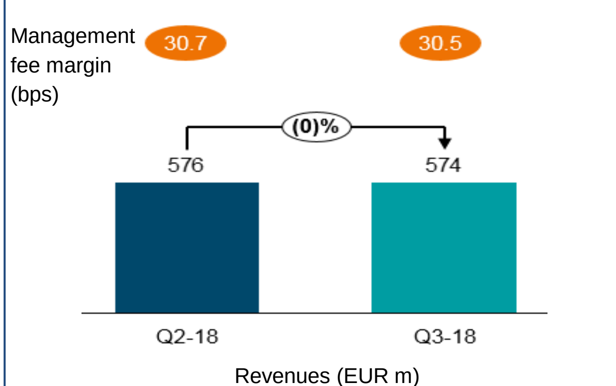
Frankfurt am Main | October 24, 2018

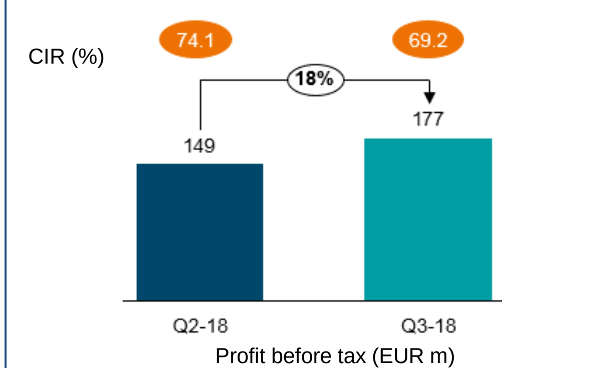
DWS Q3: Adjusted profit before tax increased by 18 percent q-o-q – costs and CIR down significantly

- Adjusted profit before tax increased to EUR 177m in Q3 2018, up 18 percent q-o-q – net income increased to EUR 121m (Q2: EUR 92m)
- Cost efficiency program well on track: adjusted costs reduced by 7 percent q-o-q
- Adjusted cost income ratio (CIR) improved to 69.2 percent (Q2: 74.1 percent)
- Net flows of minus EUR 2.7bn predominantly driven by the effects of US tax reform
- Total adjusted revenues of EUR 574m remained stable q-o-q
- Management fee margin in line with medium-term target, decreased slightly to 30.5bps
- AuM increased by EUR 5bn, q-o-q, to EUR 692bn
- Advanced strategic initiatives with Tikehau Capital and Generali

REVENUES & MANAGEMENT FEE MARGINS



PROFIT BEFORE TAX & CIR (ADJUSTED)



“We have continued to make good progress in developing our business through our growth initiatives, cost reductions and strategic partnerships. We are especially pleased to have entered a strategic alliance with Tikehau and to have established the cooperation with Generali, one of the world’s largest insurers.

Through effective cost management and stable revenues we have been able to show a good increase in profitability.”

Nicolas Moreau, CEO

“As we had envisioned, as a standalone company we have been able to reduce costs significantly in the third quarter. We are satisfied with our progress and our cost saving target for 2018 is well within reach.

Good market and fund performance outweighed net outflows, leading to stable adjusted revenues. We also continued to see the management fee margin above our medium-term guidance, at 30.5 basis points in Q3 2018.”

Claire Peel, CFO

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Business Development

During the third quarter, we continued to develop our business following our public listing earlier this year through both cost and growth initiatives, while the effects of the US tax reform and investor appetite continued to make for a challenging flow environment. We made strong progress with our cost efficiency program, launched following our separation from Deutsche Bank Group, resulting in substantially lower costs and Cost-Income Ratio compared to the second quarter.

We also used the summer to advance growth projects, including agreeing on a strategic alliance with Tikehau Capital, furthering a cooperation agreement with Generali. Furthermore we launched several new funds in the third quarter. For example, we launched the first money market fund in the USA incorporating ESG criteria, reinforcing our expertise in this area.

Total adjusted revenues in Q3 2018 stood almost unchanged at EUR 574 million, (Q2: EUR 576 million). **Adjusted profit before tax** increased by 18 percent quarter-on-quarter to EUR 177 million, (Q2: EUR 149 million). After deduction of taxes, DWS posted an improved **net income** of EUR 121 million, up 32 percent compared to the second quarter (Q2: EUR 92 million).

