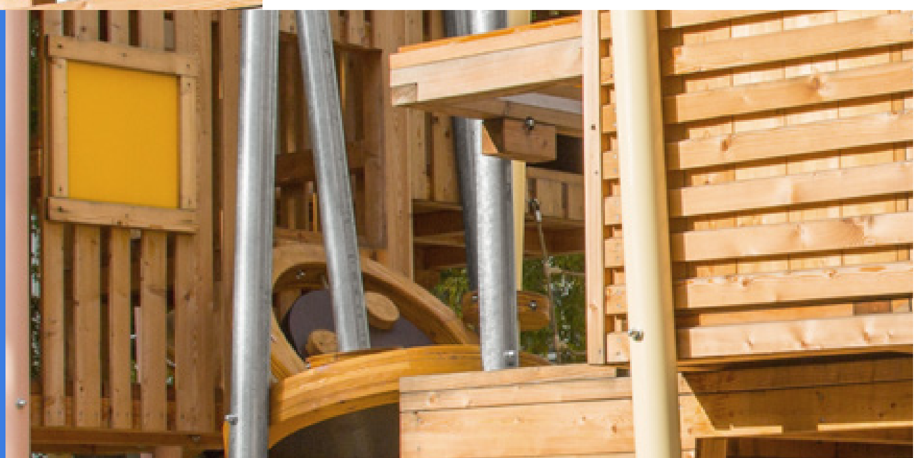
We build on our responsibility

Annual Report 2019

DEUTSCHE WOHNEN

The Deutsche Wohnen magazine

We build on our responsibility



In conversation
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DEUTSCHE
WOHNEN

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To make it easier to read, this report does not use gender-specific descriptions. The descriptions always apply to people of all genders.

Dear readers,

Doing business means assuming responsibility. For the product, the service, the employees, and the impact that the business has on the environment and society. In this magazine we show that we are building on our own responsibility – in every respect. None of the topics we talk about here is new to us. We have been active in climate protection for instance, for years. The same applies to our duty of care for the ageing society, for our employees, and, of course, for our customers. Here our second tenant survey gave us the gratifying news that the very great majority of our tenants enjoy living with us and are happy to have us as their landlord.

But assuming responsibility is not enough on its own. Talking is just as important. That was particularly true in 2019. Also due to the debate about the tight situation on the housing market, which involved large sections of the public and was often highly emotional. Under these circumstances we decided to engage in a dialogue. Much of the positive feedback we have received confirmed that this was the right decision. So we will continue to seek and promote a process of discussion with all stakeholders. It is only by means of a dialogue that we can determine what we wish to achieve as a social consensus in terms of our responsibility for the people in our country: fair housing, which offers tenants dependable quality in their neighbourhood, in their apartment, in terms of climate protection and service – and that is considerate of people who need assistance on the tight rental market. With our tenant promise we have provided a concrete solution to these concerns. But fair housing for us also means that we can carry on our business freely within the framework of a social market economy. And fair housing is only possible when policymakers have completed the urgent tasks facing them. Low-cost building land is one example, and excessive bureaucracy that takes ages to process applications another.

One thing is certain for us in future: we intend to hold our chosen course and assume responsibility for tenants, employees, the environment and society.

Yours,

Michael Zahn
Chief Executive Officer, Deutsche Wohnen SE


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DEUTSCHE WOHNEN

In con-versation

An apartment is much more than just a normal asset. A person's life centres around their home, and does so throughout their life. As a provider of housing we have a responsibility towards the people who live in our properties. We take this seriously and so seek to communicate with all our stakeholders.

"We have to talk" – the Berlin Dialogue

Housing is a topic at the centre of public debate. Which is no surprise, because there is a shortage of housing in the big cities and metropolitan areas. The sometimes heated debates have also resulted in a more fundamental consideration of housing – in connection with topics such as climate protection, gentrification, housing shortages, rent increases or demographic change.

▲ **Dialogue Forum** on 5 November 2019 in Berlin-Lichtenberg

Deutsche Wohnen was at the heart of a discussion that we did not shy away from in 2019: what is fair housing and how do we want to live in the future? We want to assume our responsibilities as the largest private housing company in Berlin and make a contribution to solving the problems on the housing market. So we invited people to take part in a dialogue with us – policymakers, experts, but above all the people of Berlin.

The dialogue began with a milestone that attracted a lot of attention: Deutsche Wohnen formulated a promise to its tenants – you can read more about that on the following pages. The next step was to invite interested citizens, decision makers and opinion leaders by way of adverts and posters to take part in the Berlin Dialogue for a fair housing market. Four town hall events and one online platform provided the framework. The invitation was a success. The events attracted not only policymakers, academics, journalists and sector experts, but also some 250 Berlin residents to take part in the discussion. And the discussions were decidedly enthusiastic. Often a lively exchange was still taking place long after the official event was over. Fair housing is a subject people feel strongly about – in many different respects.

And they expressed a wide range of thoughts, suggestions, ideas, and, of course, criticism, too. We didn't want any of these to be lost, so we used this material as the basis for drafting our "Pact for fair housing". It summarises how fair housing can work for everyone.

So what lessons can be learned from the Berlin Dialogue? Manuela Damianakis, Head of Corporate Communication at Deutsche Wohnen, says talking about the subject openly with others is the only right way to go: "The new process of open dialogue, deliberately seeking a sometimes heated discussion, is also reflected in a more discerning public perception of the whole range of topics." So is that now the end of the "Fair housing" debate? "No", says Manuela Damianakis, "for Deutsche Wohnen the dialogue is certainly not over. Our aim is rather to establish ourselves permanently in the public eye as an open-minded player, who is always willing to talk and to work out constructive solutions with everyone involved."

Pact for fair housing

#1 New construction

Berlin is short of up to 200,000 apartments. Only by a massive programme of new building can we create the necessary accommodation. And that is only possible when the municipal, cooperative and private-sector players in the housing market, society and politics all pull in the same direction.

#2 Individual solutions

Taking tenants' individual incomes into account is fairer than choosing a one-size-fits-all solution, as would be the case with political regulation.

#3 Climate protection

Climate protection and tenant protection must not be played off against each other. Berlin needs energy-efficient apartments with affordable rents.

#4 Building land/speculation

An overview of all the free land in the city is needed. Berlin also needs to regain control over available building land and so stop unnecessary speculation with land.

Opinions from the four panel discussions

"These are agitated times. It is important for us to talk to the people involved. We have to find ways of ensuring fair housing."

Henrik Thomsen
Management Board member,
Deutsche Wohnen SE

"Berlin has growing pains. That is good news, but now we have to catch up in terms of new construction and infrastructure."

Andreas Tied
Investitionsbank Berlin

"A social contract for bigger construction projects is urgently needed."

Sebastian Czaja
Chairman of the FDP parliamentary group,
Berlin

"Deutsche Wohnen is the only private landlord to offer tenants such a promise. I am very interested to see how that works out in practice."

Daniel Buchholz
SPD parliamentary spokesman for
urban development, the environment
and climate action

▲ **Dialogue Forum** on 1 November 2019 in Berlin-Pankow

The Berlin Dialogue in figures

4 dialogue forums
in October and November 2019.

21 panel guests
from politics, business and civil society.

246 spectators
at the events.

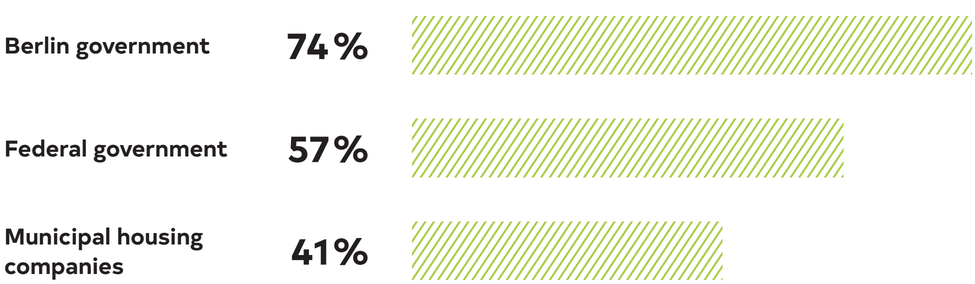
120 posts
in the online forum faires-wohnen.berlin.

28 experts
in 6 videos, 4 dialogue forums and 4 podcasts.

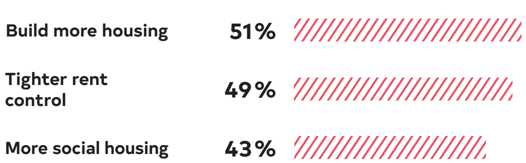
How Berlin residents assess the housing situation

As part of the project “Fair Housing in Berlin” a representative opinion survey about the housing situation was carried out among Berlin residents on behalf of Deutsche Wohnen. Kantar TNS, a polling institute, surveyed 1,000 people in September 2019. The survey comprised 15 questions. A majority of Berlin residents sees the construction of new housing as the best solution to rising rents. At the same time it shows that people in Berlin see politicians as responsible for solving the problems on the Berlin housing market (74% say the Berlin city council, 57% the federal government).

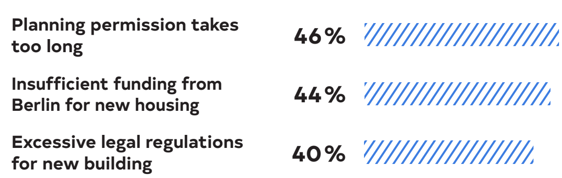
Responsibilities
Who is primarily responsible for solving the problem of the Berlin housing market?



Action against higher rents
What are the three most important steps?



Reasons for housing shortage
Why is there not enough housing in Berlin?



Source: Kantar TS, September 2019. Public opinion survey on the housing situation in Berlin

Our promise to our tenants

Words are sometimes just words – and sometimes they are much more. When they are a promise, for instance. That applies to the promise we made to our tenants in July 2019 and published as a concrete contribution to the discussion about tensions on the housing market.

We also consider the tenant promise to be a clear alternative to regulation across the board. With this voluntary commitment we are making a concrete and highly practical contribution to improving the tight situation on the housing market, and at the same time are maintaining the investment capacities that are so urgently required. And our help especially goes to those tenants who have more difficulties on the rental market than others. According to this, in 2019 we cut the rent increases completely or in part in 700 cases of hardship. We further allocated 25% of our residential units to tenants who are entitled to a certificate of eligibility to live in social housing.

#1

No tenant will have to give up their apartment because of modernisation.

#2

No tenant will have to give up their apartment because of rent increases.

#3

For new letting we will let one in four apartments to tenants entitled to social housing.

#4

As part of the urban community we provide several million euros a year to sponsor social and non-profit projects for diverse and lively neighbourhoods.

#5

We want to make significant investments in new building to alleviate the housing shortage.

Do you live well? We asked people

"We are pleased that as part of the public debate in recent months we can now hear the opinion of the people that matter in particular: our tenants. The result of the survey shows that our tenants think they are in good hands with us. That is very good news." This was how Lars Urbansky, Management Board member of Deutsche Wohnen SE, summed up the tenant survey.

Most of the tenants – 78% to be exact – are satisfied or even very satisfied with Deutsche Wohnen as a landlord.

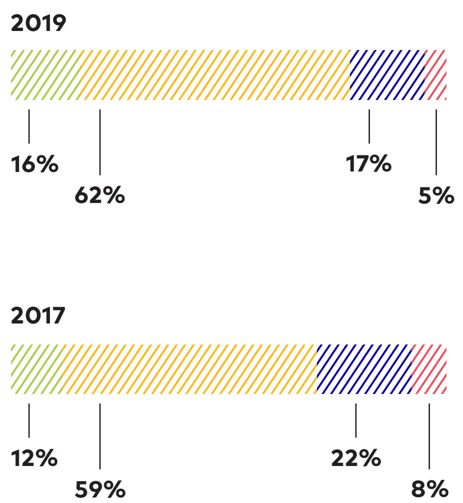
An even higher share of more than 87% are satisfied with their own apartment. This is another increase over the results of the 2017 survey. Back then the figure was 81%.

In this context our tenants are also very positive about relations with their neighbours. Then there is the friendliness of our employees and tradespeople. Satisfaction here is about 90% in both cases.

The high participation rate of 36% is a positive signal and encourages us to keep developing our tenant survey.

In addition to the positive feedback we received suggestions for improvements, especially in two areas. One is that our tenants think our response times for answering their enquiries and carrying out repairs are too long. The other is that in their opinion the level of cleanliness on

Satisfaction with Deutsche Wohnen
78% are (very) satisfied with Deutsche Wohnen



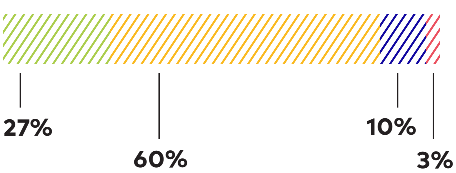
very satisfied satisfied rather satisfied dissatisfied the estates could be higher. Both comments have been noted: customer services were centralised at the start of 2020 in order to speed up the individual stages of the response process. The digital customer portal is also being expanded to improve the service.

To improve the tidiness and cleanliness of the Deutsche Wohnen properties the number of caretakers has already been increased to 300 at our wholly owned subsidiary FACILITA Berlin GmbH. This means the people on-site have more time – also to ensure the place is even cleaner.

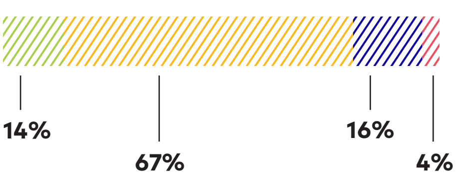
In future the tenant survey will be conducted every year and additionally for particular reasons, such as when modernisation work is being carried out. "Following up on our Berlin Dialogue, a process of continuous exchange with our tenants is a prerequisite for us to keep improving. Our aim is for every tenant of Deutsche Wohnen to feel they are treated well and fairly", emphasises Lars Urbansky.

Satisfaction with the apartment
87% are (very) satisfied with their own apartment

2019

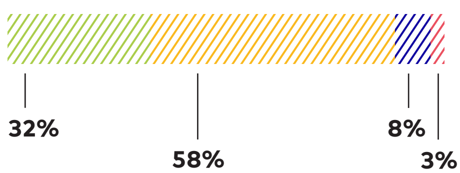


2017



Satisfaction with neighbourhood
90% are (very) satisfied with their neighbourhood

2019



Source: Deutsche Wohnen Tenant Survey 2019

"We have to look for new ways"

Last year Deutsche Wohnen was in the front line of a discussion that essentially revolved around the question of how to provide affordable housing. A conversation with Michael Zahn, Chief Executive Officer of Deutsche Wohnen SE.

Mr Zahn, for months your company has been at the centre of a hard-fought public debate about housing. What do you say to the accusation that you are only interested in making a profit?

The accusation is pretty blatant. Deutsche Wohnen is present on the ground in Berlin and is not some faceless fund in a tax haven. That is one reason why we are at the centre of the debate, which in my opinion is mostly about the widespread fears caused by the changes that are taking place in big cities. We have to take those seriously. But it doesn't help just to listen to the people who shout loudest and press for the simplest solutions. What is needed to solve the problems on the housing market is courage, willpower, character, and the ability to persuade people and make things happen. We have to look for new ways of finding a solution that works for everyone.

Which ways do you suggest when you are talking to the political decision makers?

If we base rent levels more on incomes in future we would encourage solidarity in our city. Simultaneously we have to answer the question of how cities will look in fifteen to twenty years time. Here we are faced with massive challenges. Climate protection, an ageing society, migration, new ways of living and working also call for new solutions in terms of housing. Public and private housing companies, policymakers and critical stakeholders have to respond to all this as a challenge for everyone. But we can achieve concrete, short-term successes right now if we speed up the process of new construction. Policymakers could do a lot more here, by which I mean making building land available, granting planning consent much faster and reducing the volume of taxes, charges and regulations.

Extensive investment is required if the climate targets are to be met.

Michael Zahn

You just mentioned several topics that are important, as well as rents. Owing to the “Fridays for Future” movement, climate change seems finally to be at the centre of global attention…

…and quite rightly so. We have been concerned with the topic for years – more than a third of all carbon emissions in Germany come from property. However, you can say that high energy efficiency is now standard for new buildings. But things are very different when it comes to existing properties. Extensive investment is needed here to improve the buildings’ carbon footprint and to meet the climate goals set by the federal government. And it is precisely here that publicly listed housing companies can make a contribution to society. They have the financial strength and access to capital to fund these investments. At the same time more and more shareholders are calling for companies to make their business sustainable.

Where do you see the challenges for urban development in future?

In a few decades the great majority of people will live in towns. Estimates put the figure at around 84% by 2050. That not only means that a large number of new apartments have to be built. Life in metropolitan areas will also be very different. So we have to think about how we want to live together, above and beyond the topic of housing. What will transport and logistics look like in future? How green can megacities be? How and where do we do our shopping? As part of the real estate industry we are called on to create lively and socially diverse neighbourhoods, to maintain and support them.

On the building site

Preserve and protect old features and ready them carefully for the future – that is how we go about modernising our estates. When we construct new buildings we want to set standards by showing how forward-looking contemporary housing can be. Because refurbishment and new buildings have one big thing in common: climate action.

Potsdam-Krampnitz

In with the new

There is a shortage of housing in Germany – in many regions and locations. We help to create new housing that meets people's needs and is sustainable. We contribute to the design of tomorrow's neighbourhoods and towns – for lively, modern communities. In 2019 we again made good progress on our journey.

Smart estate by the water
The first tenants will be moving into the Lindenau district of Leipzig in spring 2020. The topping out ceremony for the new building with 44 apartments at Lindenau Docks took place in autumn 2019. Deutsche Wohnen used the rating system "Sustainable Housing" as a guide when planning the apartments. This recognised certification system comprises a wide range of ecological, economic and social criteria. In addition, the new buildings will be the first in the Deutsche Wohnen portfolio to manage without any keys at all, because the KIWI electronic access system is installed throughout. Radiators and shutters can also be operated in the apartment or by smartphone app using the smart home control centre MiA – short for "My intelligent Assistant".

Respect for history
Within walking distance of the Zwinger and the Semper Opera House a new residential block is being built that will change the character of the city: the Schützengarten. This involved the demolition in 2019 of two office blocks and a canteen formerly used by VEB Energiebau Radebeul, as well as the underground bunkers beneath them. The time capsule buried when the foundations were laid was recovered exactly 40 years later. Unfortunately its contents were severely damaged by water. So instead, the recent history of the site, including memories of the time capsule itself, was revisited in a discussion with eyewitnesses in the Volkshaus Dresden. As further documentation of the site's history going back to the Middle Ages, Deutsche Wohnen also commissioned a historical study of the plot. The plans for the new buildings were based on the original street layout and the structural dimensions of the 19th century buildings destroyed in the war. Work on the foundations is due to start in autumn 2020. The first of the 479 apartments should be ready to receive tenants by 2022.

