be any in the future.

The following table illustrates the classification of the financial instruments into appropriate classes in accordance with IFRS 7.6 together with their allocation to valuation categories in accordance with IAS 39:

	Valuation category in accordance with IAS 39	Amortised costs		Fair value recognised in profit/loss	No valuation category acc. to IAS 39	No financial instruments acc. to IAS 32/ out of scope IFRS 7	Total balance sheet items
EUR m		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount	31/12/2015
Trade receivables	LaR	13.4	13.4	0.0	0.0	0.0	13.4
Other assets							
Securities (at cost)	AfS	0.3	n/a	0.0	0.0	0.0	0.3
Financial assets and loans receivable	AfS	15.2	n/a	0.0	0.0	7.1	22.3
Other financial assets	LaR	10.0	10.2	0.0	0.0	0.0	10.0
Derivative financial instruments	FAHfT	0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents	LaR	661.6	661.6	0.0	0.0	0.0	661.6
Total financial assets		700.3	685.1	0.0	0.0	7.1	707.4
Financial liabilities	FLaC	3,780.4	3,915.6	0.0	0.0	0.0	3,780.4
Convertible bonds	FLHfT	0.0	0.0	965.4	0.0	0.0	965.4
Corporate bond	FLaC	498.3	502.8	0.0	0.0	0.0	498.3
Liabilities to limited partners in funds	FLHfT	0.0	0.0	6.4			6.4
Trade payables	FLaC	164.2	164.2	0.0	0.0	30.4	194.6
Other liabilities							
Liabilities from finance leases	–	0.0	0.0	0.0	22.2	0.0	22.2
Other financial liabilities	FLaC	74.0	74.0	0.0	0.0	0.2	74.2
Derivative financial instruments	FLHfT	0.0	0.0	18.5	26.3	0.0	44.8
Total financial liabilities		4,517.0	4,656.6	990.4	48.5	30.5	5,586.4

AfS – Financial assets available for disposal (Available for Sale)
LaR – Loans and Receivables
FAHfT – Financial assets assessed at fair value and recognised in profit/loss (Financial Assets Held for Trade)
FLaC – Financial liabilities carried at amortised cost (Financial Liabilities at Cost)
FLHfT – Liabilities assessed at fair value and recognised in profit/loss (Financial Liabilities Held for Trade)

EUR m	Valuation category in accordance with IAS 39	Amortised costs		Fair value recognised in profit/loss	No valuation category acc. to IAS 39	No financial instruments acc. to IAS 32/ out of scope IFRS 7	Total balance sheet items
		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount	31/12/2014
Trade receivables	LaR	17.7	17.7	0.0	0.0	0.0	17.7
Other assets							
Securities (at cost)	AfS	0.3	n/a	0.0	0.0	0.0	0.3
Financial assets and loans receivable	AfS	24.0	n/a	0.0	0.0	4.3	28.3
Other financial assets	LaR	9.5	9.5	0.0	0.0	0.9	10.4
Derivative financial instruments	FAHfT	0.0	0.0	0.1	0.0	0.0	0.1
Cash and cash equivalents	LaR	396.4	396.4	0.0	0.0	0.0	396.4
Total financial assets		**447.9**	**423.6**	**0.1**	**0.0**	**5.2**	**453.1**
Financial liabilities	FLaC	4,773.0	4,773.0	0.0	0.0	0.0	4,773.0
Convertible bonds	FLHfT	0.0	0.0	748.7	0.0	0.0	748.7
Liabilities to limited partners in funds	FLHfT	0.0	0.0	6.3	0.0	0.0	6.3
Trade payables	FLaC	112.8	112.8	0.0	0.0	25.2	138.0
Other liabilities							
Liabilities from finance leases	–	0.0	0.0	0.0	1.2	0.0	1.2
Other financial liabilities	FLaC	34.9	29.3	0.0	0.0	9.1	44.0
Derivative financial instruments	FLHfT	0.0	0.0	51.1	93.9	0.0	145.0
Financial liabilities held for sale (IFRS 5)	FLaC	6.0	6.0	0.0	0.0	0.0	6.0
Total financial liabilities		**4,926.7**	**4,921.1**	**806.1**	**95.1**	**34.3**	**5,862.1**

AfS – Financial assets available for disposal (Available for Sale)
LaR – Loans and Receivables
FAHfT – Financial assets assessed at fair value and recognised in profit/loss (Financial Assets Held for Trade)
FLaC – Financial liabilities carried at amortised cost (Financial Liabilities at Cost)
FLHfT – Liabilities assessed at fair value and recognised in profit/loss (Financial Liabilities Held for Trade)

The fair value of financial assets and liabilities for the purposes of valuation or the explanatory notes – with the exception of the convertible bonds – was determined on the basis of Level 2 of the Fair Value Hierarchy (DCF valuation methods, using observed market parameters, in particular market interest rates).

The fair value of the convertible bonds is determined by means of the market price (Level 1 of the Fair Value Hierarchy).

The following table shows the contractual, undiscounted payments:

EUR m	Carrying amount 31/12/2015	2016	2017	2018	≥ 2019
Original financial liabilities					
Financial liabilities	3,780.4	115.3	118.2	122.3	4,220.9
Convertible bonds	965.4	4.8	4.8	4.8	663.0
Corporate bond	498.3	6.9	6.9	6.9	513.8
Liabilities to limited partners in funds[1]	6.4	6.4			
Trade payables and other liabilities	194.6	194.6			
Other liabilities					
Liabilities from finance lease	22.2	2.6	2.6	2.6	16.8
Other financial liabilities	74.2	73.7	0.5		
Derivative financial liabilities	18.5	4.8	4.7	4.1	5.1
Total	5,560.1	**409.0**	**137.6**	**140.6**	**5,419.5**

[1] The actual payments depend on the extent to which the limited partners exercise their options to tender their shares, making payment estimates uncertain

EUR m	Carrying amount 31/12/2014	2015	2016	2017	≥ 2018
Original financial liabilities					
Financial liabilities[1]	4,773.0	344.1	166.1	187.0	4,626.3
Convertible bonds[1]	748.7	4.8	4.8	4.8	667.8
Liabilities to limited partners in funds[2]	6.3	6.5			
Trade payables and other liabilities	112.8	112.8			
Other liabilities					
Liabilities from finance lease	1.2	1.2			
Other financial liabilities	34.9	34.9			
Financial liabilities held for sale (IFRS 5)	6.0	6.0			
Derivative financial liabilities[1]	51.1	13.5	14.0	12.8	15.6
Total	**5,734.0**	**523.8**	**184.8**	**204.5**	**5,309.7**

