

Press release

Annual result as at 31 December 2020

Deutsche Wohnen wants to be climate-neutral by 2040

- › **Successful financial year 2020 with robust outlook**
- › **Ambitious climate strategy with specific measures for climate-neutral holdings by 2040**
- › **Strategic concentration of project management capacities in independent platform in order to drive sustainable new building in Germany**
- › **Responsible partner for tenants – in the corona crisis too**

Berlin, 25 March 2021. Despite the challenges created by the coronavirus pandemic, Deutsche Wohnen can look back on a successful financial year 2020 and anticipates a robust performance in 2021. Building on its economic stability, the company is presenting an ambitious climate strategy to enable it to achieve climate-neutral holdings by 2040. A detailed climate pathway with clear milestones will create transparency for this strategy and will make our progress measurable. In addition, Deutsche Wohnen is driving its commitment to building new housing and is concentrating its project management capacities in a single, independent platform. With this platform, we are creating a centre of competence for sustainable new builds in Germany.

Deutsche Wohnen holdings to become climate-neutral by 2040

Thanks to our continuous investment in building envelopes, building equipment and appliances, as well as energy-efficient refurbishments, Deutsche Wohnen already has one of the most climate-friendly portfolios in the sector today.

As Michael Zahn, CEO of Deutsche Wohnen SE, explains, “The climate turnaround will also be decided in the property sector because currently one third of all CO₂ emissions are generated here. So, as an industry, we have to set ourselves challenging targets and work determinedly to achieve them. This is why we at Deutsche Wohnen are speeding up our efforts to become an environmentally friendly property company. We intend that our holdings should be climate-neutral in less than 20 years. The basis for achieving this goal is a climate

strategy with clear milestones and efficient measures which we will implement in a way that is socially responsible.”

The essential aim of the various measures that are planned is to minimise the energy requirements of the company's holdings and to use as little CO₂-intensive energy as possible to cover the remaining unavoidable energy requirements. In so doing, Deutsche Wohnen will reduce today's CO₂ intensity of 33 kg CO₂e/sqm in its portfolio to below 12 kg CO₂e/sqm by 2040. This means that we would achieve a target corridor for virtually climate-neutral holdings, as defined by, amongst others, the professional association IW.2050 (Initiative Wohnen.2050). The aim of achieving climate-neutrality by as early as 2040 is realistic because of the work in this area that Deutsche Wohnen has already been doing. For example, many years ago the company started to modernise the fabric of its buildings and its heat generation plants, to install combined heat and power plants (CHPs) and to move over to more environment-friendly sources of energy. Furthermore, approximately 90% of the communal electricity requirements in our rented holdings are already covered by certified electricity from 100% hydroelectric power. We intend to continue to build on this good starting position by making further targeted investments in the coming years, particularly by expanding the local provision of heat and hot water by means of CHPs and by using renewable forms of energy. The installation of solar cell systems will provide our estates step by step with green electricity. Finally, by building new, climate-friendly properties and extending the use of building automation and smart applications for regulating heating, we will make further progress towards our target of climate-neutrality.

Deutsche Wohnen would like to continue its journey towards climate-neutral holdings together with its tenants. The company underlines its promise that no-one will lose their flat because of energy-efficient refurbishment work. Moreover, with its “Plan for socially responsible climate protection in the housing sector”, which was presented in June 2020, the company actively supports the idea of tenants being given support with the extra rental costs associated with modernisation work. This proposal is now being discussed at a political level. Michael Zahn: “We are convinced that our idea can resolve the climate protection – rental costs dilemma and can make a significant contribution to achieving our climate goals in Germany. Only if tenants, companies and politicians pull together will the energy turnaround be a success.”

In addition to these measures for our holdings, sustainable resource management and energy-efficient administration are intended to help to achieve climate-neutrality for the company itself by 2040.

Centre of competence for sustainable new builds in Germany

As one of the largest residential property companies in Germany, Deutsche Wohnen will intensify its efforts in the future to build new homes, particularly in attractive and dynamic metropolitan regions. To this end, the company is concentrating its expertise in new builds in an autonomous platform under the guidance of QUARTERBACK group. Given this strategic move, Deutsche Wohnen is in an ideal position to make consistent progress towards the

targeted expansion of its new-build pipeline and also to complete new-build projects more quickly and with greater cost efficiency.

In future, QUARTERBACK will realise all of Deutsche Wohnen's new-build projects. It will build precisely the properties that will be an ideal addition to our portfolio in terms of quality and location. Approximately 18,000 flats are to be built, particularly in the metropolitan regions of Berlin, Dresden/Leipzig, Munich and Stuttgart. Around 9,000 of these are intended for the holdings of Deutsche Wohnen and involve an investment of EUR 4.3 billion.