▲ Leipzig: Lindenauer Hafen

A new urban district outside Potsdam
The housing market in Potsdam is as tight as in Berlin. In cooperation with the Brandenburg capital and ProPotsdam, Deutsche Wohnen is building 1,400 sustainable apartments on the former barracks in Krampnitz over the next few years, as part of a new town district. Some 10,000 people will live and work here in future, in a mixture of new buildings, listed old buildings and the natural environment. Potsdam town council is currently preparing the infrastructure concept, because the new neighbourhood on the edge of the town is intended to have as few cars as possible.

Dresden: Schützengarten ▶

Preser-vation

Deutsche Wohnen is one of the largest owners of listed residential properties in Germany, with more than 30,000 residential units. In short, we know how to assume our responsibilities for preserving architectural heritage. And we also know that the necessary modernisation will only be a success with the cooperation of the tenants.

Spring estate, Berlin-Kreuzberg

Inclusive playground included
The Spring estate is situated in the heart of Berlin-Kreuzberg and its name refers to the English word for the season. This is because the housing was built after the war with the support of the USA. Currently the estate is experiencing something of a "second spring", thanks to the modernisation work that began in 2016. "Since 2016 we have been refurbishing 18 buildings with a total of 1,254 residential units, and in 2019 we again made good progress", says technical project manager David Weinert. As Weinert explains, as well as the modernisation of lifts, entrances and the last section of plumbing and wiring, some of the projects are rather unusual for rental apartments. "On two houses we have created green roofs so that rainwater can evaporate and not flow into the sewers, which improves the microclimate and air quality in the city. In the summer they insulate the houses against the heat, too." Something very special is certainly the already completed inclusive playground, which is to be followed by two more. An inclusive playground is designed so that it can also be used by children in wheelchairs. There is a raised sandpit, for instance, and a bridge that is also fun to zip across in a wheelchair. And the grounds are now a real feature altogether, with wild flowers to attract insects, charging stations for four electric cars, and new planting to include flowers and shrubs that are also edible. The modernisation work is due to be finished in 2020.

Careful refurbishment in the south of Berlin
Maintenance work on 380 residential units in Berlin-Zehlendorf was largely completed in 2019. Here the main focus was on the careful restoration of the roof, façade and entrances. The buildings date from the 1930s and are not themselves listed, but they border on the Waldsiedlung that runs along the Argentinische Allee and was partly designed by Bruno Taut. The colour scheme was therefore chosen to show that the rows of houses belong together. "One special element was the insulation of the original double casement windows", explains the technical project manager Jendrik Kruse. "We didn't just replace them, but rabbeted the inside windows instead so that the thicker double-glazing panes could be fitted – one window at a time." Another layer of roofing felt was added and the roof was resealed. This made it possible to keep the old roof and save large quantities of waste. Mineral wool rather than synthetic materials were used to insulate the ceilings in the cellar. The work was closely coordinated with the tenants by means of two tenant meetings, a meeting with the tenants' association and a guided tour. Work on refurbishing the staircases and redesigning the grounds around the existing mature trees began in early 2020.

Triple solution: refurbishment, extension and new construction
Refurbishment, an extension and new construction are basically good news in a city like Berlin. But some of the local tenants are also worried about what the building work will mean. So in the Grellstraße in Prenzlauer Berg, Deutsche Wohnen made numerous concessions to its tenants. The borough and the company signed a joint agreement to formalise the arrangement. "We had meetings with individual tenants, explained the purpose of the work and took cases of hardship into account", says commercial project manager Lutz Reichert. The project consists of several parts: the modernisation of 253 existing apartments, then there are 48 penthouse units, 63 new-build units and the redesign of the grounds. Modernisation work and the new construction started in 2019; work on the penthouse levels is due to begin in 2020. The extensive building work will be completed in spring 2022.

▲ **Argentinische Allee, Berlin-Zehlendorf**

▲ **Sylvia Reinefeld** explains the planned modernisation work.

We can talk about it

Building work often not only means noise and dust for the tenants, but also uncertainty and worry. The best thing here can be to talk openly about it, both before and during the work. Sylvia Reinefeld makes sure on-site that our construction work goes as smoothly as possible. She is the project manager for tenant support at Deutsche Wohnen and sees things from both perspectives – that of the tenants and that of the site manager – so she is in a good position to liaise between the two.

Often what helps most is an open discussion with the people concerned.

Sylvia Reinefeld

Ms Reinefeld, what is the main function of a project manager for tenant support?

Tenant support is the central liaison office between tenants, the company and the site manager for construction and modernisation work. We hear everything, see everything and talk to everyone, and always from the tenant's point of view, too. But actually my role is something special in the German property industry in this form.

Why is that?

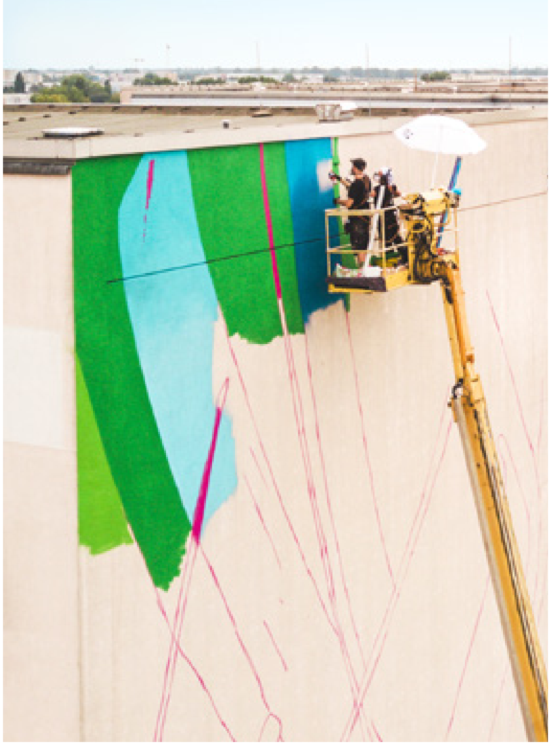
Partly because I am a permanent employee and work for the company itself. That means I know the company, am in close contact with the property managers and with those responsible for the building work. The other thing is that I have the professional construction knowledge, which is very much in the interests of our tenants. And I have a much wider range of competences than is normally the case. Which means I can also take decisions when it comes to protecting the tenants' interests during building work. Of course, I do that in agreement with the other people involved.

Last year your job included supporting tenants during the modernisation work in the Borussiastraße in Berlin-Tempelhof, where there are around 570 apartments?

Yes, and that was a project where unfortunately there had been communication difficulties between the tenants and an external service provider at the beginning, so the tenants were pretty sceptical about the whole process. So we tore up the plans, so to speak, and started all over again, explaining what we wanted to do, why, and how. And it worked, because today the great majority of tenants is behind the refurbishment, the tone quickly returned to normal, and that is good for everyone involved.

Do you have a standardised approach to your work? I imagine every modernisation project is different.

That's true, but the ways and means are still always similar. We have developed a detailed quality management procedure, with over 30 templates and process descriptions, and made it available in digital form. That means all the tenant support staff know what has to be done, and which tools are available. Then what's needed are empathy and the ability to approach other people with an open mind.



▲ **MadC,** Alte Hellersdorfer Straße 133, Berlin-Hellersdorf

High, higher, 40 metres high

As one of the biggest landlords in Berlin we are committed to a lively community culture and provide support for urban art. This engagement is visible all over the city in the form of murals. These enormous wall paintings can be seen on some of the houses belonging to Deutsche Wohnen. The highlight of our collaboration with the urban art scene was the Berlin Mural Festival 2019.

The Berlin Mural Festival was launched in 2018 by the association Berlin Art Bang and the group of artists known as Die Dixons, who Deutsche Wohnen has worked with since. In 2019 they again invited the most respected international urban artists to the German capital to create their works. This time Deutsche Wohnen sponsored the project and provided the façades for the murals. For us it was important to include neighbourhoods outside the city centre, too.

Die Dixons supported the idea of choosing three locations in Marzahn and four in Hellersdorf, as well as Kreuzberg. The gigantic walls of the prefabricated high-rise buildings are ideal for large-scale murals, and the aim was also to draw people's attention a bit more towards the boroughs on the periphery. It was a success: the festival brought many people to Marzahn-Hellersdorf who may otherwise not have come here at all. Many positive impressions from these districts of Berlin were shared on social media around the world. But what do the tenants say about the art on the walls of their houses? "With one exception we really only had positive feedback from our tenants. One old gentleman even asked in jest if we couldn't get them to paint the walls in his flat, too", says Petra Besch, Head of Tenant Support at Deutsche Wohnen in the Hellersdorfer Promenade office.

◀ **Victor Ash,** Ludwigsfelder Straße 14, Berlin-Hellersdorf

▲ **SmugOne,** Manteuffelstraße 70, Berlin-Kreuzberg

The Berlin Mural Festival 2019

20 artists and assistants
worked on wall paintings.

14 days
took their work.

10 facades
were provided by Deutsche Wohnen.

4,000 square metres
were painted by the artists Victor Ash, Boogie, MadC, Die Dixons & Oliver Latta, Adry del Rocio, Akut, Okuda San Miguel, SmugOne, PichiAvo, and Aryz.

1,250 cans of spray paint
and eight pallets of wall paint were used.

▲ **Adry del Rocio and Akut,** Märkische Allee 158/164, Berlin-Marzahn

At work

Deutsche Wohnen has a diverse portfolio. Equally diverse are the people who have made their home with us. Some are older, some are younger. Some live alone, some with their family, and others in a flat-share or nursing facility. One thing they have in common is certain standards for their accommodation. Deutsche Wohnen does its best to meet these standards. Or more precisely, the people who work for us do – using their engagement and motivation.

We also want to strengthen the process of social exchange.

Anja Twardy

Supporting an active old age

Life in big cities is not only attractive for young people. The cultural events on offer, good public transport and healthcare facilities are also a reason for older people to like living in a city. So demand for nursing care and assisted living is increasing there, too. Deutsche Wohnen is therefore continuously expanding its offering in the Nursing and Assisted Living segment and in 2019 acquired the established provider PFLEGEN & WOHNEN HAMBURG GmbH. Anja Twardy is one of around 2,000 employees at PFLEGEN & WOHNEN HAMBURG and leads the Social Support team at the HEIMFELD facility in Hamburg-Harburg.

Actually Anja Twardy didn't intend to become a care assistant but rather a registered nurse. Sometimes things don't go as planned, however. In her case, "thank goodness", as she says today. Because now she has been working happily and energetically for 37 years in the well-maintained Rennkoppel home, taking care of the more than 200 people who live here. "Our residents are currently aged between 80 and 101, but sometimes we have people who are younger, and some weren't even past forty", she explains.

Our nursing care segment

90 nursing properties

with around 12,000 beds and apartments for assisted living make up the Deutsche Wohnen portfolio.

Some 2,700 beds

in 13 homes all over Hamburg are managed by PFLEGEN & WOHNEN HAMBURG.

€120 million

will be invested in the years ahead to extend and refurbish the PFLEGEN & WOHNEN HAMBURG properties. This will not only ensure that the nursing facilities meet the latest standards, but also create attractive jobs in a modern working environment.

▲ **Anja Twardy** ensures that the residents in HEIMFELD stay fit.

Nowadays Anja Twardy no longer works directly as a care assistant, but manages performance targets, team meetings, volunteers, staff rosters and many other things. One very important area is the events that take place in the home. The programme of activities, day trips and parties encourage social interaction between the residents and give them the opportunity to stay involved with the life of the home. One highlight is the annual meeting with trike fans, who come to visit HEIMFELD. Trikes are three-wheeled motorbikes, with long, chopper-style front forks. "It's wonderful to see our eighty-year-olds being driven through Harburg on the motor trikes", says Anja Twardy with a laugh.

Other fixtures in the HEIMFELD event calendar are the disco party, when a live band comes to play, or the Oktoberfest. Then there are the annual cultural themes. For 2020 the theme "Laughing is good for you" was chosen, and Anja Twardy is busy preparing a photo session with the residents and children from the neighbouring nursery school. The pictures will later be put on display in an exhibition and give the residents a good laugh, thanks to Anja Twardy.

Close to the customer, close to people

Because good housing means more for us than just the proverbial roof over your head, our employees make sure that our tenants feel comfortable with us every day. These include customer support staff, caretakers, staff in the call centre and housing advisers, to name just a few. We would like to introduce you to four of them.

"It's great when tenants ask me something and I can help them right away – even if it's just a bike that has been locked inside by mistake, like we had recently. I am responsible for the safety of our properties, I inspect empty units and report any repairs that need doing. Then I check the work carried out by our contractors, inspect the technical installations in the estates and make sure everything is clean and tidy."

▲ **Steve Fleischmann**
has been a caretaker at FACILITA Berlin since 2018

"The customer hotline is often the first way our tenants get in touch with us, and I am always pleased when I can help people right there on the phone. Sometimes there are tricky calls from angry customers, when I am able to calm them down and find a solution together. Positive feedback is good for my motivation, because then I know the customer is happy, and I am too."

Franziska Hohenegger
works in the Deutsche Wohnen call centre – and has done since 2017.

"As a customer adviser my main role is to be there for our existing tenants. So I'm always really pleased when I can help tenants in difficult situations and at the end of the day they are certain that we have found a satisfactory solution for them."

Akin Akbulut
is a commercial customer adviser in Berlin-Britz and has been with our company since 2015.

"My day-to-day work is assisting tenants in rent arrears who are at risk of losing their apartment. I advise them on all financial and social matters, and always with the aim of enabling them to stay in their apartment. It's very motivating for me when I see that my support has been of lasting help to the tenants. That applies particularly to people who have been thrown off track by a run of bad luck."

Cindy May
works as a housing adviser in Berlin. She has been with Deutsche Wohnen since 2017.

Plenty of confidence, and a few tips for how we can do better

There are many reasons why a company is financially successful. Among the most important is without doubt its employees. So we do our best to ensure that they have the knowledge, the motivation and the good health they need to do their work. And to make sure we are on the right track with our personnel policies, we conduct regular staff surveys, as we did again in 2019. This survey was initiated by Stephanie Krumnow, Director Human Resources and Organisational Development.

Ms Krumnow, do you have good news for us?

I'm pleased to say I do! 95% of the managers and roughly 70% of the total employees would recommend Deutsche Wohnen as a place to work. What is also very gratifying is that 89% of the workforce say we are good at welcoming new recruits on board. And the opinion of managers has improved again, with 72% of respondents saying that their own managers can deal with conflicts.

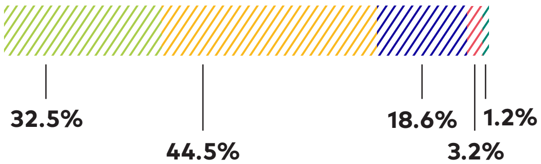
About 71% of the employees took part in the survey. That is very high. So, there will certainly be some things that can be done even better?

Indeed, and they mainly concern the flow of information between the different organisational units. A large majority of respondents would like to see more and better information. That is something we will keep working on.

The year 2019 saw sometimes very heated debates about the market for rental housing. Certainly, that also has an impact on the employees?

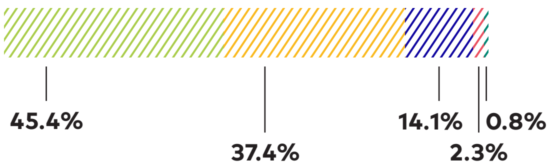
Unfortunately that is true, and about half the respondents are concerned for the company's reputation. On the other hand, the employees also support the practice of engaging in dialogue with people. More than 80% are confident that the Management Board of Deutsche Wohnen is leading the company sustainably and competitively. After the past 12 months that is an enormous demonstration of trust.

Satisfaction with Deutsche Wohnen
77% are (very) satisfied with
Deutsche Wohnen as an employer



Recommendation as an employer
Some 70% would recommend
Deutsche Wohnen as a company to work for

Confidence in the Management Board
Around 83% are confident that the Management Board
is leading the company sustainably and competitively



strongly agree | agree | neither agree nor disagree | disagree | strongly disagree

Source: Deutsche Wohnen Staff Survey 2019

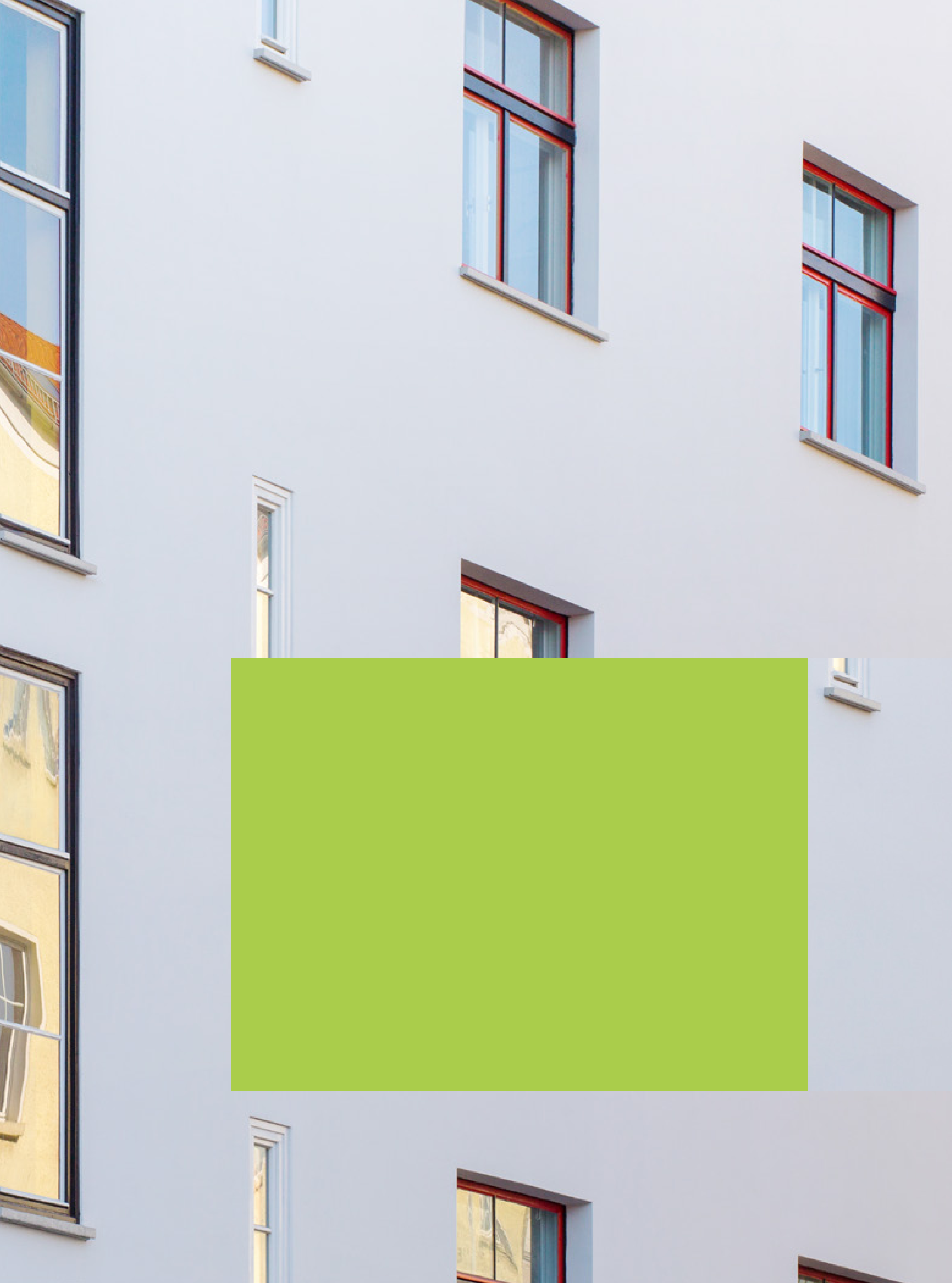
Our employees look for opportunities

Starting an ideas competition is an exciting project: what suggestions have you received? How many are submitted? How many can be put into practice? The opportunists competition at Deutsche Wohnen was impressive proof that our employees like to take part: no fewer than 118 ideas were sent in.