[1] Numbers for the previous year adjusted/complemented
[2] The actual payments depend on the extent to which the limited partners exercise their options to tender their shares, making payment estimates uncertain

The profits and losses from financial assets and liabilities are as follows:

EUR m	From interest	From dividends	From subsequent valuations: Fair value	From subsequent valuations: Impairment	From subsequent valuations: Appreciation in value	From outflow	Net loss
31/12/2015							
Financial assets available for disposal		0.0					**0.0**
Loans and receivables	– 0.8			15.5	– 9.8		**4.9**
Financial liabilities carried at amortised cost	135.4					58.7	**194.1**
Liabilities carried at fair value and recognised in profit/loss (held for trading purposes)	1.2		213.7				**214.9**
Total	**135.8**	**0.0**	**213.7**	**15.5**	**– 9.8**	**58.7**	**413.9**

EUR m	From interest	From dividends	From subsequent valuations: Fair value	From subsequent valuations: Impairment	From subsequent valuations: Appreciation in value	From outflow	Net loss
31/12/2014							
Loans and receivables				4.9			**4.9**
Financial liabilities carried at amortised cost	182.7						**182.7**
Liabilities carried at fair value and recognised in profit/loss (held for trading purposes)	2.5		112.1				**114.6**
Total	**185.2**	**0.0**	**112.1**	**4.9**	**0.0**	**0.0**	**302.2**

There were no changes in the fair value of the convertible bonds due to changes in the default risk in the year under review.

The significant risks to the group arising from financial instruments comprise interest-related cash flow risks, liquidity risks, default risks and market risks. Company management prepares and reviews risk management guidelines for each of these risks, as outlined below:

Default risk

Default risks, or the risk that a partner will not be able to meet its obligations, are managed by using exposure limits and control processes. If appropriate, the company is provided with collateral. Deutsche Wohnen does not face any considerable default risk, either from partners or from groups of partners with similar characteristics. The maximum default risk is the carrying amount of the financial assets as reported in the balance sheet.

Liquidity risk

The group reviews the risk of liquidity shortfalls daily by using a liquidity planning tool. This tool takes into account the inflows and outflows of cash from the operating activities and payments relating to financial liabilities.

Deutsche Wohnen seeks to ensure that sufficient liquidity is available to meet future obligations at all times. Deutsche Wohnen currently has a debt capital ratio of approximately 50 % (previous year: 57 %), and a Loan-to-Value Ratio of 38.0 % (previous year: 51.0 %).

Interest-related cash flow risks

The interest rate risk to which the group is exposed is mainly derived from non-current financial liabilities with floating interest rates.

The group's interest expenses are managed by a combination of fixed-interest and floating-rate debt capital. To make this combination capital cost-efficient, the group concludes interest rate swaps at specified intervals by which it exchanges the difference between the fixed-interest and floating-rate amounts as determined on the basis of an agreed nominal value with the contractual partner. These interest rate swaps hedge the underlying debt capital. Accordingly, interest rate risk only exists for floating-rate financial liabilities that are not hedged by interest rate swaps. Applied to these financial liabilities and the convertible bonds, an increase/reduction of 1 % in the interest rate at the reporting date would have led to an increase/reduction in the interest expenses of EUR 6.5 million/EUR –3.9 million (previous year: EUR 7.9 million). Applied to the group equity, an interest adjustment in the same amount would have led to an increase/reduction of approximately EUR 41 million (previous year: approximately EUR 96 million).

Market risks

The financial instruments of Deutsche Wohnen that are not reported at fair value are primarily cash and cash equivalents, trade receivables, other current assets, financial liabilities, trade payables and other liabilities.

The carrying amount of cash and cash equivalents is very close to their fair value due to the short-term nature of these financial instruments. For receivables and liabilities which are based on usual trade credit conditions, the carrying amount based on the historical cost is also very close to the fair value.

Fair value risks may arise from fixed-interest liabilities and interest hedged loans if the interest level on the market is falling beneath the interest level of the loans concluded in the group. In that case Deutsche Wohnen negotiates with its banks and conducts adjustments and refinancing to avoid interest rate disadvantages.

Netting of financial assets and financial liabilities

Financial assets and liabilities are only be netted pursuant to global netting agreements where an enforceable legal set-off claim exists on the balance sheet date and settlement on a net basis is planned. Where a claim for netting is not enforceable in the ordinary course of business, the global netting agreement will only give rise to a conditional set-off claim. In this case, the financial assets and liabilities will be reported on the balance sheet in their gross amounts on the balance sheet date.

Deutsche Wohnen enters into financial futures transactions as a means of hedging against cash flow risks. These derivatives are based on standard netting agreements concluded with banks, pursuant to which a conditional off-set claim may arise which could result in the forward futures transactions being reported in their gross amounts on the balance sheet date.

Claims arising out of operating costs which have not yet been accounted for in the amount of EUR 296.1 million (previous year: EUR 167.6 million) were offset against instalments on advance payments of operating costs in the amount of EUR 315.0 million (previous year: EUR 174.4 million) on the balance sheet for the financial year 2015. The derivatives were not subject to any set-off claims as against liabilities arising out of derivatives.

2 Capital management

The primary aim of the group's capital management is to ensure that it maintains a high credit rating and a good equity ratio to support its business activities and to maximise shareholder value.

Management of the capital structure takes into account liabilities to banks and other creditors, and cash and cash equivalents.

The key figures for capital management are:

- **The equity/debt capital ratio and the leverage ratio**
  The group aims to achieve an equity ratio of 40 %. Future investments will therefore be based on balanced financing, amongst other things. The equity ratio amounted to 50 % as at the reporting date (previous year: 43 %).

- **Loan-to-Value Ratio**
  The ratio of financial liabilities compared to the value of the investment properties is defined as the Loan-to-Value Ratio.

EUR m	31/12/2015	31/12/2014
Financial liabilities	3,780.4	4,779.0
Convertible bonds	965.4	748.7
Corporate bonds	498.3	
	5,244.1	**5,527.7**
Cash and cash equivalents	–661.6	–396.4
Net financial liabilities	4,582.5	**5,131.3**
Investment properties	11,859.1	9,611.0
Non-current assets held for sale	137.6	392.9
Land and buildings held for sale	66.9	58.1
	12,063.6	**10,062.0**
Loan-to-Value Ratio in %	38.0	**51.0**

3 Hedging

As at 31 December 2015 and 31 December 2014, there were various interest hedges, through which variable interest rate conditions can be exchanged for fixed interest rate conditions. The non-effective part thereof – whose value change is shown in the consolidated profit and loss statement – amounts to EUR 2.9 million (previous year: revenue of EUR –11.8 million).

