

Press Release

Annual result as at 31 December 2019

Deutsche Wohnen invests billions in new builds

- › **Improvement in 2019 result and in key performance figures, valuation uplift of EUR 1.4 billion of property portfolio**
- › **By acquiring ISARIA, Deutsche Wohnen secures for itself high-performance platform for countrywide project development and accelerates new building activity**
- › **Deutsche Wohnen creates a EUR 30 million “relief fund” to provide support during the Corona crisis**

Berlin, 25 March 2020. Deutsche Wohnen can look back on a successful financial year 2019, to which all segments of the business contributed. The adjusted earnings before taxes improved by approximately 30% to EUR 704 million, and the property portfolio increased in value by EUR 1.4 billion. Key performance figures for the company improved as well (FFO I per share +10%, EPRA NAV per share +11%, LTV (loan-to-value ratio) 35.4%). In the reporting year, the rental growth was 3.4%, whereby in-place rents for existing tenants increased moderately in line with inflation by 1.5%.

New housing in German metropolitan regions

Deutsche Wohnen has reached agreement with the Munich-based project developer ISARIA Wohnbau AG, an associated company of the financial investor Lone Star, on the acquisition of a platform for project development and major real estate projects. The transaction is subject to the customary closing conditions and will be concluded in the course of this year. With this acquisition, Deutsche Wohnen is strengthening its competence in the field of new builds significantly. Under its umbrella, one of the largest German platforms for sustainable project development regarding integrated neighbourhoods in metropolitan regions will be created. In fact, Deutsche Wohnen is planning to invest a total of more than EUR 3 billion in building new residential, nursing and commercial properties.

As Michael Zahn, CEO of Deutsche Wohnen, explains, “The lack of affordable housing in our cities is a major challenge for society. Up to 400,000 flats must be built every year in Germany’s cities. Private and financially sound companies can help to tackle this housing shortage. With the help of this transaction, we now have access to attractive future projects, which we will realise systematically in line with our overall strategy.”

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And Henrik Thomsen, Chief Development Officer of Deutsche Wohnen, adds, “We want to build. Working together with local authorities, we acknowledge our responsibilities and want to act as a strong partner in developing sustainable city neighbourhoods that offer a high quality of life.”

ISARIA specialises in the development of sustainable buildings and neighbourhoods in city locations. Starting with the acquisition of land through to the construction phase, it is standard practice for all projects to undergo a sustainability analysis. The aim of this process is always to develop liveable city neighbourhoods in a resource-efficient way, for example in Freiham, a district of Munich, and on the site of the MD paper factory in Dachau. In Freiham, as part of one of the largest urban development projects in Europe, ISARIA is building a distinctive ensemble of residential and commercial buildings that will define the entire district.

Deutsche Wohnen increases investment

In 2019, Deutsche Wohnen spent just around EUR 470 million on maintenance and refurbishment work – an increase of approximately 13% compared to the previous year. These investments are driven by the desire to achieve the greatest possible energy efficiency. Thus, we were able to reduce the end-energy requirements of our refurbishment projects by an average of 30%.

In order to increase product quality in our nursing and assisted living segment, Deutsche Wohnen will be investing EUR 120 million as part of its “Care for the Future Initiative” over the coming years in the nursing facilities of Pflegen & Wohnen in Hamburg.

Clear commitment to social responsibility – particularly during the Corona crisis

In view of the Corona crisis, Deutsche Wohnen is creating a EUR 30 million relief fund to provide unbureaucratic help especially to commercial and residential tenants affected by the crisis and to tradespeople and small service providers. In order to finance the relief fund, the Management and Supervisory Boards decided to propose to the Annual General Meeting a dividend reduced to 90 cents per share.

As Michael Zahn, CEO of Deutsche Wohnen, explains, “We are firmly convinced that in times of crisis we have to show solidarity – and all the more so because Deutsche Wohnen is in very good financial shape. We want to help tenants and longstanding business partners in areas where state support isn’t available. This is our contribution to ensuring that economic crises don’t become social crises as well. We are confident that our shareholders will support this proposal and send out a clear message of support.”

During the next few days, the company will provide information about the precise structure of this fund.