It's great when a plan works out: the opportunists competition was launched to involve the employees in shaping the future of their company. The suggestions that were sent in differed hugely, ranging from practical ideas and plans for social outreach projects, and the optimisation of processes and products, to strategic ideas for improving customer and employee satisfaction.

It wasn't easy to choose between them, but it had to be done. One of the first activities resulting from a prize-winning suggestion was put into practice in 2019. In cooperation with the charity DKMS we carried out a screening session to encourage the employees to donate stem cells to help fight leukaemia. This will be followed in 2020 by a blood donor session in cooperation with the Red Cross – both of these projects help people in great distress.

Among the prize-winning suggestions were some very practical ideas for improving approval and archival processes. These are now also being put into practice and will make everyday work much easier.



In future

The future of housing is closely related to the topics of sustainability and climate action. We consider that we have a responsibility here, and want to play an active role in shaping this future. In this context, digitalisation can be an opportunity for sustainable, modern and communal housing. Challenges lie ahead, however, which we can only tackle along with others. To make housing sustainable, what is needed is therefore primarily a clear commitment to cooperation, as well as a far-sighted approach.

Protecting the climate together

Climate action is a matter for everyone, and for some areas in particular. One of those is the building sector, because it accounts for around one-third of the carbon emissions in Germany. Deutsche Wohnen began to take active steps to protect the climate a long time ago. The right legislative framework is also called for, however, and to this end we cooperate with others, such as the foundation "Stiftung 2° – Deutsche Unternehmer für Klimaschutz" (German entrepreneurs for climate action).

Stiftung 2° – Deutsche Unternehmer für Klimaschutz is an initiative by various entrepreneurs seeking to make a joint contribution to establishing a sensible, market-based framework for climate action. We have been working with the foundation since 2017 and became a sponsor in November 2019.

Together with other well-known partners of Stiftung 2°, including Deutsche Bahn, Telekom, Otto Group and thyssenkrupp, we ramped up our activities before the federal government adopted its climate package. We campaigned in particular for a dependable framework and so for greater certainty for planning and investments.

In the course of our partnership with Stiftung 2° we have renewed our commitment to our strategic sustainability programme and our own CO_2 reduction targets, because collaborating with others can only be one side of the equation. The other is our own efforts, which can be expressed in numbers: we reinvest more than 50% of our rental income to refurbish our houses and estates. Our investments always focus on maximising the energy efficiency of the buildings. This enables us to improve their energy efficiency by an average of 30%. This puts us ahead of many others: the energy footprint for some 64% of our residential buildings is better than the average energy footprint of residential buildings in Germany. So our portfolio of 164,000 residential and commercial units gives us significant leverage in matters of climate policy, and we make good use of it.

▼ **Stiftung 2°**, Annual Conference 2019 in Berlin

Climate action in figures

128.9 kWh/sqm

p.a. is the average energy requirements of our properties, which is below the nationwide German average of 135.5 kWh/sqm (own calculation based on "Techem Energiekennwerte 2018").

20,000 t

of carbon emissions a year are to be permanently avoided by purchasing green power and operating photovoltaic installations and combined heat and power plants.

20,000 t

of carbon emissions a year are to be saved from 2022 by insulating our buildings, successively switching energy sources and investing in modern technical equipment.

▲ **Digital hub** for controlling various applications in the apartment.

Live more intelligently and more sustainably

Digitalisation, networking and artificial intelligence are global trends that will also change the world of housing. They will affect many areas of the home and household, and many different functions. The name we have given this smart housing is easy to remember: MiA – My intelligent Assistant.

Developed by IOLITE IQ GmbH – a joint venture between Deutsche Wohnen and a spin-off of Berlin Technical University – MiA acts as a digital intermediary in the form of a tablet, which can control a wide range of specific applications within the building. It enables residents to set their heating individually, for example, using a display in the apartment or a mobile app. And that is just one of many possible functions. The lighting and electric shutters can also be controlled digitally, and the metering data for heating and water consumption can be transferred wirelessly, without the need for the tenant to be at home.

What makes it all possible is the intelligent house, which enables new services and at the same time ensures that housing is not only much more comfortable, but also more energy-efficient.

The intelligent house not only makes standard functions more efficient and provides added services, however; it also assists facility managers, caretakers and service providers by making important data from technical installations, such as the lift, or damage reports, available in digital form.

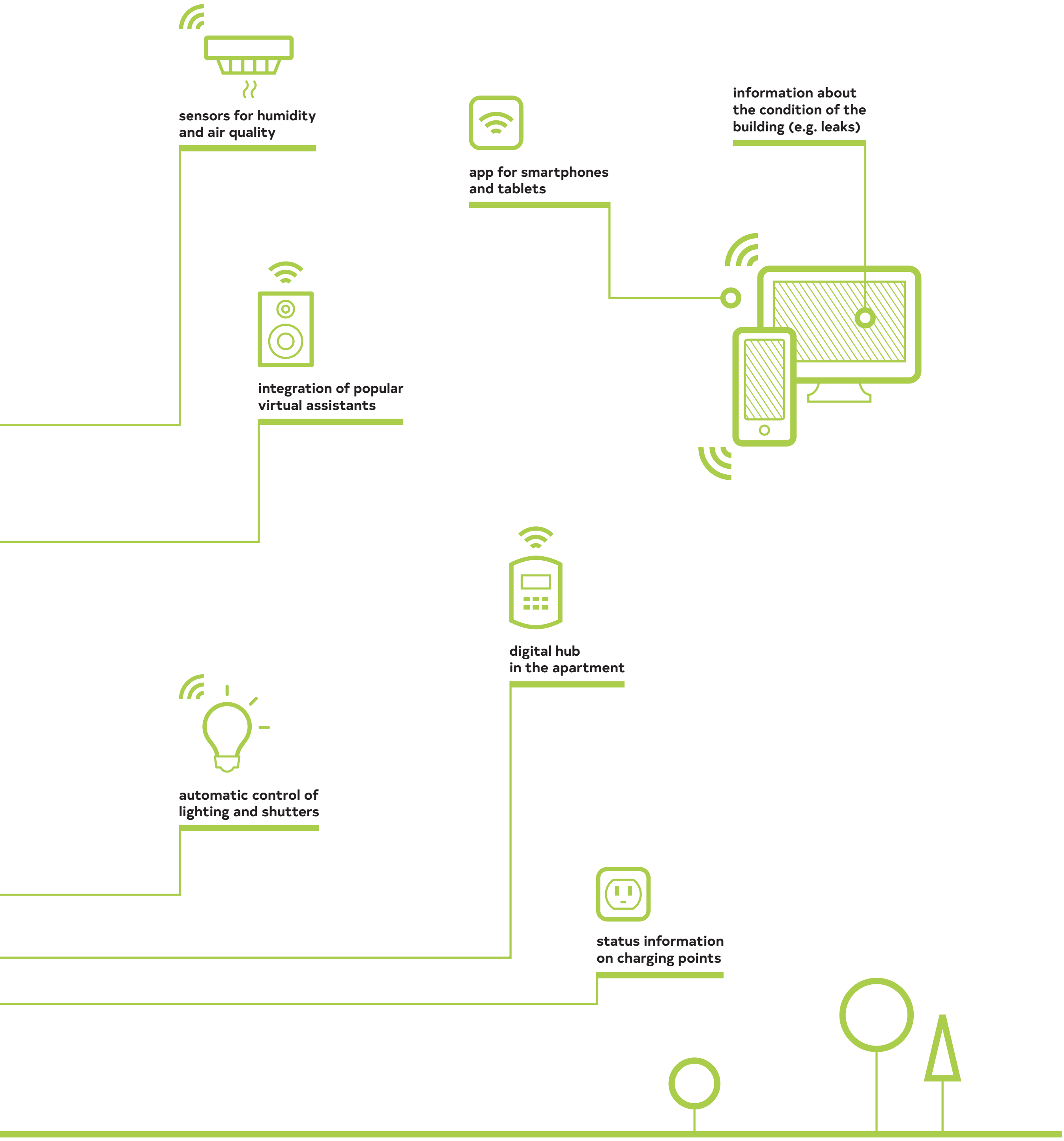
With the intelligent house we have devised a concept that can be implemented very flexibly, because it is based on a modular system: from the charging station for electric cars, smart interphones, access control and digital metering solutions – all the system components work together smoothly. The networking of multiple functions is possible, but not obligatory.

Modules like MiA, keyless digital access systems or smart metering are already installed in some of our properties today, and help to put the intelligent house into practice, step by step.

The intelligent house

The intelligent house is above all the interaction of various digital solutions to create a holistic concept, instead of information silos. Different companies are working together to realise this concept. Members of the network include, for example, Comgy, IOLITE IQ, KIWI and SYNVIA media, which are closely linked with Deutsche Wohnen, either by means of equity investments or as part of our group.

At the centre of the intelligent house is a digital hub from which the different functions can be controlled.


sensors for humidity and air quality
app for smartphones and tablets
information about the condition of the building (e.g. leaks)
integration of popular virtual assistants
digital hub in the apartment
automatic control of lighting and shutters
status information on charging points

What does sustainable housing mean for you?

Henrik Thomsen is a member of the Management Board of Deutsche Wohnen SE. He is responsible for new construction, refurbishment, neighbourhood development and technology. Connectivity, social networks, mobility and energy are the topics of the future for him. In this interview he outlines how we will be living tomorrow.

Mr Thomsen, intelligent housing is a big trend – also at Deutsche Wohnen. Why is that, in fact? Analogue housing has also worked perfectly well so far …

” There are plenty of good reasons. One of the many examples is social sustainability. Why is that? In the past the church and the extended family played an important role in almost everyone's lives, because they both provided support. Today that is often not the case and people can get lonely. We cannot fundamentally change that, but we can support active neighbourhood communities on our estates. Digital social platforms can be very helpful here, in order to encourage "analogue get-togethers". And, of course, energy saving has a vital role in the property sector. As a housing company we have a particular responsibility, and not just in terms of the building itself. For example we are already working on energy-saving mobility strategies for our estates. That includes building the necessary infrastructure for electric vehicles, but partnerships with public transport companies are also a possibility.

When tenants in Germany in 2030 look back on the year 2020, some things will probably be very different. What do you think will have changed?

” We think that housing will get better and safer. That applies to people who need assistance in their day-to-day lives, for instance. Sensors like those used today in a smartwatch make it possible to see whether someone is alright or not. There is no need to infringe on anyone's privacy; certainly not with cameras. Two things are needed, though: one is that we have to listen to what our tenants want, and the other is that we have to spark their curiosity and get them to try out new things. New technology has to be like riding a bike with the wind behind you. Suddenly things are much easier, without me having to think about it or do anything for it. And that is exactly how our solutions for the housing of tomorrow have to be.

New technology has to be like riding a bike with the wind behind you.

Henrik Thomsen

Last year more work was done towards the intelligent house. Is that the first step in making the future a reality?

In future the apartment will have an important function as an interface. Our MiA is ideally suited to that, even today, because it is not a finished solution, but rather a platform that we can keep connecting to new functions. For that we have identified many different partners, who can provide modules for this platform. KIWI with its keyless access system is a good example, but only one of many. At the end of the day there are three areas that the intelligent house has to cover: day-to-day services, security in the building and the apartment, and greater sustainability. But to come back to your question: yes, we have successfully taken the first steps.

Not everyone sees digitalisation as an opportunity; there are also reservations, especially when someone's own apartment is concerned. How do you deal with these reservations?

Two things are vital here. We mustn't ask too much of our tenants, and the idea is not to introduce new technology just for the sake of it. That is one reason why the technology has to adapt to the people and not the other way around. As a housing company we are at the junction between people and technology. It is our task to win over our tenants and to make sure they feel comfortable.

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Both versions are available for download at berichterstattung.deutsche-wohnen.com

Financial Report

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 metropolitan areas. Our portfolio comprises around 164,000 residential and commercial units with a total fair value of approximately EUR 24.2 billion and nursing properties with around 12,200 beds and apartments for assisted living with a fair value of around EUR 1.3 billion.

Notes on pages 27 and 183

After the preparation of the 2019 annual financial statements and their approval on 19 March 2020, the Management Board and the Supervisory Board decided on 24 March 2020 to propose to the Annual General Meeting a dividend payment of EUR 0.90 per bearer share for the 2019 financial year and, in so doing, to modify the original resolution regarding the distribution of profits.

(Explanatory note: This corresponds to a reduction of the previously planned payout ratio by 5 percentage points to around 60%. This adjustment is being made in order to create a EUR 30 million relief fund to provide unbureaucratic help in hardship cases, especially to commercial and residential tenants, tradespeople and small service providers affected by the corona crisis.)

GROUP KEY FIGURES DEUTSCHE WOHNEN SE

Profit and loss statement		2019	2018	Change
Rental income	EUR m	837.3	785.5	6.6%
Earnings from Residential Porperty Management	EUR m	729.8	656.2	11.2%
Earnings from Disposals	EUR m	186.1	43.1	331.8%
Earnings from Nursing and Assisted Living	EUR m	88.3	55.3	59.7%
Corporate expenses	EUR m	-101.4	-93.7	8.2%
EBITDA	EUR m	873.1	659.1	32.5%
EBT (adjusted)	EUR m	703.5	539.5	30.4%
EBT (as reported)	EUR m	2,104.6	2,626.8	-19.9%
Earnings after taxes	EUR m	1,600.9	1,862.6	-14.1%
Earnings after taxes[1]	EUR per share	4.27	5.15	-17.1%
FFO I	EUR m	538.1	482.5[2]	11.5%
FFO I[1]	EUR per share	1.50	1.36[2]	10.3%
FFO II	EUR m	720.7	522.5	37.9%
FFO II[1]	EUR per share	2.01	1.47	36.7%
EPRA Earnings	EUR m	488.3	466.0	4.8%

Balance Sheet		31/12/2019	31/12/2018	Change
Investment properties	EUR m	25,433.3	23,781.7	1,651.6
Current assets	EUR m	1,975.0	984.0	991.0
Equity	EUR m	13,107.3	11,908.1	1,199.2
Net financial liabilities	EUR m	9,339.0	8,749.4	589.6
Loan-to-Value ratio (LTV)	in %	35.4	36.0	-0.6
Total assets	EUR m	27,851.7	25,057.9	2,793.8

Share		31/12/2019	31/12/2018	Change
Share price (closing price)	EUR per share	36.42	40.00	-9.0%
Number of shares	m	359.27	357.01	2.26
Market capitalisation	EUR bn	13.0	14.3	-9.1%

Net Asset Value (NAV)		31/12/2019	31/12/2018	Change
EPRA NAV (undiluted)	EUR m	16,791.3	15,087.8	1,703.5
EPRA NAV (undiluted)	EUR per share	47.02	42.26	11.3%
EPRA NAV (diluted)	EUR per share	47.02	42.26	11.3%

Fair values		31/12/2019	31/12/2018	Change
Fair value real estate properties[3]	EUR m	24,237	22,190	2,047
Fair value per sqm living and usable space[3]	EUR per sqm	2,394	2,157	11.0%

1 Based on an average of approximately 358.09 million issued shares in 2019 and approximately 355.70 million in 2018
2 Calculation method changed: Personnel and material costs for sales are no longer included in FFO I. The previous year's figures have been changed accordingly.
3 Only includes residential and commercial buildings, without Nursing and Assisted Living and without rights of use from leases, which are valued in accordance with IFRS 16

Contents

LETTER TO OUR SHAREHOLDERS

Dear shareholders,

Our society is confronted with many disruptions and the challenges they bring with them – today more than ever, it seems. And of course businesses also feel these undercurrents of change in all their diversity and complexity. But at the same time we are convinced that if a company identifies these trends early and interprets them correctly, it can shape its own future and so achieve sustainable success.

Assume social responsibility

As part of the housing industry, Deutsche Wohnen is currently the focal point for many challenging trends affecting our society, including climate protection, gentrification, a shortage of housing, rising rents and demographic change. Various conflicting interests arise when action is taken to address these challenges. We assume responsibility for resolving these, as a commercial business which also has the wish and the obligation to strive for economic success. Deutsche Wohnen is willing to accept its social responsibility and to make a positive contribution to society to the extent that it is able to do so.

At the same time we see that the current political debates and the resulting regulation are not solving the problems – they are making them worse. This is particularly apparent in the so-called "rental freeze law" [Gesetz zur Neuregelung gesetzlicher Vorschriften zur Mietenbegrenzung] in Berlin, which was enacted on 30 January 2020 and in our opinion does absolutely nothing to relieve the pressures on the housing market. Moreover, we do not expect this legislation to be upheld, particularly since many legal opinions and commentaries consider it to be unconstitutional.

So what is Deutsche Wohnen itself doing to make a sustainable contribution to solving the problem? In 2019 for example we gave a voluntary commitment, known as "Our Promise to Our Tenants". On this basis we wholly or partly waived our right to raise rents in a total of around 700 cases last year. This also concerns rent increases for existing contracts, which makes Deutsche Wohnen the only private-sector housing company in Germany that has such a far-reaching hardship policy for the benefit of its tenants!

In addition, we encourage the dialogue with housing policymakers and the general public. Here we can point to the Berlin Dialogue meetings held in October and November 2019 as examples. We put together a panel of politicians, business people and representatives of civil society and discussed the topic of "Fair Housing in Berlin" in four townhall meetings. In December 2019 we published the results of the discussions in a "Pact for Fair Housing". It contains clear targets for the residential property sector. Proposals for solutions were drawn up and presented to the public at the end of 2019.

This is another clear demonstration that the satisfaction of our customers has top priority for our company – in addition to long-term tenancies. In order to measure this customer satisfaction we carried out another tenant survey in 2019. We are using it to identify the potential for concrete improvements.

In the key areas surveyed we are pleased to report that Deutsche Wohnen has improved compared with the last survey in 2017: 78% of tenants surveyed are satisfied or very satisfied with Deutsche Wohnen as a landlord and 87% are satisfied or very satisfied with their apartment. These results are both motivating and encourage us to do more. In future we intend to address the changing needs of our tenants even better by means of annual surveys.