Furthermore, an amount of EUR –5.8 million from the dissolution of swaps was liquidated from other cumulated equity with effect to the profit and loss statement.

4 Events after the balance sheet date

At the beginning of January 2016, economic ownership of four property-holding real estate companies with a total of approximately 8,700 residential units was transferred to the Deutsche Wohnen Group in the context of its acquisition of the "OLAV" portfolio. This did not constitute a business combination. The transfer of further portions of the portfolio comprising approximately 4,800 residential units is expected to occur in the first and second quarters of 2016.

By way of transfer of economic ownership as at 1 January 2016, GSW Immobilien AG additionally acquired 51 % of the shares in FACILITA Berlin GmbH, Berlin; this transaction constitutes a business combination. The allocation of the purchase price has yet to be undertaken, however it is not expected that any hidden assets or liabilities will be discovered, as the carrying amounts are commensurate with the fair values, the amount of which is immaterial. FACILITA will be fully consolidated from the date of its acquisition. The effects on the balance sheet are immaterial.

On 12 February 2016, Vonovia announced that it had not reached the minimum acceptance threshold for the hostile takeover bid made to the shareholders of Deutsche Wohnen.

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

5 Commitments and contingencies

Hereditary building rights contracts result in annual financial commitments of EUR 2.4 million (previous year: EUR 1.9 million).

Other financial commitments relating to agency agreements concerning IT services amount to a total of EUR 12.5 million (previous year: EUR 19.9 million).

Other service contracts result in annual financial commitments with a total of EUR 5.7 million (previous year: EUR 5.7 million).

In addition, current liabilities arise from the acquisition of several property portfolios in an amount of EUR 1,004.1 million (previous year: EUR 166.5 million) resulting.

One group company (Rhein-Pfalz Wohnen GmbH) has been certified as a development and redevelopment agency (sec. 158 and 167 of the German Federal Building Code (BauGB)). Rhein-Pfalz Wohnen GmbH performs the duties bestowed upon it by local authorities as their trustee.

The GSW subgroup has undertaken entries on the land register in relation to land charges arising in connection with building obligations in the total amount of EUR 10.6 million.

6 Obligations arising out of lease commitments

Lease agreements result in payments for up to one year in the amount of EUR 1.7 million (previous year: EUR 5.4 million), for one to five years in the amount of EUR 4.5 million (previous year: EUR 6.5 million), and for more than five years in the amount of EUR 2.9 million (previous year: EUR 3.9 million).

7 Auditors' services

The auditor of Deutsche Wohnen AG and the group is Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The following net expenses were incurred in the year under review:

EUR k	2015	2014
Audit	600	510
Other certification and valuation services	431	236
Reimbursement of insurance premiums	506	0
Tax advice	110	252
Other consultancy services	58	0
	1,705	998

This increase is primarily due to the other certification services and the insurance premiums accruing in connection with the preparation of a securities prospectus.

8 Related party disclosures

Companies and persons who have the possibility of controlling or exercising a significant influence on the financial and business policies of the Deutsche Wohnen Group are considered to be related parties. Existing control relationships were taken into account when defining the significant influence that the Deutsche Wohnen Group's related parties have on its financial and business policies.

Related companies

The affiliated companies, jointly controlled entities and affiliated companies included in the consolidated financial statements are to be considered related companies.

Transactions with related companies

Service and cash management agreements exist within the group. Services between the companies are eliminated on consolidation.

Related parties

The following persons are to be considered related parties:

Name	Occupation	Memberships in supervisory boards and other executive bodies within the meaning of sec. 125 para. 1 sent. 5 of the German Stock Corporation Act (AktG)
Michael Zahn Chief Executive Officer	Economist	GSW Immobilien AG, Berlin (Chairman of the Supervisory Board since 2/6/2015) TLG Immobilien AG, Berlin (Chairman of the Supervisory Board) Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin (Chairman of the Supervisory Board) GEHAG GmbH, Berlin (Chairman of the Supervisory Board until 26/3/2015) G+D Gesellschaft für Energiemanagement GmbH, Magdeburg (Chairman of the Advisory Board) Funk Schadensmanagement GmbH, Berlin (Chairman of the Advisory Board) DZ Bank AG, Frankfurt/Main (Member of the Advisory Board since 21/9/2015)
Lars Wittan Member of the Management Board	Degree in business administration (Dipl.-Betriebswirt)	Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin (Member of the Supervisory Board)
Andreas Segal Member of the Management Board (until 10/11/2015)	Lawyer	GSW Immobilien AG, Berlin (Deputy Chairman of the Supervisory Board between 2/6/2015 and 10/11/2015)

Members of the Supervisory Board of Deutsche Wohnen AG

The Supervisory Board is composed of the following members:

Name	Occupation	Memberships in supervisory boards and other executive bodies within the meaning of sec. 125 para. 1 sent. 5 of the German Stock Corporation Act (AktG)
Uwe E. Flach Chairman	Senior Advisor Oaktree GmbH, Frankfurt am Main	DO Deutsche Office AG, Cologne (Deputy Chairman of the Supervisory Board until 3/11/2015) DZ Bank AG, Frankfurt/Main (Member of the Advisory Board) GSW Immobilien AG, Berlin (Chairman of the Supervisory Board until 2/6/2015) metabo Aktiengesellschaft, Nürtingen (Member of the Supervisory Board since 12/2/2015)
Dr. Andreas Kretschmer Deputy Chairman	Managing Director of Pension Fund for Medical Practitioners of Westphalia-Lippe Einrichtung der Ärztekammer Westfalen-Lippe – KöR –, Münster	BIOCEUTICALS Arzneimittel AG, Bad Vilbel (Chairman of the Supervisory Board) Amprion GmbH, Dortmund (Deputy Chairman of the Supervisory Board) GSW Immobilien AG, Berlin (Member of the Supervisory Board until 2/6/2015)
Dr. h.c. Wolfgang Clement	Publicist and company consultant former Bundesminister (Federal Minister) former Ministerpräsident (State Prime)	Daldrup & Söhne AG, Grünwald (Chairman of the Supervisory Board) DIS Deutscher Industrie Service AG, Dusseldorf (Member of the Supervisory Board) Peter Dussmann-Stiftung, Berlin (Member of the Board of Trustees) Dussmann Stiftung & Co. KGaA, Berlin (Chairman of the Supervisory Board) Landau Media Monitoring AG & Co. KG, Berlin (Member of the Supervisory Board) RWE Power AG, Essen (Member of the Supervisory Board)
Matthias Hünlein	Managing Director Tishman Speyer Properties Deutschland GmbH, Frankfurt/Main	GSW Immobilien AG, Berlin (Member of the Supervisory Board until 2/6/2015)
Dr. Florian Stetter	Chief Executive Officer Rockhedge Asset Management AG, Krefeld	CalCon Deutschland AG, Munich (Member of the Supervisory Board) ENOVO s.r.o., Bratislava, Slovak Republic (Managing Partner)
Claus Wisser	Managing Director of Claus Wisser Vermögensverwaltungs GmbH, Frankfurt/Main	AVECO Holding AG, Frankfurt/Main (Chairman of the Supervisory Board) DFV Deutsche Familienversicherung AG, Frankfurt/Main (Member of the Supervisory Board)