By building new housing, Deutsche Wohnen is helping to ease the housing situation in cities. Our guiding principles here are a high quality of life, a tenant structure that is socially and demographically balanced, and climate-friendly buildings. It is planned that all our new buildings should in future receive at least a gold standard certificate from the German Sustainable Building Council. In this way, we are making our high sustainability standards binding.

As Henrik Thomsen, Chief Development Officer of Deutsche Wohnen, points out, "With this strategic concentration of our project management capacities, we are creating a centre of competence for new building. This is our response to the rising demand for sustainable, high-quality housing in Germany's metropolitan regions. At the same time, our new-build activities will secure for the company future profitable growth that extends beyond the management of existing properties."

Successful financial year 2020 with robust outlook

The basis for our being able to drive our commitment to climate protection and new builds is the financial stability of the company. Accordingly, Deutsche Wohnen can look back on a successful financial year 2020 – despite the coronavirus crisis.

At EUR 837.6 million, gross rental income was more or less at the level of the previous year. Our property portfolio increased in value by approximately EUR 1.9 billion, a figure to which valuation gains in the disposals segment contributed. At EUR 1.56, the FFO I per share remained at the level of the previous year, whilst we succeeded in increasing EPRA NAV per share by 12.3% to EUR 52.80. At 37%, the loan-to-value (LTV) ratio was within our target corridor of 35% to 40%. Adjusted earnings before interest, tax and depreciation (adjusted EBITDA) rose by 12.1% to approximately EUR 1 billion – particularly because of disposals.

In the financial year 2020, the Berlin rent freeze led to a fall of 4.1% in rental income from our overall portfolio to an average rent of EUR 6.70 per sqm. A ruling by the Federal Constitutional Court on the constitutionality of the rent freeze law is expected in the second quarter of 2021.

As Philip Grosse, Chief Financial Officer of Deutsche Wohnen, explains, "Deutsche Wohnen remains a strong and reliable partner on the property market. We pursue a long-term oriented strategy and continue to gear our portfolio consistently to the growth in Germany's top cities. The valuation gains of EUR 1.9 billion are testimony to the attractiveness of our

portfolio. Irrespective of the pending legal evaluation of the rent freeze, we do not see it as a solution to the challenges in Berlin's housing market. What is needed is more new housing. The rent freeze law does the opposite and actually exacerbates the already acute housing shortage in the city."

Since the important key performance figures continue to be stable, Deutsche Wohnen anticipates solid progress for the financial year 2021. Despite the disposal of non-strategic holdings in 2020, the company is expecting a stable FFO I at the same level as the previous year and further growth in the net asset value (NAV). At the Annual General Meeting on 1 June 2021, the Management and Supervisory Boards will propose a dividend of EUR 1.03 per share.

Responsible partner in the coronavirus crisis

Last year, one's own flat as a place of retreat became more important than ever. In order to protect residential and commercial tenants who have got into payment difficulties, the company set up its own corona relief fund of EUR 30 million and has agreed payments by instalment and also deferrals. In this way, Deutsche Wohnen is making a contribution to ensuring that financial difficulty does not lead to social hardship.

Lars Urbansky, Chief Operating Officer of Deutsche Wohnen: "A challenging year lies behind us. It was important to us to provide for stability in the company and to give our tenants security in these difficult times. We stand by our promise that no tenant will be forced to give up their flat or their business because the coronavirus pandemic is making it difficult for them to pay their rent. And we are happy to continue to be measured against this promise."

Overview of business development

	2020 (EUR m.)	2019 (EUR m.)
Earnings from Residential Property Management	720.4	729.8
Earnings from Disposals	20.4	186.1
Earnings from Nursing and Assisted Living	82.0	88.3
Corporate expenses	-105.9	-101.4
Other expenses/revenues	-30.2	-29.7
Operating result (EBITDA)	686.7	873.1
Depreciation and amortization	-40.0	-42.9
Adjustment to the fair value of investment properties	1,856.4	1,401.1
Gains/losses from companies valued at equity	8.9	2.8
Financial result	-268.3	-129.5
Earnings before taxes (EBT)	2,243.7	2,104.6
Current taxes	-71.1	-19.0
Deferred taxes	-628.0	-484.7
Profit/loss for the period	1,544.6	1,600.9

Deutsche Wohnen

Deutsche Wohnen is one of the leading publicly listed residential property companies in Europe. The business focus of the company is on managing its own portfolio of residential properties in dynamic metropolitan regions and conurbations in Germany. Deutsche Wohnen sees itself as having both a social responsibility and a duty to maintain and newly develop good-quality and affordable housing in vibrant residential neighbourhoods. As at 31 December 2020, the portfolio comprised a total of around 155,400 residential and 2,900 commercial units. Deutsche Wohnen SE is listed in the Deutsche Börse's DAX and is also included in the leading 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.