Focus on sustainable business and climate action

One important part of the "Pact for Fair Housing" is the systematic construction of urgently needed housing. This is another area which Deutsche Wohnen is using its financial strength to address actively: in the years ahead we even intend to expand our existing plans for extensive new building activity, in order to alleviate pressure on the residential property markets. But we can only implement these measures in the right operating environment, which is the responsibility of policymakers and public administration.

The conflicting objectives mentioned above are very visible in the area of climate action. One example is housing: on the one hand there is an undisputed need for more accommodation, on the other it has to remain affordable and to satisfy the requirements of national and international climate action commitments. This applies equally to Berlin, where 72% of our portfolio is situated, and to Germany as a whole. We say that affordable housing and climate action should not be played off against one another. Everyone involved has to make a contribution and share the burden of protecting the climate fairly. This is the only way to avoid problems of acceptance.

Henrik Thomsen
Chief Development Officer (CDO)

Michael Zahn
Chief Executive Officer (CEO)

Philip Grosse
Chief Financial Officer (CFO)

Lars Urbansky
Chief Operating Officer (COO)

The two degree target set in the Paris Agreement and a climate-neutral housing sector by 2050 imply massive investment by the residential property industry, and require significant technological advances. Here too, we accept our long-term responsibilities and are actively working on solutions. So as a sponsoring member of the "Stiftung 2° – Deutsche Unternehmer für Klimaschutz", we support this alliance for limiting global warming. This underlines Deutsche Wohnen's commitment to a dependable framework for achieving the climate policy objectives.

We also recognised the importance of digitalisation in the property industry at an early stage and intend to make the best possible use of the opportunities it offers; in terms of smart and networked buildings, for example. And here too, it is essentially about a more sustainable business.

Portfolio strategy leverages megatrends and metropolitan areas

Our business model builds on megatrends such as urbanisation and an ageing population. At the same time we have a clear focus on German metropolitan areas, where the chances for further growth are particularly good. This applies both to our residential property portfolio and to the Nursing and Assisted Living business field. We made important progress in both areas in financial year 2019.

Our property portfolio saw another steep valuation increase of EUR 1.4 billion as a result of ongoing price rises. Deutsche Wohnen also concentrates on continuous quality improvements. So in the reporting year we disposed of more than 7,000 residential units that were not an optimal fit for our portfolio. On the other hand, we acquired some 4,700 residential and commercial units, mostly in Core^{+} markets, for a price of around EUR 1 billion. In addition, we invested about EUR 468 million in our portfolio. These investments aim to deliver further quality improvements as well as greater energy efficiency. Altogether, the activities described ensure that we optimise our portfolio for the long term.

In the Nursing and Assisted Living segment we also focus on cities and regions with positive development forecasts, as well as high-quality properties and a high level of nursing care and assistance. Our targeted expansion in this area meets the growing demand for nursing capacities in Germany. In late 2019 we recalibrated our portfolio here too and signed contracts for 13 nursing properties with some 1,700 beds and assisted living units. Our aim is to expand the nursing segment to 15% of Group EBITDA by means of new building and selected acquisitions. At the end of 2019 it accounted for about 10%.

Successful financial year 2019

The key performance indicators reflect Deutsche Wohnen's strong performance in 2019: the figure we use, FFO I – funds from operations, without disposals – went up by 11% to EUR 538 million, thanks to acquisitions and operating improvements. EPRA NAV (net asset value) also increased by 11% to some EUR 47 per share. Rental growth came to 3.4% in the reporting year. We therefore achieved our forecasts for the financial year 2019. The same applies to the Loan-to-Value ratio, which indicates the Group's gearing, and at 35.4% is within our target range of 35% to 40%. Deutsche Wohnen is still rated A- and A3 respectively by the two international rating agencies Standard & Poor's and Moody's, both with a negative outlook.

Our shareholders also profit from our continuous dividend policy. After the preparation of the 2019 annual financial statements and their approval on 19 March 2020, the Management Board and the Supervisory Board decided on 24 March 2020 to propose to the Annual General Meeting a dividend payment of EUR 0.90 per bearer share for the 2019 financial year and, in so doing, to modify the original resolution regarding the distribution of profits. This corresponds to a reduction from the previously planned payout ratio of 5 percentage points to around 60%. This adjustment is used to finance a EUR 30 million relief fund in order to be able to provide Deutsche Wohnen's tenants with quick and unbureaucratic financial help in the event of hardship in the context of the current Corona crisis. The Deutsche Wohnen share price suffered from the discussion about the introduction of a statutory rent cap in Berlin in 2019 and other regulatory measures – as the chart shows clearly. As of 31 December 2019 the share price was EUR 36.42 or nearly 7% down on the year. This is a discount of 22.5% on EPRA NAV. In November Deutsche Wohnen started a share buyback programme with a volume of up to EUR 750 million. By the end of 2019 this resulted in the purchase of some 2.6 million shares for around EUR 99.4 million.

Deutsche Wohnen's success is due in very large part to our employees, who again worked with great dedication and passion for our company in 2019. Our sincere thanks go to them all. We are well aware that we have to remain an attractive long-term employer and to keep working on ourselves permanently. Our regular employee surveys show how we are doing in this regard. 77% of all the employees who took part in our 2019 survey are satisfied with Deutsche Wohnen as an employer, which is a decent result. But alongside the positive aspects, our employees also expressed specific requests for improvements. We are looking at these and developing solutions together.

Keep writing the company's success story

The fundamentals remain promising for German metropolitan areas, where 92% of our portfolio is situated. We therefore intend to keep pursuing our strategy of focused growth in German conurbations going forward; particularly on the basis of our sustainable investment and disposal strategy, as well as our extensive new building activities.

Against the background of all these factors, we are optimistic about the financial year 2020. Our forecast is for FFO I of approximately EUR 540 million and adjusted EBITDA (excluding Disposals) of approximately EUR 710 million.

Overall we believe Deutsche Wohnen is very well positioned, and look forward to shaping the successful future of our company with you!

Berlin, 25 March 2020

Yours sincerely,

Michael Zahn
Chairman of the
Management Board

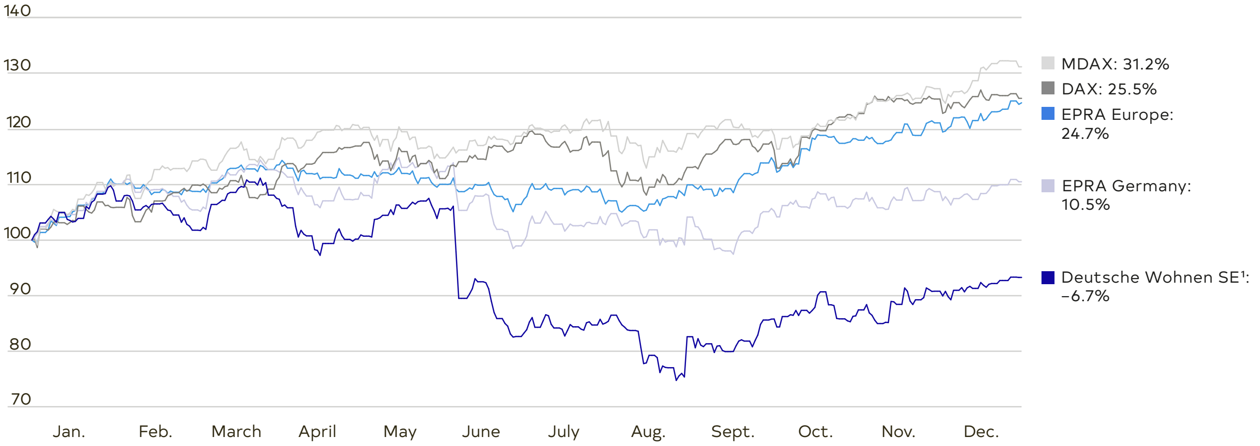
Philip Grosse
Management Board

Lars Urbansky
Management Board

Henrik Thomsen
Management Board

DEUTSCHE WOHNEN ON THE CAPITAL MARKET

Share price performance, 2019 (indexed)



1 Performance including dividend payment

Expansive monetary policy worldwide and trade agreements lead to further increases in stock market indices

Equities markets again experienced a clear upswing in 2019, despite more subdued economic data and various global uncertainties. The ECB's decision to cut the base rate and resume its programme of bond purchases had a positive impact on the European stock market. Share price indices in the USA were further boosted by the rate cuts from the US Federal Reserve and its decision to stop shrinking its central bank balance sheet and start a six-month programme to buy money market securities for USD 60 billion a month, helping the S&P 500 to a new all-time high. The trade dispute between the USA and China was an important factor for the development of equity markets in 2019. In December the USA and China agreed on a Phase 1 trade agreement. China said that it would significantly expand its imports of American agricultural products. In exchange, the USA announced on 15 December 2019 that it would not introduce additional tariffs on imports from China.[1]

The DAX rose by 25.5% in 2019, reaching a two-year high, to close the year at 13,249 points. The MDAX climbed by 31.2% to close at 28,313 points.

1 Cf. Commerzbank Jahresrückblick 2019

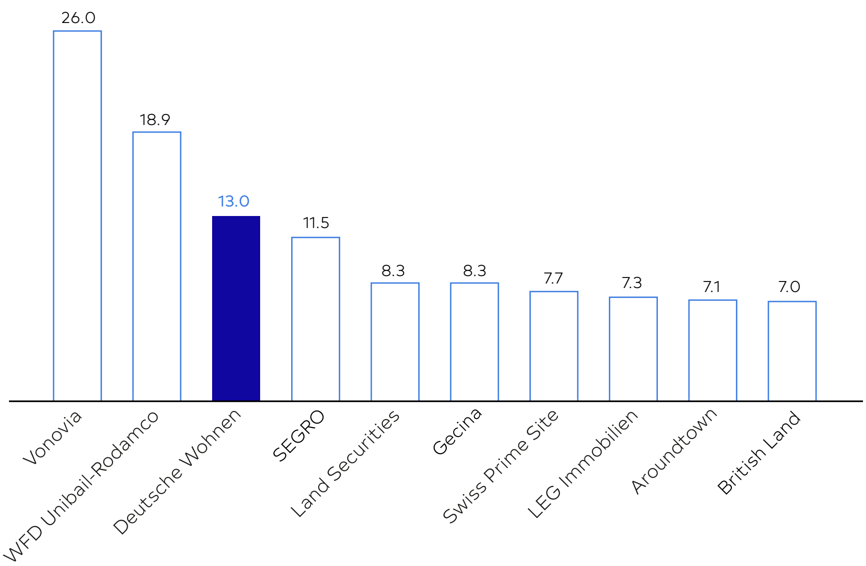
Deutsche Wohnen share down slightly

The Deutsche Wohnen share finished the year 2019 at a closing price of EUR 36.42, representing a loss of nearly 7%. It was above all the debate surrounding the introduction of a rental freeze in Berlin that put the share price under pressure. The Deutsche Wohnen share reached its high for the year on 26 March 2019 at EUR 44.45. Its low was at EUR 29.19 on 26 August 2019.

The German share indices DAX and MDAX outperformed the Deutsche Wohnen share in the reporting year, as did the property indices EPRA Europe and EPRA Germany. The EPRA Germany property index was up 10.5% in 2019 and EPRA Europe by 24.7%.

The market capitalisation of Deutsche Wohnen SE fell by around 8% in the reporting year to EUR 13 billion. This means Deutsche Wohnen is still the second-largest listed property company in Germany and the number three in Europe.[2]

Market capitalisation of Deutsche Wohnen SE at year-end 2019 compared with European peer group
EUR billion[1]



1 By market capitalisation of free float, EPRA Europe as of December 2019

The liquidity of the Deutsche Wohnen share remained stable, with average daily turnover in Xetra trading of EUR 33.8 million in 2019, roughly similar to EUR 33.9 million in 2018. The average Xetra trading volume for the Deutsche Wohnen share in 2019 was 0.9 million per day. An average of 1.1 million shares a day were also traded on alternative platforms.

Due to its high liquidity and the market capitalisation the Deutsche Wohnen share maintained its position within the MDAX; in 2nd and 3rd place respectively by market capitalisation of its free float and trading volume, out of a total of 60 companies in the MDAX.

2 By market capitalisation of free float

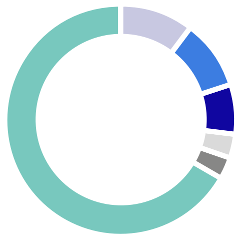
Key figures for the share	2019	2018
Number of shares in m	approx. 359.72	approx. 357.01
Closing price at year-end[1] in EUR	36.42	40.00
Market capitalisation in EUR bn	approx. 13.1	approx. 14.3
Highest share price over the year[1] in EUR	43.39	43.75
Lowest share price over the year[1] in EUR	29.19	32.72
Average daily Xetra trading volume[2]	928,170	867,316

1 Closing price in Xetra trading as of 31 December 2019
2 Shares traded
Source: Bloomberg, as of 8 January 2020

Shareholder structure largely unchanged

MFS, BlackRock, Norges, Schroders and State Street currently[3] hold some 33% of the Deutsche Wohnen shares. The remaining 67% of the shares are held by domestic and foreign institutional investors and private shareholders who have not exceeded the statutory notification threshold of 3%.

Shareholder structure[1]	
BlackRock, Inc.[2]	10.31%
Massachusetts Financial Services Company (MFS)	9.94%
Norges Bank (Central Bank of Norway)[2]	6.93%
Schroders plc[2]	3.10%
State Street Corporation[2]	3.10%
Total	**33.38%**
Others[3]	66.62%



1 Percentages based on the last notification from the shareholders mentioned of their voting rights in accordance with sections 33 et seq. Stock Trading Act [Wertpapierhandelsgesetz – WpHG]. The notifications of voting rights are published on the Investor Relations website (www.deutsche-wohnen.com/notifications-voting-rights). The share of voting rights relates to the number of voting rights at the time the notification was made. It is possible that the precise share of voting rights has since changed, but there is no obligation to notify the company as long as it remains between the statutory thresholds.
2 Voting rights attributed in accordance with section 34 Stock Trading Act [Wertpapierhandelsgesetz – WpHG]
3 Number includes 1.3% own shares as of 07/02/2020 resulting from the share buy-back programme. Further information can be found on our website (www.deutsche-wohnen.com/share-buy-back).

Notifications of voting rights

Majority of analysts have positive opinion of Deutsche Wohnen

A total of 25 analysts are currently[3] tracking the performance of Deutsche Wohnen SE. Current price targets range from EUR 26.50 to EUR 59.40 per share. Eight analysts have set a target price equal to or above EUR 40.00 per share. The average of all analyst estimates is EUR 39.00[3] per share, which is some 7% above the closing price of EUR 36.42 as of year-end 2019.

3 As of 7 February 2020

Rating	Number
Buy/Outperform/Overweight	15
Equal Weight/Hold/Neutral	7
Sell	3

Annual General Meeting adopts resolutions with large majority

The Annual General Meeting 2019 of Deutsche Wohnen SE was held in Frankfurt/Main on 18 June 2019, where 77.6% of the company's registered capital was represented. The shareholders approved all of the proposed resolutions on the agenda with the necessary majorities. Amongst other things, the Annual General Meeting resolved to distribute a dividend of EUR 0.87 per bearer share for the 2018 financial year. This corresponds to a total of approximately EUR 310.6 million and a proportion of roughly 65% of FFO I for the 2018 financial year. Considered alongside the volume-weighted average share price of EUR 39.14 for 2018, this is a dividend yield of 2.2%.

Deutsche Wohnen shareholders could again choose between a cash dividend and a stock dividend. During the subscription period, shareholders accounting for around 28% of the dividend-bearing shares opted for the stock dividend. Consequently, 2,617,281 new shares with an equivalent value of some EUR 84.9 million were issued for approximately 101 million dividend entitlements.

Arwed Fischer was elected by the Supervisory Board as a new member of the Board of Deutsche Wohnen SE. He succeeds Claus Wisser, whose term of office ended at the close of the Annual General Meeting 2019.

Consistent dividend policy for our shareholders

Deutsche Wohnen SE follows a consistent dividend policy in order to let its shareholders participate in the company's performance by way of a reasonable dividend. After the preparation of the 2019 annual financial statements and their approval on 19 March 2020, the Management Board and the Supervisory Board decided on 24 March 2020 to propose to the Annual General Meeting a dividend payment of EUR 0.90 per bearer share for the 2019 financial year and, in so doing, to modify the original resolution regarding the distribution of profits. This corresponds to a reduction from the previously planned payout ratio of 5 percentage points to around 60%. This adjustment is used to finance a EUR 30 million relief fund in order to be able to provide Deutsche Wohnen's tenants with quick and unbureaucratic financial help in the event of hardship in the context of the current Corona crisis.

Share buy-back programme adopted

On 15 November 2019 the Management Board of Deutsche Wohnen SE decided with the approval of the Supervisory Board to establish a share buy-back programme of up to 25 million shares and up to a maximum of EUR 750 million. The share buy-back programme is carried out on the basis of the authorization granted by the Annual General Meeting of Deutsche Wohnen SE on 15 June 2018. Accordingly, Deutsche Wohnen SE is authorized to acquire own shares up to a total of 10% of the share capital of Deutsche Wohnen SE existing at the time of the resolution. The purchase of own shares is carried out by a bank on the stock exchange and is financed through free liquidity and portfolio sales. The buy-back programme began on 15 November 2019 and will end no later than the close of 30 October 2020. By 31 December 2019, Deutsche Wohnen had bought back a total of around 2.7 million shares for a total amount of EUR 96.3 million. This corresponds to around 0.8% of the share capital. The current status of the share buy-back programme is available on www.deutsche-wohnen.com/share-buy-back.

Share buy-back programme

Capital market communications intensified

We concentrate our extensive Investor Relations activities on prompt, transparent reporting, active and regular dialogue with our shareholders, analysts and potential investors, as well as expanding our existing network of national and international contacts.

Deutsche Wohnen again maintained an intensive dialogue in financial year 2019. For this purpose the Management Board and the Investor Relations team primarily made use of property tours, conferences and roadshows in Germany and abroad. Thereby Deutsche Wohnen presented its business model and strategy at various roadshows in Europe and the USA. The company also attended numerous conferences, among others in New York, Miami, London, Paris and Amsterdam. Altogether the Investor Relations team met around 500 investors in 2019.

Deutsche Wohnen holds a conference call to accompany the publication of its annual report and its interim reports. This gives investors and analysts an opportunity to address their questions directly to the Management Board. The conference calls are streamed as live webcasts and are then available to download from the Investor Relations section of our website. Current financial reports and company presentations are also published here.

Investor Relations

An overview of important dates in financial year 2020 can be found in our financial calendar in the annual report. This is regularly updated on our Investor Relations website.

Financial calendar on page 219

Financial calendar

DECLARATION ON CORPORATE GOVERNANCE, CORPORATE GOVERNANCE REPORT

Corporate governance stands for the responsible leadership and supervision of companies in the service of long-term value creation. For the Management Board and Supervisory Board of Deutsche Wohnen SE, good corporate governance is a core element of company management; all areas of the company are guided by it. The management and control of the Deutsche Wohnen Group therefore not only consists of respecting the law, but also of following generally recognised standards and recommendations. We uphold values such as competence, transparency and sustainability. The following report includes the Corporate Governance Report and the Declaration on Corporate Governance for Deutsche Wohnen SE and the Deutsche Wohnen Group in accordance with sections 289f, 315d German Commercial Code [HGB]. The combined Declaration on Corporate Governance and Corporate Governance Report are available online at www.deutsche-wohnen.com/declaration-corporate-governance.