Transactions with related parties

In 2015 there were no transactions with related parties.

9 Remuneration of the Management Board and Supervisory Board

The contractually granted remuneration of the members of the Management Board and the Supervisory Board comprised the following:

EUR m	2015	2014
Payments made to members of the Management Board		
Non-performance-based remuneration	1.7	1.5
Performance-based remuneration	2.5	0.5
Other	2.3	0.5
Total	6.5	**2.5**
Payments made to members of the Supervisory Board		
Fixed remuneration	0.5	0.2
Variable remuneration	–	–
Total	0.5	**0.2**

The non-performance-based components of the remuneration paid to members of the Management Board comprise a fixed amount of remuneration and supplementary payments for company cars. The performance-based components comprise both short-term incentives, on a short-term due and long-term due basis, and long-term incentives comprising, since 2014, remuneration payments made out of the stock option programme.

The members of the Supervisory Board receive a fixed amount of remuneration only.

There is no employee benefit liability for current or retired members of the Management Board or Supervisory Board.

With regard to all other matters, we refer to the remuneration report contained in the combined management report from 90.

10 Corporate governance

The Management Board and the Supervisory Board have submitted a declaration of conformity with the German Corporate Governance Code in accordance with sec. 161 of the German Stock Corporation Act (AktG) and made it permanently available to the shareholders online at www.deutsche-wohnen.com.

Frankfurt/Main, 18 February 2016

Michael Zahn
Chief Executive Officer

Lars Wittan
Chief Investment Officer

Appendix 1 to the Notes to the consolidated financial statements

SHAREHOLDINGS[1]

as at 31 December 2015

Company and registered office	Share of capital %	Equity EUR k	Profit/loss EUR k	Reporting date
Subsidiaries, fully consolidated				
AGG Auguste-Viktoria-Allee Grundstücks GmbH, Berlin	100.00	25.0	0.0	2015
Algarobo Holding B.V., Baarn, Netherlands	100.00	12,010.2	3,337.5	2015
Aufbau-Gesellschaft der GEHAG mit beschränkter Haftung, Berlin	100.00	5,509.2	1,020.6	2015
BauBeCon Assets GmbH, Berlin	100.00	37,747.0	8,116.3	2015
BauBeCon BIO GmbH, Berlin	100.00	8,626.5	0.0	2015
BauBeCon Immobilien GmbH, Berlin	100.00	366,357.4	10,117.1	2015
BauBeCon Wohnwert GmbH, Berlin	100.00	26,710.2	0.0	2015
DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Eschborn	89.52	31,470.1	1,286.5	2014
Deutsche Wohnen Asset Immobilien GmbH, Frankfurt/Main	100.00[2]	25.0	0.0	2015
Deutsche Wohnen Berlin I GmbH, Berlin (formerly: ESTAVIS Berlin Hohenschönhausen GmbH, Berlin)	94.00	1,488.1	0.0	2015
Deutsche Wohnen Berlin X GmbH, Berlin (formerly: Larry Condo S.à r.l., Luxembourg)	94.80	11,144.0	2,810.1	2015
Deutsche Wohnen Berlin XI GmbH, Berlin (formerly: Larry Condo Holdco S.à r.l., Luxembourg)	94.80	15,112.7	7,608.0	2015
Deutsche Wohnen Berlin XII GmbH, Berlin (formerly: Larry Berlin I S.à r.l., Luxembourg)	94.80	3,518.3	1,249.7	2015
Deutsche Wohnen Berlin XIII GmbH, Berlin (formerly: Larry Berlin II S.à r.l., Luxembourg)	94.80	6,776.7	738.6	2015
Deutsche Wohnen Berlin XIV GmbH, Berlin (formerly: Larry Berlin Lichtenberg S.à r.l., Luxembourg)	94.80	8,306.1	164.9	2015
Deutsche Wohnen Berlin XV GmbH, Berlin (formerly: Larry II Berlin Marzahn S.à r.l., Luxembourg)	94.80	10,937.1	−1,164.8	2015
Deutsche Wohnen Berlin XVI GmbH, Berlin (formerly: Larry II Berlin Hellersdorf S.à r.l., Luxembourg)	94.80	6,283.0	−313.9	2015
Deutsche Wohnen Berlin XVII GmbH, Berlin (formerly: Larry II Greater Berlin S.à r.l., Luxembourg)	94.80	6,634.0	703.8	2015
Deutsche Wohnen Berlin XVIII GmbH, Berlin (formerly: Larry II Potsdam S.à r.l., Luxembourg)	94.80	4,774.5	1,517.8	2015
Deutsche Wohnen Beteiligungen Immobilien GmbH, Frankfurt/Main	100.00[2]	1,025.0	0.0	2015
Deutsche Wohnen Beteiligungsverwaltungs GmbH & Co. KG, Berlin	100.00[3]	20.0	10.3	2015
Deutsche Wohnen Construction and Facilities GmbH, Berlin	100.00[2]	275.0	0.0	2015
Deutsche Wohnen Corporate Real Estate GmbH, Berlin	100.00[2]	25.0	0.0	2015
Deutsche Wohnen Direkt Immobilien GmbH, Frankfurt/Main	100.00	921,466.4	−2,013.5	2015
Deutsche Wohnen Dresden I GmbH, Berlin	100.00	5,019.8	973.9	2015
Deutsche Wohnen Dresden II GmbH, Berlin	100.00	3,117.8	633.0	2015
Deutsche Wohnen Energy GmbH, Berlin	100.00[2]	25.0	0.0	2015
Deutsche Wohnen Fondsbeteiligungs GmbH, Berlin	100.00[2]	25.0	0.0	2015
Deutsche Wohnen Immobilien Management GmbH, Berlin	100.00[2]	1,331.9	499.4	2015
Deutsche Wohnen Kundenservice GmbH, Berlin (formerly: GSW Wohnwert GmbH, Berlin)	100.00[2]	25.7	0.0	2015
Deutsche Wohnen Management GmbH, Berlin	100.00[2]	25.0	0.0	2015
Deutsche Wohnen Management- und Servicegesellschaft mbH, Frankfurt/Main	100.00[2]	25.6	0.0	2015