The **management fee margin** decreased slightly to 30.5 basis points in the third quarter (Q2: 30.7 basis points) and remained in line with our medium-term target of at least 30 basis points.

Assets under Management (AuM) rose by a total of EUR 5 billion compared to the last quarter, to EUR 692 billion in Q3 2018. This growth was a result of good market performance and positive currency developments.

Net flows of minus EUR 2.7 billion during the quarter (Q2: minus EUR 4.9 billion) were due predominantly to redemptions of EUR 3.2 billion of low margin mandates connected to the US tax reform.

Active Asset Management saw net outflows driven by redemptions in the Active Equity segment by a few institutional investors and lower overall demand by retail investors in the volatile market environment, while DWS Top Dividende fund outflows decreased significantly quarter-on-quarter. Active Fixed Income net outflows slowed versus the prior quarter supported by significant positive flows in Institutional Fixed Income.

Passive Asset Management flows were close to flat in the third quarter. While inflows into European-listed ETFs remained strong, passive flows were impacted by an institutional client redemption related to the US tax reform. In the first nine months of 2018, DWS ranked second in ETP (exchange-traded funds and commodities) net inflows in the European market with a 14.5 percent flow market share according to ETFGI.

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The net inflows into **Alternatives** increased compared to the second quarter. The main driver was a higher demand for Real Estate products, which continued their positive flow performance seen in prior quarters. For the first time the three open-end real estate funds of the DWS “grundbesitz” family reached combined fund assets of more than EUR 10 billion at the end of August 2018.

Adjusted costs decreased quarter-on-quarter by 7 percent to EUR 398 million (Q2: EUR 427 million), demonstrating that our cost efficiency program is well on track. Here, our new standalone basis helped us to significantly reduce the charges related to services received from Deutsche Bank. We are on course to meet our gross savings guidance for 2018 of 20 to 30 percent of the medium-term target – EUR 125 to 150 million compared to full year 2017.

The **adjusted Cost-Income Ratio** (CIR) improved by 4.8 percentage points to 69.2 percent (Q2: 74.1 percent), following the positive cost development.

Growth Initiatives and Strategic Progress

During the quarter, the Executive Board of DWS shared its five-year transformational program with DWS staff. It reinforces their full commitment to reaching our medium-term financial targets but also extends its strategic horizon further. The program specifies three distinct phases of our corporate development. After having completed phase 1 with the public listing of DWS earlier this year, we are currently in phase 2, where we advance our business through growth initiatives as well as through our cost efficiency initiatives from which we expect to see further positive effects in the quarters to come. From 2020 onwards, in phase 3, we envision DWS to be in a strong position to globally diversify its profit contribution, realize scale benefits and become a market consolidator.

During the third quarter, we were able to advance several growth initiatives as part of our phase 2 efforts which led to signings recently:

We agreed a strategic alliance with **Tikehau Capital**, deepening our relationship following their participation in DWS’s initial public offering. In the agreement, DWS and Tikehau list several initiatives they intend to explore, including the potential launch of a joint product, which would pursue a special situations strategy, leveraging the two companies’ alternative asset management expertise and platforms. It is currently expected to be launched in 2019. Other initiatives include a collaboration on identifying funds for potential distribution through the companies’ respective channels.

In addition, we agreed with **Generali** to expand our existing cooperation, making us one of the insurance company’s preferred asset managers. We will further strengthen our collaboration in key markets and extend the scope of the portfolios managed by us for Generali to include unit-linked insurance products. We will work to strengthen our cooperation efforts in providing unit-linked solutions in France, Switzerland, Italy and Germany as well as potentially in other countries.

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Outlook

For the remainder of the year we are focusing our growth initiatives on products and services where we can differentiate ourselves as well as executing on cost efficiency initiatives from which we expect to see further results in the quarters to come. DWS Group is still on track to achieve 20 to 30 percent of its **gross savings target** by the end of 2018. And as our cost efficiency initiatives continue to pay off, we remain on track to deliver on our CIR target of less than 65 percent in the medium term.

As previously stated, we expect **revenues** to be lower for 2018 than for 2017, largely attributable to lower performance and transaction fees reflecting the periodic nature of fund performance fees recognition and significantly lower other revenues driven by non-recurrence of the insurance recovery. **Management fees** are expected to be slightly lower compared to 2017 due to net outflows, market performance and margin compression.