In July 2019, Deutsche Wohnen was a pioneer in the property sector with its promise to tenants. To date, it is the only private residential property company to voluntarily undertake not to increase the rent in line with local comparable rents or following modernisation work if this means that the new rent for an appropriate size of flat would amount to more than 30% of the net household income. Last year, this promise led to rent concessions being made to tenants in approximately 700 hardship cases. Moreover, more than one in four newly let flats went to tenants who are entitled to a social housing permit (www.deutsche-wohnen.com/promise-to-our-tenants).

In addition to this promise to tenants, which applies to all tenants of Deutsche Wohnen, project-related agreements on carrying out complex refurbishment work in a way that is socially responsible have been reached with several Berlin boroughs.

Climate protection is the greatest challenge for the property sector

In the course of its partnership with the climate protection foundation Stiftung 2°, Deutsche Wohnen concerns itself intensively with the CO2 reduction goals of the property sector. As Philip Grosse, CFO of Deutsche Wohnen, explains, “Deutsche Wohnen has taken up the challenge of realising the potential for significant CO2 reductions within its holdings. With 164,000 residential and commercial units, we can have a significant impact on climate policy.”

Initial success in this area is already noticeable. By drawing electricity from renewable sources and by operating combined heat and power plants, Deutsche Wohnen avoids annual emissions of approximately 20,000 tons of CO2. From 2022, the company intends to repeat this reduction in CO2 emissions by carrying out energy-efficient refurbishments of its properties, by changing its energy suppliers step by step and by making investments in modern plant engineering. To achieve this, the company reinvests more than half of its rent revenue in its buildings and neighbourhoods.

Deutsche Wohnen is given good marks by its tenants and staff

More than 87% of Deutsche Wohnen’s tenants are satisfied with their flat, and 78% give Deutsche Wohnen good overall marks. To maintain this high level of satisfaction, respond to points of criticism and constantly improve the quality of its holdings and services, Deutsche Wohnen, starting in 2019, now conducts a tenants’ survey every year.

Motivated and qualified members of staff are responsible for the commercial success of Deutsche Wohnen. The current staff survey also gives good marks to Deutsche Wohnen. Overall, 77% of staff are satisfied with Deutsche Wohnen as an employer. Moreover, 95% of senior managers and approximately 70% of employees would recommend Deutsche Wohnen as an employer.

Performance overview

	2019 (EUR m)	2018 (EUR m)
Earnings from Residential Property Management	729.8	656.2
Earnings from Disposals	186.1	43.1
Earnings from Nursing and Assisted Living	88.3	55.3
Corporate expenses	-101.4	-93.7
Other expenses/income	-29.7	-1.8
Operating result (EBITDA)	873.1	659.1
Depreciation and amortization	-42.9	-10.3
Adjustment to the fair value of investment properties	1,406.7	2,179.3
Gains/losses from companies valued at equity	2.8	2.6
Financial result	-135.1	-203.9
Earnings before taxes (EBT)	2,104.6	2,626.8
Current taxes	-19.0	-27.6
Deferred taxes	-484.7	-736.6
Profit/loss for the period	1,600.9	1,862.6

Die Deutsche Wohnen

Deutsche Wohnen is one of the leading publicly listed property companies in Germany and Europe. Its operating focus is on managing and developing its portfolio, concentrating on residential properties. As of 31 December 2019, its portfolio comprised around 164,000 units, of which 161,200 are residential and 2,800 commercial. Deutsche Wohnen is part of Deutsche Börse's MDAX index and also features in the important indices EPRA/NAREIT, STOXX Europe 600, GPR 250 and DAX 50 ESG.

Important note

This publication is neither an offer to sell nor a solicitation to buy securities.

To the extent that this document contains forward-looking statements, these are not facts and are recognisable by such words as 'will', 'expect', 'believe', 'estimate', 'intend', 'endeavour', 'assume' and similar expressions. These statements express the intentions, opinions or current expectations and assumptions of Deutsche Wohnen and the individuals acting in concert with it. The forward-looking statements are based on current plans, estimates and forecasts that Deutsche Wohnen and the individuals acting in concert with it have made to the best of their knowledge, but do not make any claims as to their future accuracy. Forward-looking statements are subject to risks and uncertainties that are generally difficult to predict and are usually not within the control of Deutsche Wohnen or the individuals acting in concert with it. It should be remembered that the actual results or consequences may differ considerably from those mentioned or contained in the forward-looking statements.

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