[1] Additionally, the company is indirectly involved in a working group
[2] Waiver according to sec. 264 para. 3 of the German Commercial Code (HGB) due to inclusion in these consolidated financial statements
[3] Waiver according to sec. 264b of the German Commercial Code (HGB) due to inclusion in these consolidated financial statements

Company and registered office	Share of capital %	Equity EUR k	Profit/ loss EUR k	Reporting date
Deutsche Wohnen Reisholz GmbH, Berlin	100.00[2]	3,563.5	0.0	2015
Deutsche Wohnen Service Center GmbH, Berlin	100.00	152.9	73.2	2015
Deutsche Wohnen Service Magdeburg GmbH, Berlin	100.00	295.6	5.7	2015
Deutsche Wohnen Service Merseburg GmbH, Merseburg	100.00	105.6	–0.9	2015
Deutsche Wohnen Zweite Fondsbeteiligungs GmbH, Berlin	100.00[2]	25.2	0.0	2015
DWRE Alpha GmbH, Berlin	100.00	343.8	26.1	2015
DWRE Braunschweig GmbH, Berlin	100.00	16,325.2	0.0	2015
DWRE Dresden GmbH, Berlin	100.00	25.0	0.0	2015
DWRE Erfurt GmbH, Berlin	100.00	880.2	0.0	2015
DWRE Halle GmbH, Berlin	100.00	25.0	0.0	2015
DWRE Hennigsdorf GmbH, Berlin	100.00	1,085.3	0.0	2015
DWRE Leipzig GmbH, Berlin	100.00	25.0	0.0	2015
DWRE Merseburg GmbH, Berlin	100.00	1,068.4	0.0	2015
Eisenbahn-Siedlungs-Gesellschaft Berlin mit beschränkter Haftung, Berlin	94.90	11,889.8	0.0	2015
Fortimo GmbH, Berlin	100.00	6,127.2	0.0	2015
Gehag Acquisition Co. GmbH, Berlin	100.00	926,697.4	–1,742.3	2015
GEHAG Beteiligungs GmbH & Co. KG, Berlin	100.00[3]	21,912.1	432.6	2015
GEHAG Dritte Beteiligungs GmbH, Berlin	100.00	378.8	0.0	2015
GEHAG Erste Beteiligungs GmbH, Berlin	100.00	45.0	0.0	2015
GEHAG Erwerbs GmbH & Co. KG, Berlin	99.99[3]	45,904.8	593.9	2015
GEHAG GmbH, Berlin	100.00	1,653,144.0	63,789.2	2015
GEHAG Grundbesitz I GmbH, Berlin	100.00	26.0	0.0	2015
GEHAG Grundbesitz II GmbH, Berlin	100.00	25.0	0.0	2015
GEHAG Grundbesitz III GmbH, Berlin	100.00	–28.9	0.0	2015
GEHAG Vierte Beteiligung SE, Berlin	100.00	20,220.5	0.0	2015
GEHAG Zweite Beteiligungs GmbH, Berlin	100.00	17,431.5	0.0	2015
GGR Wohnparks Alte Hellersdorfer Straße GmbH, Berlin	100.00	5,859.9	156.3	2015
GGR Wohnparks Kastanienallee GmbH, Berlin	100.00	24,572.9	3,295.4	2015
GGR Wohnparks Nord Leipziger Tor GmbH, Berlin	100.00	6,680.3	0.0	2015
GGR Wohnparks Süd Leipziger Tor GmbH, Berlin	100.00	3,390.2	0.0	2015
Grundstücksgesellschaft Karower Damm mbH, Berlin	100.00[2]	1,099.3	0.0	2015
GSW Acquisition 3 GmbH, Berlin	100.00[2]	77,608.8	0.0	2015
GSW Berliner Asset Invest Verwaltungs-GmbH, Berlin	100.00	40.9	–9.0	2015
GSW Corona GmbH, Berlin	100.00[2]	3,071.6	0.0	2015

[2] Waiver according to sec. 264 para. 3 of the German Commercial Code (HGB) due to inclusion in these consolidated financial statements
[3] Waiver according to sec. 264b of the German Commercial Code (HGB) due to inclusion in these consolidated financial statements