Declaration on Corporate Governance

1. Declaration by the Management Board and Supervisory Board of Deutsche Wohnen SE on the German Corporate Governance Code

in accordance with section 161 Stock Corporation Act [Aktiengesetz – AktG]

The Management and Supervisory Boards of Deutsche Wohnen SE have thoroughly dealt with the issue of compliance with the standards set by the German Corporate Governance Code. In doing so, they have taken the Code dated 7 February 2017 into account, which was published in the Federal Gazette on 24 April 2017, and adopted the following declaration of compliance according to article 161 (1) of Germany's Stock Corporation Act in December 2019.

Since the adoption of the last declaration of compliance in December 2018, Deutsche Wohnen SE has complied with the recommendations given by the Government Commission of the German Corporate Governance Code, with the following exceptions:

- The recommendation in clause 5.4.1 of the Code, which includes the definition of a regular limit of length of Supervisory Board membership and the consideration of this limit in proposals for election, was not complied with. The company believes that a fixed regular limit does not take individual factors justifying longer lengths of membership of individual Supervisory Board members into account.

In the future, Deutsche Wohnen SE will comply with the recommendations of the Government Commission of the German Corporate Governance Code (in the version of 7 February 2017) with the following exception:

- In deviation of the recommendation in clause 5.4.1 of the Code, no regular limit of length of Supervisory Board membership has been set and is therefore in this respect not taken into account in proposals for election. The company believes that a fixed regular limit does not take individual factors justifying longer lengths of membership of individual Supervisory Board members into account.

Berlin, in December 2019

Management Board Supervisory Board

The declaration of compliance is also available online at www.deutsche-wohnen.com/declaration-of-compliance.

Declaration of compliance

2. Relevant disclosures on corporate governance practices

Deutsche Wohnen SE is based in Berlin and as a publicly listed European company (Societas Europaea, SE) is governed by the European SE Regulation and the German SE Implementation Act in addition to German stock corporation and capital market law and the provisions of its articles of association. With its decision-making bodies, the Management Board and Supervisory Board, the company has a two-tier management and supervisory structure. The Management Board leads the company and manages company business on its own responsibility. The Supervisory Board advises and monitors the Management Board and works closely with the Management Board in the interests of the company.

Shareholders of Deutsche Wohnen SE exercise their rights at the Annual General Meeting. The Annual General Meeting passes resolutions on all matters referred to it by law, particularly the allocation of profit, discharging members of the Management Board and Supervisory Board of responsibility, electing Supervisory Board members and auditors, amending the articles of association, fund raising activities, control agreements, changes of legal structure and the remuneration of the Supervisory Board. According to the Act Transposing the Second Shareholder Rights Directive (ARUG II) of 12 December 2019, the Annual General Meeting will pass non-binding resolutions for the first time in 2021 on approving the remuneration system for Management Board members proposed by the Supervisory Board and for the first time in 2022 on approving the remuneration report for the previous financial year. In accordance with section 87 para. 4 AktG as introduced by ARUG I, the Annual General Meeting can reduce the maximum remuneration set by the Supervisory Board at the application of shareholders accounting collectively for one-twentieth of share capital or an amount of EUR 500,000.

We pursue our commercial activities in line with Group standards that go beyond the requirements of legislation and the German Corporate Governance Code. Our activities are based on our corporate culture, whose main pillars are respect, diversity, openness and high quality. We believe that sustainable business activities will secure the future viability of the Deutsche Wohnen Group and also benefit our stakeholders.

Code of Conduct

Deutsche Wohnen has drawn up a Code of Conduct to implement the values, principles and rules of responsible corporate governance in day-to-day business and supplement the statutory regulations. It applies to all the staff across the Deutsche Wohnen Group. The Code of Conduct is reviewed regularly and is continuously developed.

As landlords and parties to transactions of all kinds, Deutsche Wohnen SE and its Group companies are dependent on gaining and maintaining the trust of customers, purchasers and business partners. For Deutsche Wohnen SE, its Management Board and Supervisory Board and employees this means that compliance is not only adherence to the law and the articles of association, but also compliance with internal instructions and commitments, in order to put the values, principles and rules of responsible corporate governance into practice on a daily basis. It is vital that the Code of Conduct of Deutsche Wohnen is embedded in its organisational structure, because Deutsche Wohnen depends on the responsibility and initiative of its managers and employees to fulfil its tasks.

Compliance with statutory provisions, the standards of the German Corporate Governance Code and the Code of Conduct is an important principle for Deutsche Wohnen. Employees are encouraged to notify the company of any infringements. For this purpose we have set up a whistle-blower system for employees and business partners, which can also be used anonymously if desired. All the business segments and processes at Deutsche Wohnen are subject to regular reviews of compliance risks.

Expectations of our business partners

The Code of Conduct for Business Partners of Deutsche Wohnen SE is based on the Code of Conduct for our employees. Deutsche Wohnen aims to gain and keep the trust of its customers, employees and business partners by acting socially and responsibly. Our working relationships with business partners are based on partnership and mutual respect. The Code defines standards for our business partners in terms of compliance with legislation, integrity and ethical benchmarks. We respect human rights and are convinced that it is our social responsibility to establish business relationships on the basis of human rights and internationally acknowledged labour and environmental standards. The principles and minimum standards described in our Code of Conduct for Business Partners are therefore based on the applicable conventions of the International Labour Organisation (ILO) and the UN Guiding Principles on Business and Human Rights. Deutsche Wohnen expects its business partners to comply with the principles and rules defined in the Code of Conduct and to ensure that their own business partners, subcontractors and service providers do the same.

Risk and opportunity management

Responsible risk and opportunity management of the operating segments is a core task of the Management Board, managers and all employees, and is also an expression of good corporate governance. It aims to identify risks early, limit them and exploit any business opportunities that may arise from them.

The risk management process at Deutsche Wohnen SE begins with risk identification by the operating management together with the central risk manager. The relevant individual risks are identified and measured in terms of the maximum loss, probability of occurrence and effectiveness of potential measures to avert them. This review results in an assessment of the risk potential, risk measurement and subsequent management. Elements of risk management are refined continuously to adapt them to changes in the external environment.

For the Management Board itself the key risk management tool is the regular report it receives from the operating departments (in the form of the risk inventory). In addition, the risk manager or the head of the respective operating department informs the Management Board immediately if risks or changes arise unexpectedly. Risks may arise that are beyond the control of the Management Board. For this reason, even a functioning risk management system cannot ensure completely that all risks are ruled out. There can always be developments that differ from the Management Board’s plans.

Transparency

Deutsche Wohnen attaches great important to informing shareholders and the interested public consistently, comprehensively, promptly and simultaneously about its economic situation and new events. Shareholders and third parties are informed in particular by means of the annual report, the interim reports and announcements, the sustainability report, and at face-to-face meetings and conference calls for analysts.

Important current news is also published in press releases, corporate news and ad hoc announcements. All this information is made available on the website of Deutsche Wohnen, which also offers extensive information about the company and the Deutsche Wohnen share.

The members of the Management Board and the Supervisory Board of Deutsche Wohnen SE as well as related parties are obliged by article 19 Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Ordinance), to disclose transactions involving shares or debt instruments of Deutsche Wohnen SE or related derivatives and financial instruments, insofar as the total amount of transactions made by the member or related parties within a calendar year amounted or exceeded EUR 5,000 (from 1 January 2020 onwards: EUR 20,000). The transactions reported to Deutsche Wohnen SE in the 2019 financial year have been properly published and are available on the company's website at www.deutsche-wohnen.com/directors-dealings-en.

Directors' dealings

When required to do so, Deutsche Wohnen SE maintains insider lists in accordance with article 18 EU Market Abuse Regulation. The people on the insider lists were and are notified of their statutory responsibilities and the penalties under the regulation.

Deutsche Wohnen compiles the dates of important recurring events and publications in a financial calendar, publishes the calendar on its website and updates it as necessary.

Financial calendar from page 219

Financial calendar

Accounting and audit

The consolidated financial statements, the consolidated interim financial statements and the interim Group announcements of Deutsche Wohnen SE are prepared in accordance with IFRS as applicable in the European Union. After being prepared by the Management Board the consolidated financial statements are examined by the auditors and the Audit Committee of the Supervisory Board and approved by the Supervisory Board after review. The company aims to publish the consolidated financial statements within 90 days of its financial year-end, in accordance with the German Corporate Governance Code. Interim announcements and the interim financial report are discussed with the Management Board by the Audit Committee of the Supervisory Board before publication.

The Annual General Meeting 2019 elected KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) as auditors for the financial year 2020. The audits by KPMG follow German auditing standards, the auditing principles defined by the German Institute of Auditors and the International Standards on Auditing. The Chair of the Supervisory Board and the Chair of the Audit Committee are notified without delay by the auditor of any grounds for its exclusion or exemption and of any misstatements in the declaration of compliance that become known in the course of the audit. The auditor reports all matters and events of importance for the work of the Supervisory Board that become known in the course of the audit to the Chairs of the Supervisory Board and the Audit Committee without delay and is obliged to notify the Supervisory Board promptly about any reasons for its exclusion or any grounds for bias.

3. Management Board

The Management Board of Deutsche Wohnen SE consists of at least two members. The Supervisory Board appoints the members of the Management Board and determines the total number of its members. The Supervisory Board may nominate a member of the Management Board as Chief Executive Officer or Spokesperson of the Board.

The Management Board of Deutsche Wohnen SE currently consists of four members. The Chief Executive Officer (CEO), Michael Zahn, is responsible for the strategy of the Deutsche Wohnen Group. He manages the functions Strategy, Asset Management, M&A/Disposals, Corporate Communication, Human Resources, Marketing, IT, Procurement and Nursing & Assisted Living.

Philip Grosse is Chief Financial Officer (CFO) and is responsible for Corporate Finance & Treasury, Accounting, Tax, Risk Management, Investor Relations, Sustainability Management/CSR Reporting, Legal/Compliance and Controlling.

Henrik Thomsen is Chief Development Officer (CDO) and responsible for Property Developments & Technical Maintenance, Technology Investments and Neighbourhood Development.

Lars Urbansky is Chief Operating Officer (COO) and is responsible for Property Management, Rent Development and Customer Service.

The Management Board manages the company under its own responsibility, develops the company strategy, agrees it with the Supervisory Board and ensures that it is put into practice. It is obliged to act in the company's best interest and create sustainable value.

The Management Board is responsible for the company's interim financial reports, the financial statements of Deutsche Wohnen SE, the consolidated financial statements, and the combined management report for the company and the Group, including the non-financial Group statement.

To ensure that the risks of business are handled responsibly, the Management Board has set up an internal control system and measures appropriate to the company's risk position, in particular a compliance management system, risk management system and risk controlling. It ensures compliance with statutory provisions and internal policies and encourages compliance by Group companies.

The members of the Management Board are jointly responsible for managing the company. The Management Board has no committees. The division of responsibilities within the Management Board is defined by the members in a formal document. The CEO coordinates the work of the Management Board. The Supervisory Board has adopted rules of procedure for the Management Board. Among other things they include rules on meetings and resolutions and on cooperation with the Supervisory Board. The rules of procedure also include a list of transactions requiring approval.

No member of the Management Board holds 1% or more of issued shares in Deutsche Wohnen SE. A detailed list of shares held by the members of the Management Board and information regarding the remuneration of the members of the Management Board can be found in the remuneration report (www.deutsche-wohnen.com/remuneration-report).

Remuneration report from page 90
Remuneration report

4. Supervisory Board and its committees

The Supervisory Board of Deutsche Wohnen SE currently consists of six members. All six members are elected by shareholders at the Annual General Meeting. In accordance with the provisions of law and the articles of association, their term of office is generally five years.

The Supervisory Board is composed in such a way that its members, taken as a whole, have the necessary knowledge, skills and professional experience, especially of capital markets and the German property market, required to carry out their tasks properly. The requirements for the composition of the Supervisory Board, which include a competence profile and a diversity concept, are described under 6. below.

The CVs of the individual members of the Supervisory Board can be found online at www.deutsche-wohnen.com/board.

Supervisory Board

The Supervisory Board monitors and advises the Management Board on the management of the company and agrees on corporate strategy and its implementation with the Management Board. The Management Board informs the Supervisory Board regularly, promptly and fully about all matters of relevance to the company, particularly the strategy, company planning, business performance, profitability, the risk position, and risk and compliance management. It investigates any differences between the course of business and the planning or agreed targets and provides the reasons for them. The Supervisory Board regularly discusses business performance, planning, strategy and implementation with the Management Board. The articles of association and the Supervisory Board have defined transactions of fundamental importance for the company that requires approval.

The Supervisory Board adopts the financial statements of Deutsche Wohnen SE and approves the consolidated financial statements and combined management report of Deutsche Wohnen SE and the Group, taking the findings of the preliminary review by the Audit Committee and the audit report by the public auditors into account. The Supervisory Board also reviews the non-financial Group statement. It passes a resolution on the Management Board's proposal for use of distributable profit and the Supervisory Board's report to the Annual General Meeting, and on the proposals for resolution tabled by the Supervisory or the Management Board at the Annual General Meeting.

It is the Supervisory Board's responsibility to appoint and dismiss members of the Management Board. The Supervisory Board pays attention to the diversity of the Management Board and to long-term succession planning developed jointly with the Management Board. The requirements for the composition of the Management Board, which include a competence profile and a diversity concept, are described under 6. below.

The Supervisory Board also adopts a remuneration system for the members of the Management Board and sets the concrete remuneration for the individual Management Board members on this basis. It defines the targets for the variable remuneration of individual Management Board members and ensures that total remuneration is reasonable.

Further information about the remuneration of the Management Board can be found in the remuneration report, available online at www.deutsche-wohnen.com/remuneration-report.

Remuneration report from page 90

Remuneration report

The Supervisory Board has established the following committees to make its work more efficient. The committees prepare certain types of transaction and resolutions for the Supervisory Board. The chairs of the respective committees report regularly to the Supervisory Board on the committee meetings. Committee members are chosen primarily on the basis of their professional experience.

The Supervisory Board currently has the following three committees:

- The **Executive and Nomination Committee** is responsible for continuous consultation with the Management Board and advising the Management Board on an ongoing basis. It also prepares the Supervisory Board meeting to the extent that this is expedient given the scope and importance of the agenda items. In accordance with relevant resolutions by the plenary session, this committee is responsible for drafting and signing the contracts with the Management Board members. To the extent permitted, it is also responsible for advising on and passing resolutions on urgent matters. This committee suggests suitable people to the Supervisory Board for its election proposals to the Annual General Meeting.

Members:
Matthias Hünlein (Chair),
Jürgen Fenk,
Dr Andreas Kretschmer

- The **Audit Committee** is responsible for the preliminary review of documentation for the annual financial statements and consolidated financial statements and for preparing the adoption or approval of these and the Management Board's proposal for the use of profits. It discusses the quarterly reports and interim financial reports before they are published. The Audit Committee also prepares the Supervisory Board's proposal to the Annual General Meeting for the election of the auditor and makes a corresponding recommendation to the Supervisory Board after examining the required independence of the proposed auditor. After the resolution has been passed by the Annual General Meeting, the audit committee issues the audit mandate to the auditor and determines the focus of the audit, which includes prior approval of the additional services to be performed by the auditor. The members of the Audit Committee are competent in matters of financial reporting and auditing and its composition meets all the requirements for independence defined in the recommendations of the German Corporate Governance Code.

Members:
Dr Florian Stetter (Chair),
Jürgen Fenk,
Matthias Hünlein

- The **Capital Market and Acquisition Committee** discusses with the Management Board potential targets and terms for acquisitions or disposals of land or shareholdings and prepares the corresponding Supervisory Board resolutions. It is authorised by the Supervisory Board to approve certain transactions. Furthermore, the committee discusses important capital market matters, the performance of the share price and the company's shareholder structure.

Members:
Dr Andreas Kretschmer (Chair),
Matthias Hünlein,
Tina Kleingarn

Further information about the work of the Supervisory Board and its committees can be found in the Supervisory Board report, available at www.deutsche-wohnen.com/report-supervisory-board.

Supervisory Board report from page 22

Supervisory Board report

The Supervisory Board has adopted rules of procedure. These rules of procedure define the main elements of the work of the Supervisory Board and its committees.

The Management Board regularly attends the meetings of the Supervisory Board. It reports in writing and orally on the individual agenda items and proposals for resolution and answers questions from the Supervisory Board members. In addition, the Management Board is in regular contact with the Chair of the Supervisory Board. Their discussions cover current affairs and developments.

Proposals for resolution and documents on the agenda items are sent to the Supervisory Board members in good time before each meeting. Resolutions can be passed outside meetings in individual cases by order of the Chair. Use is occasionally made of this option in urgent cases. The Chair of the Supervisory Board has a casting vote. The same applies to resolutions by the Supervisory Board committees.

The Chair of the Supervisory Board comments on the work of the Supervisory Board and its committees every year in the Supervisory Board report published in the annual report of Deutsche Wohnen, and in person at the Annual General Meeting.

The Supervisory Board members assess their own work in regular discussions within the Supervisory Board, using the criteria organisational structure, working methods, competence and performance. In 2019 neither the Management Board nor the Supervisory Board saw the need for specific changes. Training or refresher courses for skills and knowledge are not organised collectively, but are rather the responsibility of each Board member.

No member of the Supervisory Board holds 1% or more of issued shares in Deutsche Wohnen SE. Information about the remuneration of the Supervisory Board can be found in the remuneration report (www.deutsche-wohnen.com/remuneration-report).

Remuneration report from page 90

Remuneration report

5. Requirements of section 76 para. 4 AktG and section 111 para. 5 AktG

In accordance with the Act for Equal Participation by Women and Men in Leadership Positions in the Private and Public Sectors, the Supervisory Board of a publicly listed company, which is not subject to the Co-determination Act, must define a target for the percentage of women in the Supervisory Board and Management Board. The Management Board of such a company must in turn define targets for the percentage of women on the two management levels below the Management Board. If the percentage of women at the time the Management Board and Supervisory Board define the targets is below 30%, these targets may not be lower than the current percentage. When the targets are defined, a deadline for achieving them must also be set, which may not be longer than five years.

For the target period up to 30 June 2022 the percentage of women on the Supervisory Board has been set at 16.67%. As of the reporting date, this target was met.

The target for the proportion of women members of the Management Board has been set at zero for the target period ending 30 June 2020. As of the reporting date, this target was met.

For the target period ending 30 June 2020 the Management Board has defined a target of 20% for the first management level below the Management Board and a target of 30% for the second management level below the Management Board. As of the reporting date the percentage of women met these targets.

6. Composition of Management Board and Supervisory Board (diversity concept)

Deutsche Wohnen has a diversity concept for the composition of the Management Board and Supervisory Board, which is described below. The diversity concept and the competence profile are key elements of the requirements for the composition of the Management Board and Supervisory Board. It meets the statutory requirements and the recommendations of the German Corporate Governance Code.