We remain committed to our 3 to 5 percent **net flow target** in the medium-term. Our strategic growth initiatives, new product launches and our existing fund pipeline support the 3 to 5 percent net flow target for 2019 and beyond.

We remain highly committed to our **dividend pay-out target** of 65 to 75 percent.

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APPENDIX

PROFIT & LOSS STATEMENT AND KEY PERFORMANCE INDICATORS (IN EUR m)

	Q3 2018	Q2 2018	9M 2018	9M 2017	Q3 2018 vs. Q2 2018	9M 2018 vs. 9M 2017
Management Fees and other recurring revenues	532	523	1,573	1,653	2%	(5)%
Performance & Transaction Fees and other non-recurring revenues	20	28	66	133	(29)%	(51)%
Other Revenues	22	25	72	116	(10)%	(38)%
Total net revenues	**574**	**576**	**1,710**	**1,902**	(0)%	(10)%
Revenue adjustments	*-*	*-*	*0*	*(52)*		
Adjusted revenues	***574***	***576***	***1,710***	***1,850***	(0)%	(8)%
Compensation and benefits	(179)	(182)	(532)	(571)	(1)%	(7)%
General and administrative expenses	(223)	(245)	(717)	(682)	(9)%	5%
Restructuring activities	(1)	(7)	(10)	(2)	(89)%	n.m.
Total noninterest expenses	**(403)**	**(434)**	**(1,259)**	**(1,255)**	(7)%	0%
Cost adjustments	*5*	*7*	*15*	*6*		
Adjusted cost base	***(398)***	***(427)***	***(1,244)***	***(1,250)***	(7)%	(0)%
Profit before tax	**172**	**142**	***451***	***647***	21%	(30)%
Adjusted Profit before tax	***177***	***149***	***465***	***600***	18%	(22)%
Net income	***121***	***92***	***311***	***467***	32%	(34)%
Cost/income ratio	70.1%	75.3%	73.6%	66.0%	(5.2)ppt	7.7 ppt
Adjusted Cost/income ratio	*69.2%*	*74.1%*	*72.8%*	*67.6%*	(4.8)ppt	5.2 ppt
FTE	3,422	3,296	3,422	3,801	4%	(10)%
Assets under management (in EUR bn)	692	687	692	696	1%	(1)%
Net flows (in EUR bn)	(2.7)	(4.9)	(15.2)	14.8		
Net flows (% of BoP AUM - annualized)	(1.5)	(2.9)	(2.9)	2.9		
Management fee margin (bps annualized)	30.5	30.7	30.7	31.8		