Company and registered office	Share of capital %	Equity EUR k	Profit/ loss EUR k	Reporting date
GSW Fonds Weinmeisterhornweg 170–178 GbR, Berlin	51.16	–5,724.4	–22.2	2015
GSW Gesellschaft für Stadterneuerung mbH, Berlin	100.00	406.1	223.4	2015
GSW Grundvermögens- und Vertriebsgesellschaft mbH, Berlin	100.00[2]	90,255.7	0.0	2015
GSW Immobilien AG, Berlin	93.83	1,288,756.6	256,509.2	2015
GSW Immobilien GmbH & Co. Leonberger Ring KG, Berlin	94.00[3]	413.5	50.9	2015
GSW Pegasus GmbH, Berlin	100.00[2]	2,746.5	0.0	2015
GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Zweite Beteiligungs KG, Berlin	93.44[3]	–16,578.2	6,391.9	2015
Hamnes Investments B.V., Baarn, Netherlands	100.00	8,992.3	1,256.1	2015
Haus und Heim Wohnungsbau-GmbH, Berlin	100.00	2,798.7	0.0	2015
HESIONE Vermögensverwaltungsgesellschaft mbH, Frankfurt/Main	100.00	82.5	17.7	2015
Holzmindener Straße/Tempelhofer Weg Grundstücks GmbH, Berlin	100.00	25.0	0.0	2015
Intermetro GmbH, Berlin	100.00	8,501.4	284.7	2015
KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin	49.00	2,124.5	3,974.5	2015
KATHARINENHOF Service GmbH, Berlin	100.00	25.0	0.0	2015
Larry I Targetco (Berlin) GmbH, Berlin	100.00[2]	77,057.2	17.9	2015
Larry II Targetco (Berlin) GmbH, Berlin	100.00[2]	70,878.6	17.5	2015
LebensWerk GmbH, Berlin	100.00	457.1	0.0	2015
Main-Taunus Wohnen GmbH & Co. KG, Eschborn	99.99[3]	12,292.8	7,946.7	2015
Marienfelder Allee 212–220 Grundstücksgesellschaft b.R., Berlin	94.00	7,236.1	582.3	2015
Muldershof XVIII B.V., Rijssen, Netherlands	94.90	83,709.3	10,615.1	2014
Rhein-Main Wohnen GmbH, Frankfurt/Main	100.00[2]	1,039,947.0	25,981.2	2015
Rhein-Mosel Wohnen GmbH, Mainz	100.00[2]	362,716.2	7,451.4	2015
Rhein-Pfalz Wohnen GmbH, Mainz	100.00[2]	767,758.0	86,334.3	2015
RMW Projekt GmbH, Frankfurt/Main	100.00[2]	16,238.3	0.0	2015
Seniorenresidenz „Am Lunapark" GmbH, Leipzig	100.00	102.3	0.0	2015
SGG Scharnweberstraße Grundstücks GmbH, Berlin	100.00	25.0	0.0	2015
Sophienstraße Aachen Vermögensverwaltungsgesellschaft mbH, Berlin	100.00	2,193.0	0.0	2015
Stadtentwicklungsgesellschaft Buch mbH, Berlin	100.00	2,138.3	–81.6	2015
Wohn- und Pflegewelt Lahnblick GmbH, Bad Ems	100.00	314.5	–148.8	2015
Wohnanlage Leonberger Ring GmbH, Berlin	100.00	850.9	825.9	2015
Wohnungsbaugesellschaft „Aufbau 97" mbH, Berlin	94.90	3,876.2	–12.5	2015
Zisa Grundstücksbeteiligungs GmbH & Co. KG, Berlin	94.90[3]	–118.4	20.0	2015
Zisa Verwaltungs GmbH, Berlin	100.00	19.7	–5.4	2015
Zweite GSW Verwaltungs- und Betriebsgesellschaft mbH, Berlin	100.00	20.5	–3.8	2015

[2] Waiver according to sec. 264 para. 3 of the German Commercial Code (HGB) due to inclusion in these consolidated financial statements
[3] Waiver according to sec. 264b of the German Commercial Code (HGB) due to inclusion in these consolidated financial statements

Company and registered office	Share of capital %	Equity EUR k	Profit/loss EUR k	Reporting date
Joint ventures, consolidated at equity				
B&O Deutsche Service GmbH, Berlin	49.00	145.0	–5.0	2014
FACILITA Berlin GmbH, Berlin	49.00	2,036.6	1,056.1	2014
Funk Schadensmanagement GmbH, Berlin	49.00	214.8	114.8	2014
G+D Gesellschaft für Energiemanagement mbH, Magdeburg	49.00	1,060.8	72.9	2014
GIM Immobilien Management GmbH, Berlin	49.00	227.3	52.3	2014
GSZ Gebäudeservice und Sicherheitszentrale GmbH, Berlin	33.33	216.5	134.1	2014
SIWOGE 1992 Siedlungsplanung und Wohnbauten Gesellschaft mbH, Berlin	50.00	4,948.9	378.3	2014
Associated companies, consolidated at equity				
Zisa Beteiligungs GmbH, Berlin	49.00	–17.1	–13.1	2014
Shareholdings, not consolidated				
AVUS Immobilien Treuhand GmbH & Co. KG, Berlin	100.00	388.2	–22.7	2014
DCM GmbH & Co. Renditefonds 506 KG, Munich	99.00[4]	–41.6	n/a	2013
DCM GmbH & Co. Renditefonds 507 KG, Munich	99.00[4]	–19.2	n/a	2013
DCM GmbH & Co. Renditefonds 508 KG, Munich	99.00[4]	134.3	n/a	2013
DCM GmbH & Co. Renditefonds 510 KG, Munich	99.00[4]	240.4	n/a	2013
GbR Fernheizung Gropiusstadt, Berlin	45.59	621.5	–32.8	2015
GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Grundstücksgemeinschaft Am Brosepark KG i.L., Berlin	5.00	60.8	148.8	2014
GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Grundstücksgemeinschaft Gudvanger Straße KG i.L., Berlin	5.60	–2,695.6	1,839.3	2014
GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Grundstücksgemeinschaft Köpenicker Landstraße KG i.L., Berlin	5.68	–758.9	631.4	2014
GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Grundstücksgemeinschaft Neue Krugallee KG i.L., Berlin	5.91	169.6	–87.0	2014
GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Grundstücksgemeinschaft Ostseestraße KG i.L., Berlin	7.81	429.1	25.3	2014
IMMEO Berlin 67. GmbH, Essen	6.00	–3,179.1	125.8	2014
IMMEO Berlin 78. GmbH, Essen	6.00	702.7	1,087.5	2014
IMMEO Berlin 79. GmbH, Essen	6.00	–729.5	192.2	2014
IMMEO Berlin I S.à r.l., Luxembourg (formerly: JP Residential I S.A., Luxembourg)	5.10	8,017.7	–682.6	2014
IMMEO Berlin V S.à r.l., Luxembourg (formerly: JP Residential V S.à r.l., Luxembourg)	5.60	14,886.4	–1,101.8	2014
IMMEO Dresden GmbH, Austria (formerly: SIGNA Real Estate Capital Partners Dresden Holding AG, Austria)	5.11	6,227.1	–686.4	2014
STRABAG Residential Property Services GmbH, Berlin	0.49	246.7	0.0	2014

[4] No possibility of control because control opportunity contractually excluded

Appendix 2 to the Notes to the consolidated financial statements

CONSOLIDATED SEGMENT REPORTING

for the financial year 2015

	External revenue		Internal revenue		Total revenue	
EUR m	**2015**	2014	**2015**	2014	**2015**	2014
Segments						
Residential Property Management	633.9	626.3	14.3	5.7	648.2	632.0
Disposals	674.0	257.4	8.5	4.3	682.5	261.7
Nursing and Assisted Living	67.2	68.2	0.0	0.0	67.2	68.2
Reconciliation with consolidated financial statement						
Central functions and other operational activities	1.7	7.4	72.2	48.6	73.9	56.0
Consolidations and other reconciliations	– 1.7	– 7.4	– 95.0	– 58.6	– 96.7	– 66.0
	1,375.1	**951.9**	0.0	**0.0**	1,375.1	**951.9**