Diversity concept and succession planning for the Management Board

The diversity concept aims to ensure that the composition of the Management Board is aligned with the specific situation of the company and is as diverse and complementary as possible. The Management Board as a whole should have the necessary knowledge, skills and professional experience for the proper performance of its duties. The Supervisory Board decides on who to appoint to a specific Management Board position based on the company's interests and taking all the relevant circumstances into account. In doing so the Supervisory Board also considers the following aspects:

- In addition to the necessary specific knowledge and skills, as well as the management and leadership experience for the respective task, the Management Board members should cover as broad a range as possible of knowledge and experience, as well as educational and professional backgrounds.

- The Management Board as a whole should have long-standing experience of the German property market and the capital markets.

- The aim is for different age groups to be represented on the Management Board. The Supervisory Board makes sure that the age limit defined for Management Board members is applied, which is the same as the statutory retirement age.

The current members of the Management Board met these criteria in 2019. Proposals for any new Management Board members are drafted to implement this concept.

In 2019 there were the following changes in the Management Board of Deutsche Wohnen: Lars Wittan left the Management Board. Lars Urbansky and Henrik Thomsen were appointed to the Management Board.

Diversity concept for the Supervisory Board

The diversity concept for the composition of the Supervisory Board is based on the company-specific targets for its composition and its competence profile, which have been defined in accordance with the recommendations of the German Corporate Governance Code.

These targets consider potential conflicts of interests, the defined age limit for Supervisory Board members and the appropriate participation of women. The aim is also that the Supervisory Board should be composed in such a way that its members have the necessary knowledge, skills and professional experience, especially of capital markets and the German property market, required to carry out their tasks properly and are independent. At least one member of the Supervisory Board must also have expertise in financial reporting or auditing and the members as a whole must be familiar with the sector in which the company operates. Only individuals who have not reached the age of 73 years at the time of their appointment may be put forward for election to the company's Supervisory Board.

In 2019 the Supervisory Board met all the targets for its composition and the requirements of its competence profile. Any proposals for new Supervisory Board members are drafted on the basis of this concept.

After careful review, the Supervisory Board has come to the opinion that all the Supervisory Board members are to be considered as independent members of the Supervisory Board. The following considerations were taken into account in forming this opinion: despite the fact that some of them, namely Matthias Hünlein, Dr Andreas Kretschmer and Dr Florian Stetter, have been on the Supervisory Board for more than 12 years, they are to be considered as independent of the company and the Management Board, since they have no personal or business relationship with the company or the Management Board members that constitutes a material and not merely temporary conflict of interests. Length of tenure is only one of four indicators in the German Corporate Governance Code as amended on 16 December 2019 to be taken into account when judging the independence of Supervisory Board members and is not definitive on its own. In the opinion of the Supervisory Board, all the relevant circumstances must be taken into account as a whole when judging the independence of a Supervisory Board member. The other three indicators for the independence of a Supervisory Board member explicitly mentioned in the GCGC as amended on 16 December 2019 are in relation to the specified members of the Supervisory Board Matthias Hünlein, Dr Andreas Kretschmer, and Dr Florian Stetter are not met. Those indicators are namely whether the Supervisory Board member or a close family member

- was a member of the Management Board in the two years before their appointment,
- currently has or had a material business relationship with the company or a company dependent on it, either directly or as a shareholder or a responsible officer of an external company,
- is a close family member of a Management Board member.

It is in the interests of the company to use the long-standing experience of the aforementioned members on the Supervisory Board of Deutsche Wohnen SE. The Supervisory Board is convinced that the automatic departure of a Supervisory Board member after a period of office of twelve years, regardless of the situation of the specific Supervisory Board members and the respective composition of the Supervisory Board, would not improve the work of the Supervisory Board or make it more professional. In the opinion of the Supervisory Board it may in individual cases be in the interests of the company, with regard to continuity and the sustainable long-term direction of the company, for a person to be a Supervisory Board member for longer than twelve years.

Berlin, March 2020

Management Board Supervisory Board

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

Deutsche Wohnen SE again performed well in financial year 2019: it once again continued its success story and profited from a high demand of estates, especially located in the Core+ and Core regions. The company invested specifically in the maintenance and refurbishment of its portfolio, targeting a sustainable and long-term value increase. In addition, the portfolio was further optimised through purchases and sales, taking advantage of the positive market situation.

Matthias Hünlein
Chairman of the Supervisory Board

Consolidated Group profit came to EUR 1.6 billion, especially due to the value increase of the portfolio, which is focused on metropolitan areas and conurbations. The Group's debt ratio remained low at 35.4%, which is an indication of its conservative funding policy.

Trustful working relationship with the Management Board

Deutsche Wohnen continued its success story in 2019.

In financial year 2019, as in prior years, the Supervisory Board carried out the duties entrusted to it by law, the company's articles of association, the German Corporate Governance Code and the rules of procedure with great care. It advised the Management Board regularly on the management of the company and monitored its work. In addition, it was directly involved at an early stage in all decisions of fundamental importance for the company.

The Management Board informed the Supervisory Board regularly, promptly and fully, in writing and orally, about all relevant matters of commercial policy, company planning and strategy, the company's position, including opportunities and risks, the course of business, risk management and compliance. Any variance between actual and planned performance was explained in detail. Important transactions were agreed between the Management Board and the Supervisory Board.

The Chair of the Supervisory Board and other members of the Supervisory Board were in regular contact with the Management Board to discuss important matters, also outside the meetings of the Supervisory Board and its committees. Topics included the company's strategy, performance and risk management.

Supervisory Board meetings

In financial year 2019 the Supervisory Board discussed the company's current performance, important individual matters and transactions requiring approval during nine meetings, three of which were in the form of a conference call. To the extent necessary, the Supervisory Board gave its approval as requested at the individual meetings, after an in-depth review and detailed discussion.

By circulation of documents the resolution to amend the articles of association was adopted on 29 January 2019 in view of the issue of company shares to external shareholders of GSW Immobilien AG as well as to members of the Management Board in 2018. The resolution concerning the amendment of the appointment of Henrik Thomsen as new member of the Management Board at an earlier start date was also taken by circulation of documents on 23 September 2019. Average attendance at Supervisory Board meetings was 96.8%.

Individualized participation of meetings in financial year 2019

Member of Supervisory Board	Supervisory Board	Executive and Nomination Committee	Audit Committee	Capital Market and Acquisition Committee
Matthias Hünlein	9/9	3/3	5/5	6/6
	100%	100%	100%	100%
Dr Andreas Kretschmer	9/9	3/3	–	6/6
	100%	100%	–	100%
Jürgen Fenk	7/9	3/3	4/5	–
	78%	100%	80%	–
Arwed Fischer (since 18 June 2019)	4/4	–	–	–
	100%	–	–	–
Tina Kleingarn	9/9	–	–	5/5
	100%	–	–	100%
Dr Florian Stetter	9/9	–	5/5	–
	100%	–	100%	–
Claus Wisser (until 18 June 2019)	5/5	–	–	1/1
	100%	–	–	100%

In the reporting year the focus of Supervisory Board work was on the business planning and performance of Deutsche Wohnen SE, management board matters, corporate strategy, acquisition and disposal transactions as well as the integration of purchases.

The Supervisory Board had regular and detailed discussions about the performance of the segments Residential Property Management, Disposals, Nursing Operations and Nursing Assets, and the Group's financial and liquidity position. Reviewing and advising on the internal control and risk management systems of the Deutsche Wohnen Group were other key areas of the Supervisory Board's work.

At the **meeting on 15 March 2019**, which was held as a conference call, the Supervisory Board dealt with an acquisition project for approximately 3,000 units.

At its **meeting on 18 March 2019** the Supervisory Board dealt particularly with the reports of committee meetings, the separate and consolidated financial statements for 2018 and matters regarding the Management Board, in particular remuneration, allocation of responsibilities and the appointment of Lars Urbansky as a further member of the Management Board. Representatives of the auditors were present for the discussions on the 2018 financial statements; they explained positions and amounts in the financial statements for the company and the Group. Other important topics were the proposal for electing the auditors, the adoption of the Supervisory Board Report and the Corporate Governance Report, as well as current projects.

Lars Urbansky was appointed as a further member of the Management Board.

The **Supervisory Board meeting on 7 May 2019** dealt with the reports from the committees, matters of the Supervisory Board and the Management Board, in particular the expansion of the Management Board by appointing Henrik Thomsen and contractual matters, the adoption of the agenda and proposals for resolution at the ordinary Annual General Meeting, the report on performance in the first quarter of 2019 and current political developments.

The meeting of the **Supervisory Board on 17 May 2019**, held as a conference call, dealt with matters regarding the Management Board.

In the **meeting held on 11 June 2019**, in form of a conference call, the Supervisory Board dealt with current political developments in Berlin, particularly the planned rental freeze law and its impact.

In the **meeting on 18 June 2019**, which took place after the Annual General Meeting and so after the departure of Claus Wisser and the election of Arwed Fischer, a new member of the Capital Market and Acquisition Committee of the Supervisory Board was elected. In addition, a capital increase and the related publication of a rights issue was approved to implement the option of receiving shares in lieu of dividends, and the matter was delegated to the Capital Markets and Acquisition Committee for further implementation. Acquisition targets and other current topics were also discussed.

The core elements of the **meeting on 7 August 2019** were reports from committees and a discussion of current business performance in the first half of 2019, a portfolio for disposal and Supervisory Board matters.

At the **meeting on 5 November 2019** the focus was on reports from the committees, the company's performance, in particular on the basis of the report for the third quarter 2019, data privacy issues, Management Board and Supervisory Board matters and a potential share buy-back.

At its **meeting on 13 December 2019** the Supervisory Board dealt particularly with the report from the Executive and Nomination Committee, adopting the business plan for 2020, several acquisition and disposal projects, the alterations of ARUG II and the amended version and the German Corporate Governance Code, as well as adopting the statement of compliance issued jointly with the Management Board. Other topics included aspects of remuneration of the Management Board and the examination of efficiency of the Supervisory Board.

Efficient work in Supervisory Board committees

To carry out its duties efficiently the Supervisory Board has formed committees, each of which has three members. Their work and the need for the committees were assessed on an ongoing basis in the reporting year.

Three committees ensure efficient work on the Supervisory Board.

There were three committees in the reporting year:
- Executive and Nomination Committee,
- Audit Committee, and
- Capital Market and Acquisition Committee.

Their composition and duties are described in more detail in the Declaration on Corporate Governance.

Declaration on Corporate Governance on page 11

Generally speaking, the committees prepare the Supervisory Board resolutions and topics to be discussed by the full Supervisory Board. To the extent permitted by law, decision-making authority has been passed to individual committees by the rules of procedure or Supervisory Board resolutions. The committee chairs report regularly and fully on the contents and results of the committee meetings at the Supervisory Board meetings.

The **Executive and Nomination Committee** met three times in the reporting year. On the agenda of the two meetings held by conference call in January and February 2019 were Management Board remuneration, i.e. the variable remuneration components STI 2018 and 2019, the SOP 2014 and succession planning for the composition of the Management Board. At its meeting in April 2019, the committee dealt with recommendations on the composition of the Management Board and the election of a Supervisory Board member.

The **Audit Committee** met five times in the reporting year and dealt with the relevant aspects of the Supervisory Board's work. They particularly included the preliminary review of the financial statements, the consolidated financial statements and the interim reports of Deutsche Wohnen SE, as well as a discussion of the risk management system. It gave a recommendation to the Supervisory Board for the election of the auditors for 2019, obtained a statement of independence from the auditors, supervised their work and defined the main areas of the audit. A resolution was also passed in writing concerning the commissioning of a non-audit service to the audit firm. The members of the Audit Committee have expert knowledge and experience in the application of accounting standards and internal control procedures. The committee chair meets all the requirements of section 100 para. 5 German Stock Corporation Act [Aktiengesetz – AktG].

The **Capital Market and Acquisition Committee** met six times in the reporting year. In January 2019 the committee dealt primarily with capital market issues, the shareholder structure, Investor Relations activities and the ability of the company to pay dividends. At the two meetings in July 2019, which were held by telephone conference, the main items were details of the share dividend (capital increase, rights issue, document obviating the need for a prospectus, and changes to the articles of association). In November, due to the delegation by the Supervisory Board, the committee resolved upon the execution of a share buy-back programme. In two meetings in August and December 2019 the Committee discussed acquisition issues.

Corporate Governance

The Supervisory Board permanently monitored and discussed the ongoing development of the company's own corporate governance standards. The Declaration on Corporate Governance included in this Management Report provides comprehensive information about the company's corporate governance and the Remuneration Report about the structure and amount of Management Board and Supervisory Board remuneration.

Declaration on Corporate Governance on page 11

The Management Board and Supervisory Board discussed the requirements of the German Corporate Governance Code as amended for the reporting year and compliance with these requirements. They updated their joint declaration of compliance in accordance with section 161 German Stock Corporation Act [Aktiengesetz – AktG] in December 2019 and made it permanently available on our website (www.deutsche-wohnen.com/declaration-of-compliance).

Declaration of compliance

Separate and consolidated financial statements discussed in depth

KPMG provided an unmodified opinion.

The financial statements of Deutsche Wohnen SE prepared by the Management Board as of 31 December 2019, the consolidated financial statements and the company's combined management report were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, the auditors elected at the Annual General Meeting on 18 June 2019 and appointed by the Supervisory Board, who provided an unmodified opinion.

The financial statements of Deutsche Wohnen SE and the consolidated financial statements, the combined management report for Deutsche Wohnen SE and the Group and the auditors' reports were sent to all Supervisory Board members without delay as they were prepared. The auditors took part in the meetings of the Audit Committee in preparation for the Supervisory Board meeting to discuss the financial statements on 24 February 2020 and 19 March 2020. They reported on the main findings of their audit and provided additional information. After in-depth discussion the Audit Committee approved the results of the audit of the company's financial statements, the consolidated financial statements and the combined management report.

The Chair of the Audit Committee gave a full report on the financial statements and the audit to the Supervisory Board at its meeting on 19 March 2020. The auditors also explained the main results of the audit and made themselves available to the Supervisory Board members for additional questions and information. The Supervisory Board carried out a careful review of the financial statements, the consolidated financial statements, the combined management report, the non-financial report, the proposal for the appropriation of distributable profit and the auditors' reports. It had no objections to make. In accordance with the recommendation of the Audit Committee, the Supervisory Board then approved the separate and consolidated financial statements as prepared by the Management Board as of 31 December 2019. The financial statements are thereby adopted.

The adopted financial statements show a distributable profit. The Supervisory Board concurs with the Management Board's proposal for the use of distributable profit. The agenda for the Annual General Meeting 2020 will therefore include a resolution to distribute a dividend of EUR 1.00 per share with dividend rights.

Changes in the Management Board and Supervisory Board

Since the period of office of Claus Wisser as member of the Supervisory Board ended at the close of the Annual General Meeting on 18 June 2019, Arwed Fischer was elected to the Supervisory Board at the Annual General Meeting on 18 June 2019. The Supervisory Board elected Tina Kleingarn to its Capital Markets and Acquisition Committee to replace Claus Wisser.

In 2019 the Management Board was expanded from three to four members. As of 1 April 2019 Lars Urbansky was appointed as a further member of the Management Board. Lars Wittan resigned from the Management Board as of 30 September 2019 and as of 1 October 2019 Henrik Thomsen was appointed as a further member of the Management Board.

Management Board was expanded to four members.

On behalf of the Supervisory Board I thank the members of the Management Board and the employees of Deutsche Wohnen SE and all the Group companies for their great commitment and all their work in 2019.

Berlin, 19 March 2020

On behalf of the Supervisory Board

Matthias Hünlein

COMPOSITION OF THE MANAGEMENT BOARD

Michael Zahn has been a member of the Management Board of Deutsche Wohnen SE since 1 September 2007. In December 2008 he was appointed Chief Executive Officer. In this position he is responsible for the strategic direction of the Deutsche Wohnen Group and manages Strategy, Asset Management, M&A/Disposals, Corporate Communication, Human Resources, Marketing, IT, Procurement, and Nursing & Assisted Living. Michael Zahn received his degree in Economics from the Albert-Ludwig-University in Freiburg im Breisgau in 1992. He completed postgraduate courses of study in corporate real estate management and chartered surveying at the European Business School in Oestrich-Winkel while continuing to work in his profession. Between 1997 and 2007, Michael Zahn worked for the GEHAG Group in various management positions.

Michael Zahn
Chief Executive Officer (CEO), appointed until 31 December 2023

Philip Grosse was appointed a member of the Management Board and Chief Financial Officer of Deutsche Wohnen SE on 1 September 2016. He is responsible for Corporate Finance & Treasury, Accounting, Tax, Risk Management, Investor Relations, Sustainability Management/CSR Reporting, Legal/Compliance and Controlling. Philip Grosse completed his degree in Business Administration, with a focus on Banking & Finance, at the University of Würzburg in 1996. During this course of study, he spent a year (1993–1994) as a scholarship student at the European Business Management School in Swansea, United Kingdom. Between 1997 and 2012, Philip Grosse worked in the investment banking sector in Frankfurt and London – most recently in the positions of Managing Director and Head of Equity Capital Markets Germany & Austria at Credit Suisse. Since 2013, he has assumed various management positions, particularly in relation to Corporate Finance and Investor Relations, at the Deutsche Wohnen Group.

Philip Grosse
Chief Financial Officer (CFO), appointed until 31 August 2024

Henrik Thomsen was appointed to the Management Board of Deutsche Wohnen SE as of 1 October 2019. He is responsible for Property Development & Technical Maintenance, Technology Investments and Neighbourhood Development. Henrik Thomsen completed his degree in engineering in 1991 and obtained a degree in property management from the European Business School in Berlin in 2002. He has many years of management experience in estate and project development. Between 1992 and 2008 he worked for Drees & Sommer GmbH and DB Station & Service AG, among others. From 2008 to 2014 Henrik Thomsen managed the Berlin office of CA Immo Deutschland GmbH and was responsible for all the Group's project development work from 2013. From 2014 to 2019 he was Managing Director of Groth Development GmbH & Co. KG, where he was responsible for estate and project development, project management, corporate communication and corporate development.

Henrik Thomsen
Chief Development Officer (CDO), appointed until 31 December 2023

Lars Urbansky was appointed to the Management Board of Deutsche Wohnen SE as of 1 April 2019. He is responsible for Property Management, Rent Development and Customer Service. Lars Urbansky completed his degree in property management at Gelsenkirchen University in 2006. From 1996 to 2008 he worked at GEHAG GmbH in Berlin, where he managed the Controlling department. He has held various management positions at the Deutsche Wohnen Group since 2008. From 2008 to 2013 he was Head of Portfolio Management. In the period 2009 to 2012 this also included the Acquisitions and Disposals department. Since 2014 he has also been Managing Director of Deutsche Wohnen Immobilien Management GmbH and is responsible for the nationwide service network of the Deutsche Wohnen Group. This covers the entire letting process, as well as commercial and technical estate services.