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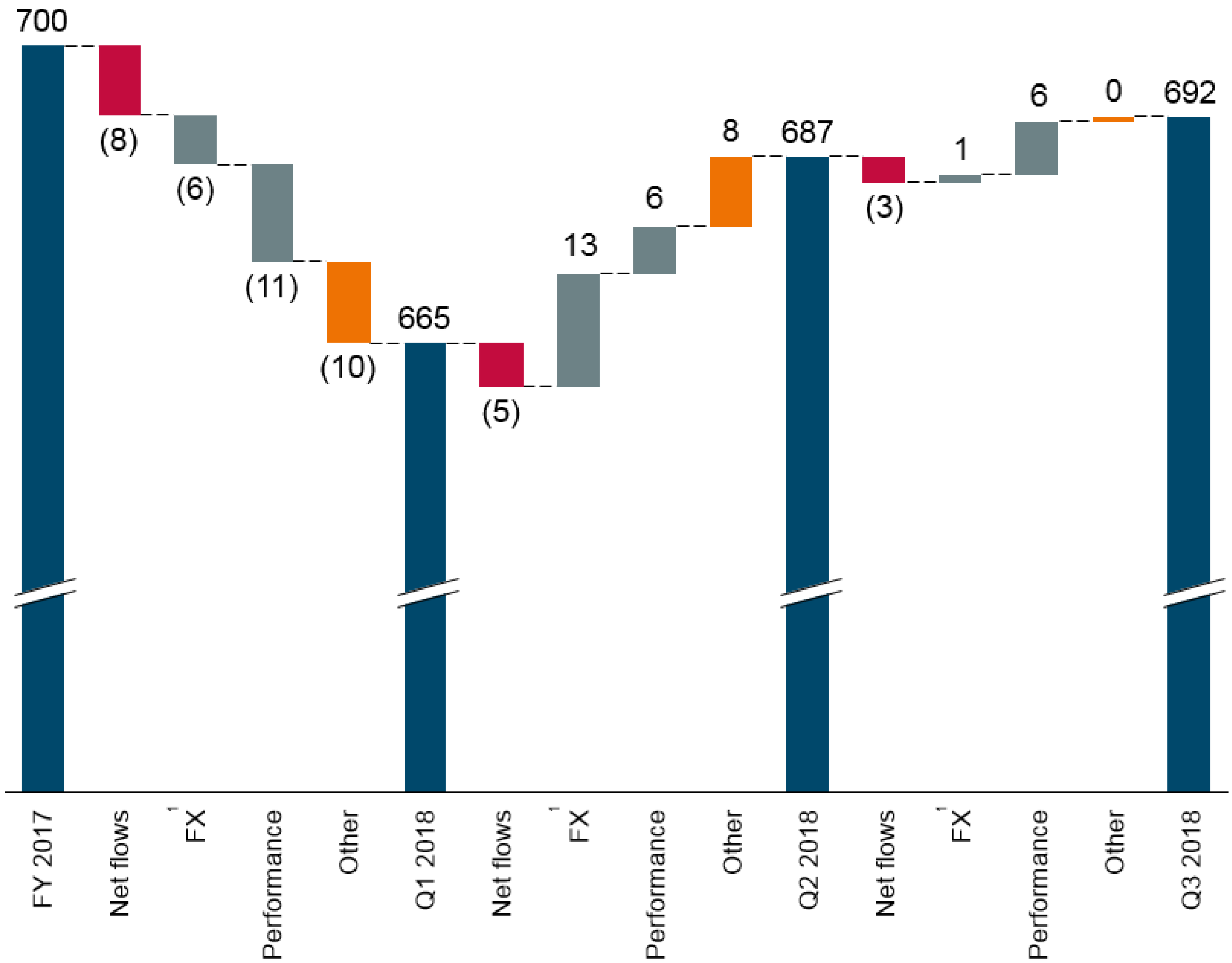
AUM DEVELOPMENT DETAIL (EUR BN)



1 Represents FX impact from non-euro denominated products; excludes performance impact from FX

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Mainzer Landstr. 11-17
60329 Frankfurt, Germany

Contact details for further information

Media Relations	**Investor Relations**
Adib Sisani +49 69 910 61960 adib.sisani@dws.com	Oliver Flade +49 69 910 63072 oliver.flade@dws.com
Karsten Swoboda +49 69 910 14941 karsten.swoboda@dws.com	Jana Zubatenko +49 69 910 33834 jana.zubatenko@dws.com

Webcast/Call
Nicolas Moreau, Chief Executive Officer, and Claire Peel, Chief Financial Officer, will elaborate on the Q3 results in an investor and analyst call on 24 October 2018 at 10.30am CEST. The analyst webcast/call will be held in English and broadcasted on https://dws.com/Our-Profile/ir/reports-and-events/financial-results/. It will also be available for replay. Further details will be provided under https://dws.com/Our-Profile/ir/.

About DWS Group
DWS Group (DWS) is one of the world's leading asset managers with EUR 692bn of assets under management (as of 30 September 2018). Building on more than 60 years of experience and a reputation for excellence in Germany and across Europe, DWS has come to be recognized by clients globally as a trusted source for integrated investment solutions, stability and innovation across a full spectrum of investment disciplines.

We offer individuals and institutions access to our strong investment capabilities across all major asset classes and solutions aligned to growth trends. Our diverse expertise in Active, Passive and Alternatives asset management – as well as our deep environmental, social and governance focus – complement each other when creating targeted solutions for our clients. Our expertise and on-the-ground-knowledge of our economists, research analysts and investment professionals are brought together in one consistent global CIO View, which guides our strategic investment approach.

DWS wants to innovate and shape the future of investing: with approximately 3,600 employees in offices all over the world, we are local while being one global team.

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Important Note

This release contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of DWS. Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include the conditions in the financial markets in Germany, in Europe, in the United States and elsewhere from which we derive a substantial portion of our revenues and in which we hold a substantial portion of our assets, the development of asset prices and market volatility, the implementation of our strategic initiatives, the reliability of our risk management policies, procedures and methods, and other risks.

This document contains non-IFRS financial measures. For a reconciliation to directly comparable figures under IFRS, to the extent not provided herein, please refer to the Financial Data Supplement.

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