	Segment earnings		Assets		Depreciation and amortisation	
EUR m	**2015**	2014	**31/12/2015**	31/12/2014	**2015**	2014
Segments						
Residential Property Management	519.2	505.8	12,271.9	10,022.6	– 1.3	– 1.5
Disposals	68.9	52.4	209.7	457.1	– 0.1	– 0.1
Nursing and Assisted Living	15.6	16.3	174.0	159.1	– 1.9	– 2.0
Reconciliation with consolidated financial statement						
Central functions and other operational activities	– 138.7	– 120.0	710.9	451.7	– 2.4	– 2.5
Consolidations and other reconciliations	0.0	– 0.1	0.0	0.0	0.0	0.0
	465.0	**454.4**	13,366.5	**11,090.5**	– 5.7	**– 6.1**

INDEPENDENT AUDITORS' REPORT

We have issued the following opinion on the consolidated financial statements and the management report of the company and the group:

"We have audited the consolidated financial statements prepared by the Deutsche Wohnen AG, Frankfurt/Main, comprising the balance sheet, the profit and loss statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the management report of the company and the group for the financial year from 1 January 2015 to 31 December 2015. The preparation of the consolidated financial statements and the management report of the company and the group in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to sec. 315a para. 1 HGB ("Handelsgesetzbuch": "German Commercial Code") are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the management report of the company and the group based on our audit.

We conducted our audit of the consolidated financial statements in accordance with sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the management report of the company and the group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the management report of the company and the group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the management report of the company and the group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to sec. 315a para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The management report of the company and the group is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development."

Berlin, 2 March 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Wehner	Gerlach
Wirtschaftsprüfer	Wirtschaftsprüfer
(German public auditor)	(German public auditor)

RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable accounting standards, the consolidated financial statements as at 31 December 2015 give a true and fair view of the net assets, financial and earnings position of the group and the management report of the company and the group gives a true and fair view of the development of the business including the business result and the position of the group and describes the main opportunities and risks associated with the group's expected future development."

Frankfurt/Main, 18 February 2016

Michael Zahn
Chief Executive Officer

Lars Wittan
Chief Investment Officer

GLOSSARY

Cost ratio
Staff expenses and general and administration expenses in relation to the current gross rental income.

Current gross rental income
The current gross rent corresponds to the sum of the contractually agreed net cold rent payments for the areas let of the respective properties for the period under review or as of the reporting date in EUR million. On a per sqm basis, this is called "in-place rent".

D&O (directors and officers) group insurance
Personal liability insurance that provides general cover to corporate bodies for damages incurred due to neglect of duty.

EBIT
Earnings before interest and taxes.

EBITDA
Earning before interests, taxes, depreciation and amortisation.

EBT
Earnings before taxes. The company discloses an adjusted EBT as well: EBT (as reported) is adjusted for the result of fair value adjustment of investment properties, the result of fair value adjustments to derivative financial instruments and other one-off effects.

EPRA Earnings
In the calculation of the EPRA Earnings, which represent the recurrent earnings from the core operating business, adjustments are made for valuation effects and sales proceeds, in particular.

Fair value
Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties which do not depend on each other.

FFO
Funds from Operations: From the company's point of view, an essential operational figure for property companies geared towards liquidity derived from the group's profit and loss statement. Based on the net result for the period (profit/loss), adjustments for depreciation and amortisation, one-off effects as well as non-cash financial expenses/income and non-cash tax expenses/income, not affecting liquidity, are made. The FFO II (incl. disposals) is adjusted for the earnings from disposals to determine the FFO I (without disposals).

Financial Covenants
Agreements contained in some financing contracts in which the borrower promises to comply with certain key financial figures specified in the additional agreement for the term of the credit agreement.

In-place rent (per sqm)
Contractually owed net cold rent from the rented units (current gross rental income) divided by the rented area.

LTV ratio
Loan-to-Value Ratio: Quantifies the ratio between the sum of the net financial liabilities and the value of the investment properties plus the non-current assets held for sale and the land and buildings held for sale.

Modernisation measures
Typical modernisation measures are the renovation of the bathrooms, the installation of new in-house supply pipes and windows, the reconditioning or retrofitting of balconies, as well as the implementation of energy saving measures such as the installation of insulating glass windows and thermal insulation measures.

Multiple in-place rent
Net present value divided by the current gross rental income as at December of the business year multiplied by 12.

Multiple market rent
Net present value divided by the market rent as at December of the business year multiplied by 12.

Net asset value (NAV)
Indicates the net asset value or intrinsic/inherent value of a property company. The EPRA NAV is calculated based on equity (before minorities) adjusted for the effect of the exercise of options, convertibles and other equity interests as well as adjustments of the market value of derivative financial instruments and deferred taxes (net of assets and liabilities), i.e. the adjustment of balance sheet items that have no impact on the group's long-term performance.

For the Adjusted NAV the EPRA NAV is adjusted for the goodwill accrued in the context of the initial consolidation of the GSW Immobilien AG.

Net cold rent
Contractually agreed rent payments; additional expenses (e.g. trash collection, water, janitor) and heating costs are not included.

Net operating income (NOI)
The Net operating income represents the operating earnings from Residential Property Management after deduction of incurred personnel and G&A costs in this business segment.

New-letting rent
Deutsche Wohnen determines the new-letting rent by calculating the actual average agreed monthly net cold rent payments per sqm based on the new leases for units not subject to rent controls for the respective properties during the financial year.

Potential gross rental income
The potential gross rental income is the sum of current gross rental income and vacancy loss.

Vacancy loss
The vacancy loss corresponds to the sum of the respective last contractually agreed net cold rent payments for the areas that are not rented but are lettable for the review period or as of the reporting date of the referred properties.

Vacancy rate
The vacancy rate quantifies the ratio between the vacancy loss and the potential gross rental income as of the respective reporting date. The EPRA vacancy rate is calculated on the basis of the ratio of the estimated annualised market rents for the vacant properties to the market rents for the portfolio as a whole.