Lars Urbansky
Chief Operating Officer (COO), appointed until 31 March 2023

COMPOSITION OF THE SUPERVISORY BOARD

as at 31 December 2019

Further information on page 194

	Matthias Hünlein Chairman	**Dr Andreas Kretschmer** Deputy Chairman	**Jürgen Fenk**
	Managing Director Tishman Speyer Properties Deutschland GmbH, Frankfurt/Main	Management consultant, Düsseldorf	Managing Director and member of the Group Executive Board of Signa Holding GmbH, Vienna, Austria
Appointed until	Annual General Meeting 2020	Annual General Meeting 2020	Annual General Meeting 2022

	Arwed Fischer (since 18/06/2019)	**Tina Kleingarn**	**Dr Florian Stetter**
	Member of various Supervisory Boards	Partner of Westend Corporate Finance, Frankfurt/Main	Chairman of the Management Board, Rockhedge Asset Management AG, Krefeld
Appointed until	Annual General Meeting 2022	Annual General Meeting 2023	Annual General Meeting 2021

EMPLOYEES

3,549
employees as at
31 December 2019

Deutsche Wohnen has changed considerably in recent years, partly due to its rapid corporate growth. During this time we have been able to establish the company as an attractive employer in the property industry. Our focus on strategic employee development enables us to attract and retain skilled personnel capable of meeting our high standards with regard to corporate profitability, the quality of our holdings and customer service, in order to safeguard our long-term success. We see digitalisation as an opportunity and use it to organise and implement results-focused workflows for all human resources processes. They include the digitisation of personnel files, for instance, or of employees' travel expense accounts. Our employees can also make use of numerous learning formats in digital form for the purpose of disseminating knowledge (webinars).

As of 31 December 2019, our company had a total of 3,549 employees (31 December 2018: 1,280). The higher number of employees is particularly due to PFLEGEN & WOHNEN HAMBURG GmbH, which is since January 2019 a 100% subsidiary of Deutsche Wohnen and counts 2,005 employees and 94 trainees.

As at year-end, KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH, in which Deutsche Wohnen SE has a 49% shareholding, employed a further 1,965 employees and 112 trainees (31 December 2018: 1,946 employees and 98 trainees).

Due to data protection guidelines, SYNVIA media GmbH and PFLEGEN & WOHNEN HAMBURG GmbH are not included in the following employee key figures.

The majority (approximately 76%) of the total workforce of the Deutsche Wohnen Group is responsible for the management and administration of its properties, the management of rental contracts and the provision of tenant support services. Overall, almost 51% of our employees were women at the end of the financial year, and the proportion of women in management positions amounted to 48%. The average length of service of 6.8 years has remained at much the same level as in previous years.

Focused vocational and professional training safeguards long-term company success

Our employees attended numerous training courses.

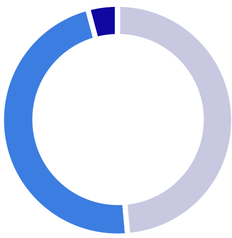
Structured, needs-based employee development, the promotion of work-life balance and family-friendly working conditions, as well as diversity and equality of opportunity, form the cornerstones of our personnel policy. Our superior staff training, trainee and management development programmes and dual course of study options mean that we are able to supply a sizeable proportion of our own future requirements for highly accomplished staff from among our own ranks. Last year our employees and managers again attended numerous days of training courses. They focus on the specific requirements of the target group and individual employee needs and increasingly include digital learning methods. This supports our managers, especially in terms of the changing leadership role brought about by the digitalisation of the working environment and in terms of the challenges of working across generations, with increasingly flexible forms of collaboration.

Structured annual performance reviews and the systematic employee survey that we have conducted regularly since 2014 provided us again with important information about the needs and satisfaction of our employees in 2019. Together they form the basis for all our needs-based human resources activities. In addition, we expanded our structured analysis of staff turnover last year and added a comprehensive feedback system. They enabled us to obtain additional findings about the specific needs of our employees.

Deutsche Wohnen promotes diversity and does not tolerate any discrimination, for example on the basis of gender, age, origin, disability or sexual orientation. We offer flexible working arrangements, for example working from home and part-time employment options, to parents employed at our company with a view to helping them achieve a better work-life balance. In the reporting year nearly 10% of our employees worked part-time and 2% of all employees were on parental leave.

Employees	31/12/2019	31/12/2018
Deutsche Wohnen total	**1,409**	**1,280**
Number of women (in %)	717 (50.9)	672 (52.5)
Number of men (in %)	692 (49.1)	608 (47.5)
Number of trainees (in %)	60 (4.3)	57 (4.5)
Average age in years	41.2	41.2[1]

1 Amended numbers for 2018



Flexible working hour arrangements and women in management positions	31/12/2019	31/12/2018
in %		
Proportion of women in management positions	48.3	45.8
Proportion of employees opting for part-time employment	10.2	9.7
Proportion of employees opting to take parental leave	1.9	2.2

Combined management report

FUNDAMENTAL ASPECTS OF THE GROUP

Business model of the Group

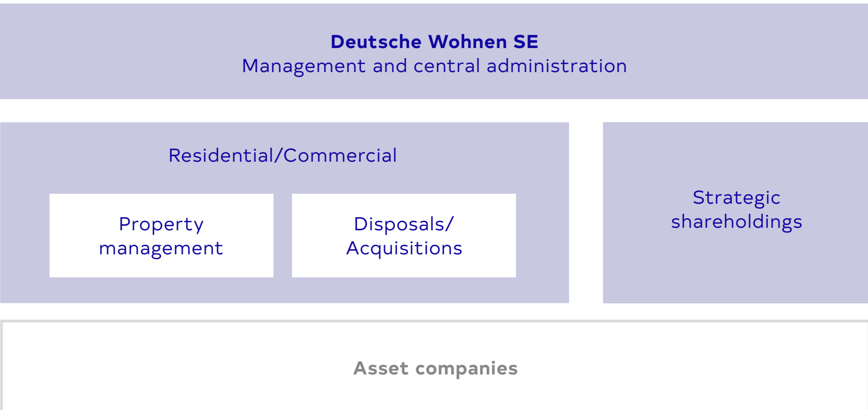
Deutsche Wohnen SE, including its subsidiaries (known hereafter as "Deutsche Wohnen" or "Group"), is currently the third-largest publicly listed property company in Europe by market capitalisation. The company is part of the Deutsche Börse MDAX index.

Its property portfolio comprises approximately 164,000 residential and commercial units and has a fair value of some EUR 24.2 billion.[1] Our property portfolio also includes nursing properties with a fair value of around EUR 1.3 billion comprising approximately 12,200 beds and apartments for assisted living. The focus of our investment is on residential properties in metropolitan areas and conurbations in Germany. Economic growth, positive net immigration and insufficient new building activity in these regions form the basis for the further development of our portfolio value. We see the addition of nursing properties as another growth area, particularly in view of the demographic trends.

EUR 24.2 bn
Fair value has increased again in 2019.

Organisation and Group structure

In organisational terms we separate management and asset companies. The management companies are assigned to the respective business segments. Deutsche Wohnen SE acts as a classical holding company.



Property management

Our holdings are largely managed by our wholly owned subsidiaries. Our activities include the management of tenancy agreements, account management and the technical maintenance of holdings, as well as the development of our portfolio, including new construction. Infrastructural facility management services comprise on-site quality management by our own staff and above all the traditional caretaker services such as safety checks, ensuring that the neighbourhood is clean and tidy, assistance with administrative tasks and inspections of vacant units.

Our core business is the management of our own properties.

1 Excluding advance payments, units under construction and undeveloped land

Disposals/Acquisitions

We release capital in order to strengthen our liquidity position especially in the course of privatisation programmes in strategic core and growth regions. Given the currently positive market environment, we also carry out opportunistic block sales to institutional investors from our Core^{+} and Core regions.

At the same time we continuously review suitable acquisition opportunities for property portfolios in metropolitan regions and conurbations.

Strategic shareholdings and property-related services

In addition to our core business segments we provide via subsidiaries and strategic shareholdings property-related services. This strengthens our contacts to our customers and ensures the quality of our services.

We open up business segments throughout strategic shareholdings.

Nursing and Assisted Living

Retirement and nursing facilities are managed under the brand names KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG. In the case of KATHARINENHOF this is by means of a strategic shareholding. These facilities offer full in-patient nursing care, with the aim of maintaining the residents' active lifestyle and independence to the greatest possible extent. Additional services for older residents are also offered in our assisted living facilities.

Property-related services

Via our strategic shareholdings and subsidiaries we are able to guarantee customer-oriented portfolio management and property-related services. At the same time we can extend our value chain and secure access to innovative technologies. These business segments also comprise energy supply management for our properties, the multimedia business and technical facility management.

Group strategy

The German property market continues to be highly dynamic. Metropolitan areas and conurbations are highly attractive as prosperous economic regions and are becoming areas with a high population density. Immigration, growth rates and incomes are rising here, making these areas more innovative and more competitive. Demand for residential and commercial properties is high as a result, and in many Germany cities is not currently being met by a corresponding level of new building activity.

The property industry is faced with a major task in terms of saving energy.

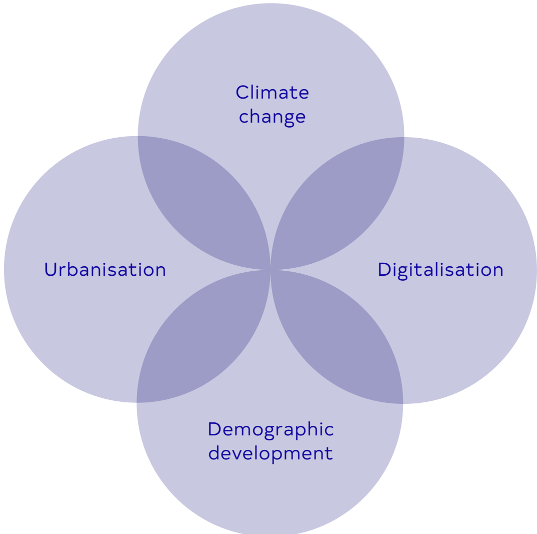
We are also seeing greater demands from our customers: modern fittings, new technologies and property-related services are becoming increasingly important.

The immediate residential and working environment is also decisive for many people. Transport links, facilities for day-to-day needs, leisure opportunities, schools, childcare, cultural activities, medical facilities, etc. make a key contribution to the quality of life.

Demographic developments and the ageing society they imply are another challenge for the property markets. Our aim is therefore to expand our residential offering in line with growing needs and to combine comfort and nursing care as well as possible.

Finally, the property industry is faced with a major task in terms of saving energy. This is a key lever for achieving global climate goals. Here, Deutsche Wohnen can make an important contribution through its energy-saving refurbishments.

Challenges for the property market



Our aim:
To provide sustainable, liveable housing and neighbourhood strategies for people in metropolitan areas

By focusing on metropolitan areas and conurbations in Germany, Deutsche Wohnen has for years been concentrating its portfolio in fast-growing markets, in which it provides housing where it is needed. Around 92% of our properties by number are situated in our Core^{+} regions. Around 8% of our portfolios are situated in Core regions.

We continuously improve the quality and ongoing viability of our portfolio by means of investment in our properties. In view of climate protection targets, we consider that we have a responsibility to increase the energy efficiency of our properties and so make our own contribution to achieving these climate goals. At the same time we are highly dependent on the regulatory environment.

Our investments do not stop at the front door. We know how important a pleasant residential and working environment is for our customers and so design our estates from a holistic perspective – from the grounds and infrastructure through to energy supplies. We develop appropriate concepts for specific target groups and endeavour to improve our service quality continuously.

We are convinced that only new building can relieve the pressure on property markets. For this reason we are planning investments in new construction in the years ahead, in order to create additional housing in our core regions. Our objective is to develop sustainable and high-quality properties that meet the needs of their users and are fit for the future.

We are growing organically and improving the quality of our portfolio through active portfolio management. This includes the selective acquisition and disposal of assets. When buying assets we concentrate on high-quality properties where we see development potential. We can also generate economies of scale with acquisitions by means of our platform. When disposing we focus on properties which we think have less development potential and those where the quality and/or location is below average. The resulting cash flow is available for investments in our company, and particularly in our property portfolio.

Acting with foresight

In view of the long investment cycles and comparatively short innovation cycles in the property sector, it is vital to identify and address future challenges and opportunities as early as possible.

We therefore intend to keep extending our value chain by developing our property-related services. This entails opening up new property-related business area by means of strategic equity investments.

In view of demographic developments and the increasing need for nursing places and assisted living, we are also continuously increasing our investments in the Nursing and Assisted Living business field. Our focus is on the quality of the properties, as well as that of the nursing care and assisted living services. We are also focusing our nursing care business on towns and regions with positive development forecasts.

Our dividend policy is moderate and sustainable and leaves the company with the funds it needs to maintain and increase the value of our portfolio.

We have a solid capital structure and a conservative debt ratio compared to our peer group. The rating agencies give us credit ratings of A3 (Moody's) and A- (Standard & Poor's), both with a negative outlook. We intend to keep strengthening our market position going forward by means of a sustainable investment and dividend policy.

Group management

The company is managed at several levels:

At **Group level** all revenues and cash flows are aggregated and measured quarterly for the primary performance indicators FFO I (Funds from Operations before Disposals), EPRA NAV (Net Asset Value) and LTV (Loan-to-Value). Segments are managed by reference to the primary performance indicator of segment earnings. All the primary performance indicators are benchmarked quarterly and are incorporated into a SWOT analysis that serves to evaluate the competitive position of Deutsche Wohnen.

All primary key performance indicators are measured quarterly.

Operational segment management also relies on other segment-specific performance indicators:

In the **Residential Property Management segment** the indicators used by management are the rent per square metre and the vacancy rate, differentiated by defined portfolios and/or regions. They also track the volume and earnings from new letting and changes in rent-related costs such as maintenance costs, marketing and operating costs of letting and rental losses. All the parameters are analysed monthly and compared with the respective budget figures.

The **Disposals segment** is managed using sales prices per square metre and the margin as the difference between the IFRS carrying amount and the sales price. The values measured are compared with the budget and the market and adjusted as necessary.

In the **Nursing Operations segment** KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG generate internal growth largely by increasing nursing care and occupancy rates at the nursing facilities with in-patient care. To measure the operating profitability of nursing properties the segment is primarily managed by reference to EBITDA before lease income.

The **Nursing Assets segment** primarily generates lease income. The profitability of the nursing assets is mainly measured using EBITDA.

Other operating expenses such as staff, general and administration expenses, as well as non-operating variables such as finance expenses and taxes, also form part of the central planning and management system and the monthly report to the Management Board. Here, too, current performance is tracked at Group level and compared with the budget figures.

Current finance expenses are very important, since they have a significant effect on profit/loss for the period and cash flow. Our active ongoing management of the loan portfolio is aimed at optimising the long-term capital structure and financial result.

We use the indicator FFO I to measure cash flow from operating activities and its performance against budget. FFO I is based on EBITDA excluding earnings from Disposals and is then adjusted up or down for non-recurring effects, finance income and/or expenses, and tax income and/or expenses with an impact on cash flow.

The regular reports enable the Management Board and specialist departments to measure the Group's financial performance and compare it with the figures for the previous month, the previous year and the budget. Updating the budget accordingly also makes it possible to forecast future performance. Opportunities and any adverse developments can be identified at short notice and steps taken to exploit or forestall them.

Regular reports measure the Group's financial performance promptly.

Property portfolio

Overview of portfolio and portfolio strategy: residential properties

We focus on German metropolitan areas and conurbations.

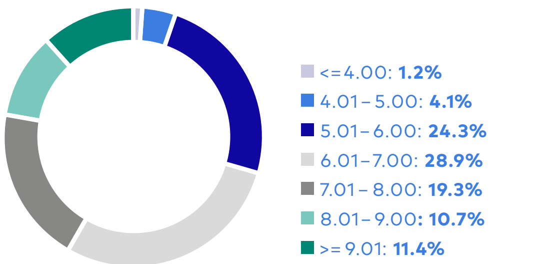
Deutsche Wohnen manages one of the largest property portfolios in Germany, comprising approximately 161,300 residential and 2,800 commercial units (approximately 4% of its overall floor space) and generating annualized rental income of around EUR 842 million. We focus on fast-growing metropolitan regions and conurbations, which are known as Core+ markets, and make up some 92% of the portfolio (previous year: 90%).

At the end of 2019, the average in-place rent for the properties in Deutsche Wohnen's portfolio amounted to EUR 6.94 per sqm, with a consistently low vacancy rate of 1.8%. Our portfolio was further strengthened in 2019 by acquisitions of approximately EUR 1 billion.

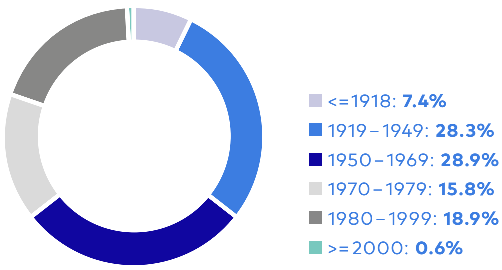
In line with our focused portfolio strategy, our properties are largely concentrated within prosperous metropolitan areas and conurbations with upwards of 500,000 inhabitants. Our core market is Greater Berlin, where approximately 115,700 residential units and approximately 1,900 commercial units are located. This represents around 72% of all our residential units and some 76% of total fair value. Existing rents for nearly 60% of our apartments are up to EUR 7.00 per sqm, putting us as landlords in the mid-market segment. Approximately 55% of our portfolio consists of one and two-bedroom apartments. The proportion of one- and two-person households is correspondingly high.

The following charts provide an overview of the structure of material portfolio characteristics.

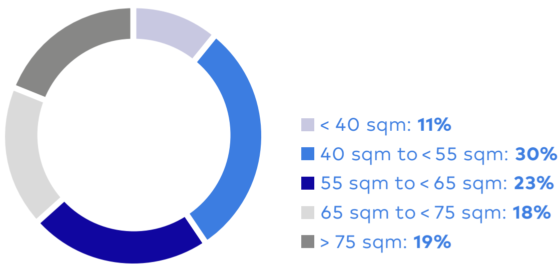
In-place rent EUR/sqm



Year built



Size of unit



The starting point for our portfolio management is the segmentation of our properties: we carry out a macro-analysis to divide the portfolio into Core⁺, Core and Non-Core locations on the basis of a scoring model. This ranks the attractiveness and prospects of the location based on macro-economic, socio-demographic and property-specific data. Among other factors, changes in the population and number of households, local job markets, purchasing power and infrastructure data are analysed.