QUARTERLY OVERVIEW

for the financial year 2015

Profit and loss statement		Q1	Q2	Q3	Q4	2015
Earnings from Residential Property Management	EUR m	132.5	126.6	133.9	126.2	519.2
Earnings from Disposals	EUR m	9.3	36.9	14.6	8.1	68.9
Earnings from Nursing and Assisted Living	EUR m	3.8	4.1	4.1	3.6	15.6
Corporate expenses	EUR m	– 18.7	– 18.1	– 18.0	– 19.9	– 74.7
EBITDA	EUR m	119.0	141.1	116.4	88.5	465.0
EBT (adjusted)	EUR m	91.7	111.0	100.1	81.6	384.4
EBT (as reported)	EUR m	– 27.2	833.7	– 21.1	1,001.8	1,787.2
Group profit (after taxes)	EUR m	– 44.2	587.0	– 21.2	684.9	1,206.6
Group profit (after taxes)	EUR per share	– 0.16[1]	1.88	– 0.13	2.03	3.62
FFO I	EUR m	71.3	71.4	86.0	74.3	303.0
FFO I	EUR per share	0.24[1]	0.23	0.26	0.21	0.94
FFO II	EUR m	80.6	108.3	100.6	82.4	371.9
FFO II	EUR per share	0.27[1]	0.35	0.30	0.24	1.16

Balance sheet		31/3	30/6	30/9	31/12	31/12
Investment properties	EUR m	9,757.1	10,740.3	10,850.7	11,859.1	11,859.1
Current assets	EUR m	1,108.6	867.6	804.5	901.2	901.2
Equity	EUR m	4,846.0	6,231.2	6,224.5	6,872.0	6,872.0
Net financial liabilities	EUR m	4,968.3	4,455.0	4,544.8	4,582.5	4,582.5
Loan-to-Value Ratio (LTV)	in %	50.4	40.9	41.4	38.0	38.0
Total assets	EUR m	11,819.4	12,527.7	12,563.2	13,700.1	13,700.1

Net Asset Value (NAV)		31/3	30/6	30/9	31/12	31/12
EPRA NAV (undiluted)	EUR m	5,296.1	6,839.3	6,814.7	7,762.4	7,762.4
EPRA NAV (undiluted)	EUR per share	17.96[1]	20.27	20.20	23.01	23.01
EPRA NAV (diluted)	EUR per share	18.83[1]	20.69	20.81	23.54	23.54

Fair values		31/3	30/6	30/9	31/12	31/12
Fair value of real estate properties[2]	EUR m	9,801	10,287	10,710	11,721	11,721
Fair value per sqm residential and commercial area[2]	EUR per sqm	1,065	1,160	1,165	1,282	1,282

[1] As reported, without the effects arising out of the capital increase in June 2015 (so-called scrip adjustment of approximately 1.01)
[2] Only comprises residential and commercial buildings

MULTI-YEAR OVERVIEW

for the financial years 2013 – 2015

Profit and loss statement		2013	2014	2015
Earnings from Residential Property Management	EUR m	292.3	505.8	519.2
Earnings from Disposals	EUR m	23.0	52.4	68.9
Earnings from Nursing and Assisted Living	EUR m	13.2	16.3	15.6
Corporate expenses	EUR m	– 52.9	– 90.5	– 74.7
EBITDA	EUR m	252.9	454.5	465.0
EBT (adjusted)	EUR m	131.9	283.3	384.4
EBT (as reported)	EUR m	217.9	1,021.5	1,787.2
Group profit (after taxes)	EUR m	212.7	889.3	1,206.6
Group profit (after taxes)[1]	EUR per share	1.21[5]	2.93[2]	3.62
FFO I	EUR m	114.5	217.6	303.0
FFO I	EUR per share	0.65[5]	0.75[2]	0.94
FFO II	EUR m	137.5	270.0	371.9
FFO II	EUR per share	0.78[5]	0.93[2]	1.16

Balance sheet		31/12/2013	31/12/2014	31/12/2015
Investment properties	EUR m	8,937.1	9,611.0	11,859.1
Current assets	EUR m	401.2[4]	882.9	901.2
Equity	EUR m	3,944.3	4,876.1	6,872.0
Net financial liabilities	EUR m	5,215.3[4]	5,131.3	4,582.5
Loan-to-Value Ratio (LTV)	in %	57.4[4]	51.0	38.0
Total assets	EUR m	10,127.0[4]	11,446.2	13,700.1

Net Asset Value (NAV)		31/12/2013	31/12/2014	31/12/2015
EPRA NAV (undiluted)	EUR m	4,153.0[4]	5,326.0	7,762.4
EPRA NAV (undiluted)	EUR per share	14.51[4,5]	17.86[2]	23.01
EPRA NAV (diluted)	EUR per share	14.69[5]	18.40[2]	23.54

Fair values		31/12/2013	31/12/2014	31/12/2015
Fair value of real estate properties[3]	EUR m	8,881	9,785	11,721
Fair value per sqm residential and commercial area[3]	EUR per sqm	944	1,062	1,282

[1] Based on average number of around 320.85 million issued shares in 2015 and around 291.63 million in 2014
[2] With consideration of the effects arising out of the capital increase in June 2015 (so-called scrip adjustment of approximately 1.01)
[3] Only comprises residential and commercial buildings
[4] Change in numbers for the previous year because of a change in allocation of the purchase price (PPA) for first time consolidation of GSW Immobilien AG retroactively as at 30/11/2013
[5] As reported, without the effects arising out of the capital increase in June 2015 (so-called scrip adjustment of approximately 1.01)

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FINANCIAL CALENDAR 2016

18/3/2016	Publication of consolidated/annual financial statements 2015 – annual report 2015
13/5/2016	Publication of interim report as at 31 March 2016/1st quarter
25 – 26/5/2016	Kempen & Co. European Property Seminar, Amsterdam
8 – 10/6/2016	Deutsche Bank dbAccess German, Swiss & Austrian Conference, Berlin
22/6/2016	Annual General Meeting 2016, Frankfurt/Main
23/6/2016	Morgan Stanley Europe & EEMEA Property Conference, London
12/8/2016	Publication of interim report as at 30 June 2016/half-year
13 – 14/9/2016	Bank of America Merrill Lynch Global Real Estate Conference, New York
19 – 21/9/2016	Berenberg & Goldman Sachs German Corporate Conference, Munich
20 – 22/9/2016	Baader Investment Conference, Munich
4 – 6/10/2016	Expo Real, Munich
15/11/2016	Publication of interim report as at 30 September 2016/1st – 3rd quarter
29 – 30/11/2016	UBS Global Real Estate Conference, London
5 – 8/12/2016	Berenberg European Conference, London

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