31/12/2019					Residential		Commercial
	Residential units	Area	Share of total portfolio	In-place rent[1]	Vacancy rate	Commer-cial units	Area
	number	in thousand sqm	in %	EUR/sqm	in %	number	in thousand sqm
Core⁺	**148,168**	**8,905**	**91.9**	**7.02**	**1.7**	**2,621**	**381**
Greater Berlin	115,740	6,893	71.8	6.95	1.4	1,856	249
Rhine-Main	10,832	651	6.7	8.61	1.8	171	32
Dresden/Leipzig	9,294	601	5.8	6.11	4.0	455	67
Rhineland	6,694	416	4.2	7.13	3.0	82	19
Mannheim/Ludwigshafen	4,665	290	2.9	6.24	1.8	43	12
Other Core⁺	943	54	0.6	10.65	0.6	14	1
Core	**12,949**	**820**	**8.0**	**6.00**	**3.0**	**162**	**23**
Hanover/Brunswick	9,109	588	5.6	6.14	2.8	85	14
Other Core	3,840	233	2.4	5.66	3.7	77	9
Non-Core	**144**	**9**	**0.1**	**5.15**	**6.7**	**0**	**0**
Total	**161,261**	**9,735**	**100.0**	**6.94**	**1.8**	**2,783**	**404**

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

In addition, we place our locations in one of three categories, on the basis of a microanalysis: "hotspot", "growth" and "stable". This analysis particularly considers information relating to changes in rents and prices, sociodemographic aspects and infrastructure. Hotspot locations are experiencing dynamic growth and providing the greatest potential for growth. Growth locations are continually growing, but at a less dynamic pace. Stable locations exhibit merely moderate growth.

The share of the "hotspot" and "growth" clusters improved from around 71% in 2016 to around 79% in 2019, thanks to the acquisition and disposal policy.

Property portfolio by location/micro-clusters

31/12/2019

Cluster	Micro location	Residential units	Share of fair value	In-place rent	Fair value	Vacancy rate
		number	in %	EUR/sqm	EUR/sqm	in %
Core+		**148,168**	**95.3**	**7.02**	**2,490**	**1.7**
	Hotspot	39,608	31.8	7.63	3,105	2.3
	Growth	72,205	44.5	7.09	2,441	1.7
	Stable	36,355	19.0	6.29	1,939	1.2
Core		**12,949**	**4.7**	**6.00**	**1,356**	**3.0**
	Hotspot	259	0.2	6.62	1,694	2.9
	Growth	6,766	2.6	6.18	1,549	3.3
	Stable	5,924	1.9	5.81	1,146	2.7
Non-Core		**144**	**0.0**	**5.15**	**638**	**6.7**
Total		**161,261**	**100.0**	**6.94**	**2,394**	**1.8**

Portfolio development

We optimised our portfolio by means of selective acquisitions and disposals in 2019. In addition to purchasing properties in Core+ regions, most of the disposals were located in Core sites. This meant that the regional focus of the total portfolio in Core+ locations improved to 95.3% of fair value (previous year: 93.3%).

Acquisitions

In 2019, we signed contracts for some 4,700 residential and commercial units for a total purchase price of approximately EUR 1 billion. The majority of these are in Core+ markets such as Frankfurt/Main, Cologne and Düsseldorf, as well as in Dresden and Leipzig. The acquisitions were primarily late 19th century "Gründerzeit" houses and "Altbau" buildings.

Disposals

In terms of disposals, we were able to exploit the ongoing high demand with sales of 7,181 residential units with a transfer of risks and rewards in financial year 2019. Of these, 314 apartments were sold as part of the privatisation programme, while institutional sales accounted for 6,867. The biggest transaction was the sale of around 6,350 residential and commercial units at a price of EUR 615 million, which was closed in the third quarter of 2019 and had its transfer of benefits and encumbrances in the fourth quarter of 2019. The residential units are mostly situated in Kiel, Lübeck, Erfurt and Chemnitz, so outside Germany's metropolitan areas.

In addition, we notarised a portfolio of 2,175 residential and commercial units in Berlin for some EUR 358 million in December 2019. These were mostly properties built with public funding whose technical condition was below average. It is expected that the associated risks and rewards will be transferred by the end of 2020.

For further details of the segment earnings from Disposals, please refer to the combined management report.

Disposals segment from page 54

Operating performance

The following overview shows the changes in in-place rent and vacancy rates in a like-for-like comparison, i.e. only for residential properties which were managed by our company on a consistent basis over the past twelve months.

Like-for-like		31/12/2019	31/12/2018		31/12/2019	31/12/2018
	Residential units	In-place rent[1]	In-place rent[1]	Change	Vacancy rate	Vacancy rate
	number	EUR/sqm	EUR/sqm	in %	in %	in %
Total	**156,750**	**6.87**	**6.64**	**3.4**	**1.7**	**2.0**
Letting portfolio[2]	**150,789**	**6.89**	**6.66**	**3.5**	**1.5**	**1.9**
Core⁺	**138,264**	**6.97**	**6.74**	**3.5**	**1.4**	**1.9**
Greater Berlin	110,656	6.97	6.72	3.7	1.3	1.8
Rhine-Main	9,229	8.22	7.98	3.0	1.3	1.2
Dresden/Leipzig	8,086	6.10	5.93	2.8	3.7	4.3
Rhineland	4,845	6.31	6.19	1.8	0.9	1.0
Mannheim/ Ludwigshafen	4,556	6.23	6.09	2.3	1.2	2.5
Other Core⁺	892	10.69	10.48	2.1	0.6	0.3
Core	**12,525**	**6.01**	**5.85**	**2.8**	**2.9**	**2.5**
Hanover/Brunswick	8,922	6.14	5.95	3.2	2.6	2.3
Other Core	3,603	5.65	5.56	1.6	3.6	2.8

1 Contractually owed rent for let apartments divided by let surface area
2 Without disposal and Non-Core properties

Like-for-like rental growth in the reporting year came to 3.4%, which represents an annualized increase in rental income of around EUR 24.6 million. Rent increases for existing tenants were moderate at 1.5%.

The like-for-like vacancy rate in the letting portfolio was reduced to 1.5% (previous year: 1.9%). Vacancies due to refurbishment were roughly similar, accounting for 0.6%.

Portfolio investments

In financial year 2019 we spent some EUR 469 million or EUR 45 per sqm on maintenance and refurbishment, which represents a year-on-year increase of around 13%. EUR 102 million, or around one-quarter, was for maintenance and around three-quarters for refurbishment, which particularly includes energy-saving improvements to the fabric of the building and the technical installations. Of the total refurbishment costs of EUR 367 million, around EUR 136 million were for work completed between tenancies and EUR 231 million were for complex refurbishment projects. Usually costs for complex refurbishment projects consist of 70% capitalised maintenance costs and some 30% modernisation expenses which can be charged to the tenants.

We invested around EUR 45 per sqm for maintenance and refurbishment measures in 2019.

As part of our portfolio investments we spent about EUR 1.2 billion on the refurbishment and maintenance of our portfolio in the past three years.

The following table illustrates the maintenance expenses as well as the refurbishment measures for the past financial year in comparison with the previous year.

EUR m	2019	2018
Maintenance	**102.4**	**102.9**
in EUR per sqm	9.92[1]	10.14[1]
Refurbishment	**366.7**	**313.5**
in EUR per sqm	35.53[1]	30.91
Maintenance and refurbishment	**469.1**	**416.4**
in EUR per sqm	45.45[1]	41.05[1]

1 Based on average surface area on a quarterly basis in each period

For complex investments we believe it is important to proceed in a socially minded way and to engage in direct dialogue with our tenants. We have successfully signed several agreements with Berlin boroughs that include wide-ranging concepts to enable maintenance and modernisation work to be carried out responsibly. Furthermore, in the promise it made to its tenants on 1 July 2019, Deutsche Wohnen committed to ensuring that the gross rent, including heating costs, after modernisation work [§ 559 Bundesgesetzbuch – BGB] does not exceed 30% of the household's net income.

In case of complex investments we proceed in a socially minded way.

Portfolio valuation

The strong demand for property continued in 2019 and was met with a consistently low level of supply. This surplus demand and the persistently positive trend in rents and vacancies are reflected in an increase of some EUR 1.4 billion in the value of our property portfolio as of 31 December 2019, although price inflation was lower in Berlin than it has been in recent years.

The valuation result was confirmed by way of an external appraisal from Jones Lang LaSalle.

The overview below shows key valuation figures for our property portfolio as of 31 December 2019.

Macro cluster	Region	Residential units	Fair value	Fair value	Multiple in-place rent	Multiple market rent
		number	EUR m	EUR/sqm		
Core+		**148,168**	**23,087**	**2,490**	**29.5**	**22.8**
	Greater Berlin	115,740	18,428	2,584	30.9	23.5
	Rhine-Main	10,832	1,842	2,702	26.3	21.1
	Dresden/Leipzig	9,294	1,404	2,104	28.8	23.1
	Rhineland	6,694	867	1,992	23.4	19.4
	Mannheim/ Ludwigshafen	4,665	370	1,223	16.4	13.8
	Other Core+	943	176	3,184	24.6	20.4
Core		**12,949**	**1,145**	**1,356**	**19.1**	**15.8**
	Hanover/ Brunswick	9,109	825	1,370	18.8	15.4
	Other Core	3,840	320	1,323	19.9	17.2
Non-Core		**144**	**6**	**638**	**11.0**	**9.7**
Total		**161,261**	**24,237**	**2,394**	**28.8**	**22.4**

The most significant appreciation amounts to just under EUR 1.3 billion and relates to the Core+ segment, first and foremost the Greater Berlin region (approximately EUR 1.1 billion).

On 30 January 2020 the Berlin parliament passed a law restricting rental increases for a period of five years. The rental freeze legislation applies both to existing tenancy agreements and to new lets of residential property. So far the draft legislation does not appear to have had any effect on pricing in the deal market. Further information can be found in section "Events after the reporting date" in the Notes to the consolidated financial statements.

Events after the reporting date from page 190

Fair value	31/12/2019		31/12/2018	
	Fair value EUR m	Multiple in-place rent	Fair value EUR m	Multiple in-place rent
Core+	23,087	29.5	20,711	28.4
Core	1,145	19.1	1,474	17.4
Non-Core	6	11.0	5	9.7
Total	**24,237**	**28.8**	**22,190**	**27.2**

Energy efficiency of properties

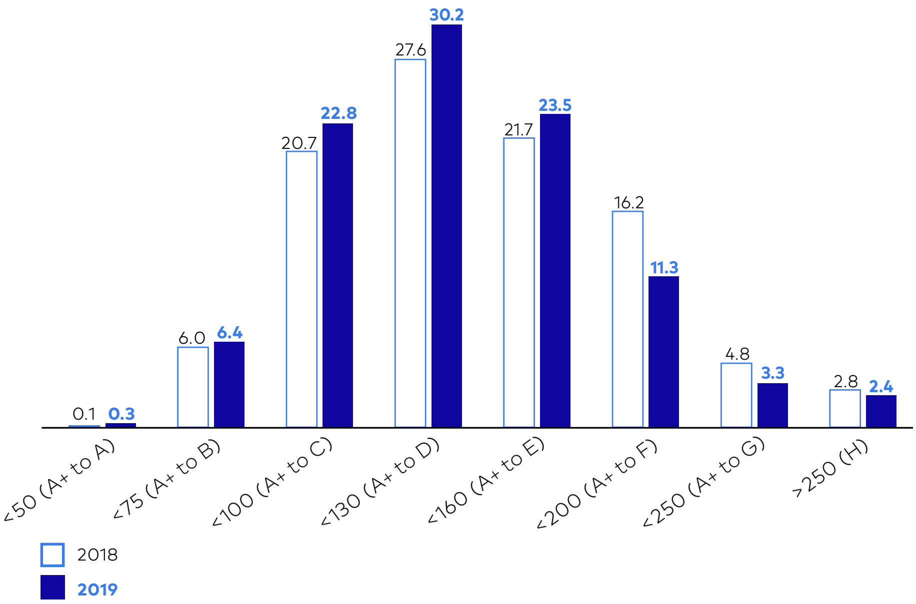
Most of Europe's consumption of energy relates to existing buildings. Through our comprehensive refurbishment measures we are gradually increasing the energy efficiency of our properties.

The current consumption level of approximately 64% of our residential units is lower than the average for residential buildings in Germany (135.5 kWh/sqm per year[2]). Approximately 29% of our residential units are at a reasonable level, below 100 kWh/sqm per year (A+ to C). The average consumption of our holdings amounts to 128.9 kWh/sqm per year, a further improvement year-on-year (2018: 132.3 kWh/sqm).

The current energy consumption of approximately 64% of our residential units is lower than the average in Germany.

Energy intensity of residential units

Classification into energy efficiency classes[1] by final energy requirements in kWh/sqm in %



1 Weighted average of final energy consumption based on latest available energy score cards for properties. Variations of around 20 kWh in final energy consumption may arise if the type of heating is not determined. Attribution to energy efficiency classes is therefore only an approximation of the EnEV classification. Taking account of approximately 30,000 listed units for which no energy performance certificate is required, the data comprises approximately 100% of our total portfolio.

Nursing properties

The Nursing and Assisted Living business field comprises 90 nursing properties with a total of approximately 12,200 beds. A total of 89 of these nursing properties are owned by Deutsche Wohnen. This makes us one of the largest owners of nursing properties in Germany.

Deutsche Wohnen is one of the largest owners of nursing properties in Germany.

We have two different business models for our nursing properties: 38 nursing facilities (with approximately 5,300 beds) are operated by KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH and its subsidiaries, in which we held a 49% stake as of the reporting date, and PFLEGEN & WOHNEN HAMBURG GmbH. The other 52 facilities (approximately 6,900 beds) are managed by various external operators on long-term contracts.

2 Own calculation on the basis of "Techem Energy Indicators 2018"

As in the residential segment, we focus our nursing care activities on cities and regions with positive development forecasts, since the need for nursing care and assisted living is particularly high there. In this context we always ensure that we secure prime properties and high-quality nursing and residential care. In this context, we will particularly strengthen investments in new construction projects and selective acquisitions in our strategic target regions.

As part of a portfolio streamlining, we certified the disposal of a total of 13 nursing properties with around 1,700 beds or units of assisted living at the end of the 2019 financial year. In doing so, we have parted from particularly nursing properties that are not in our strategic target regions and are subject to structural and regulatory restrictions. We expect the transaction to be completed in the first half of 2020.

Demographic developments mean that the market for nursing care in Germany will continue to grow. We intend to expand the Nursing segment up to 15% of Group EBITDA, particularly by means of selected acquisitions. As of year-end 2019 it contributed some 10% of EBITDA, including the new acquisitions.

Nursing business: properties and operations

Nursing properties operated by KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG 2019

		Beds				
Region	Facilities	Nursing	Assisted living	Total	Occupancy 31/12/2019	Fair value 31/12/2019
	number	number	number	number	in %	EUR m
Hamburg region	17	3,140	157	3,297	92.5	
Berlin region	12	1,071	371	1,442	98.0	
Saxony region	9	523	64	587	96.9	
Total participation model	**38**	**4,734**	**592**	**5,326**	**94.5**	**576.5**[1,2]

1 Relates to 36 facilities
2 Excluding advanced payments, units under construction, undeveloped land and rights of use in connection with leases, which are valued in accordance with IAS 16 or IAS 40.

Nursing properties with other external operators 2019

		Beds				
Federal state	Facilities	Nursing	Assisted living	Total	WALT	Fair value 31/12/2019
	number	number	number	number		EUR m
Bavaria	14	1,704	46	1,750	9.6	140.2
North Rhine-Westphalia	10	1,160	242	1,402	12.5	193.2
Rhineland-Palatinate	6	669	208	877	11.5	93.3
Lower Saxony	5	771	0	771	8.4	89.7
Baden-Württemberg	6	662	16	678	10.0	56.0
Hesse	4	528	0	528	9.7	92.4
Other	7	802	49	851	8.4	n/a
Total external operators	**52**	**6,296**	**561**	**6,857**	**10.3**	**756.9**[1]
Total nursing	**90**	**11,030**	**1,153**	**12,183**		**1,333.4**

1 Excluding advance payments, units under construction and undeveloped land

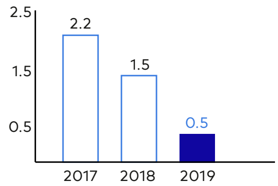
ECONOMIC REPORT

Economic environment

Moderate growth in the German economy

German economy expands by 0.5%: The German economy is still going through a low-growth phase. The global economic slowdown has now had a relatively severe impact on German exports. Industrial production, particularly by the manufacturers of cars and other machinery, fell sharply as a result. By contrast, the services and construction sectors profited from strong consumer demand, boosted by the situation on the labour market which remains good, and fiscal stimuli.[1]

Changes in economic growth (GDP)
over a 3-year period in %[1]



Labour market remains robust: Despite weak economic growth, the German labour market again performed robustly in 2019. Both unemployment and short-time work fell on average over 2019, with unemployment rising again. The unemployment rate came to 4.9% in December 2019, which is the same as the previous year. The number of people in work (based on working location) was up year-on-year by 304,000 to 45.62 million in November 2019.[2]

Higher gross wages and salaries: Gross wages and salaries in Germany again rose significantly, by 4.2%, in 2019. Increased recruitment also played a role here. The rise in net wages and salaries was even higher at 4.6%, since the federal government introduced a number of cuts in taxes and social security contributions.[1]

Interest rates remain low: The European Central Bank (ECB) left the base interest rate at 0% in 2019, the record low in place since March 2016, and continued its expansionary monetary policy. This creates a favourable environment for investment and financing especially, and also in the property sector. Mortgage interest rates reached new lows in the summer of last year. Across all repayment periods, households now pay an average rate of around 1.28%.[1]

New record population figures: According to the latest estimates by the Federal Statistical Office (Destatis), the number of inhabitants in Germany reached a new high at 83.2 million in late 2019. Population growth was much slower than in prior years, however, with a net increase of 200,000 individuals. The increase is due solely to net immigration, which more than offsets the birth deficit. This means that the process of demographic ageing continues.[3]

Housing drives the construction sector: Real investment in building increased by some 4.3% in the German housing industry in 2019. It was boosted by favourable conditions, such as low mortgage interest, and tax relief, which was partly used for investments in the housing stock.[1]

Upswing in Berlin continues: Expected growth in the Berlin economy was again significantly higher than the nationwide forecasted average, with an increase of around 2% over the full year 2019. Contributions came from consumer spending by households in Berlin, higher public- and private-sector investment, services

1 DIW, weekly report 50/2019
2 Federal Statistical Office, monthly report on the labour and training market, December 2019
3 Federal Statistical Office, press release 022 from 17 January 2020

and construction.[4] The labour market in Berlin also performed well again, with an unemployment rate of 7.6% in November 2019, which is significantly below the 9.2% reported three years previously. The current rate of increase in staff on employment contracts was also higher than in all the other German states at 3.8%.[5] The positive wage development continued in Berlin in 2019. According to the results of the quarterly earnings survey in the third quarter of 2019, average nominal wages were 3.2% higher and real wages 1.9% higher than in the same quarter of the previous year.[6]

German housing market still experiencing an upward trend

Demand for residential property in German remains high: The German residential investment market was very successful again in 2019. The transaction volume of residential properties and portfolios came to just over EUR 20 billion, according to estimates from JLL. This represents an increase of 7% compared with 2018 and is thereby the second-fastest rise since the record year 2015. The main reason is the increase in property prices.[7]

Transaction volume of residential properties rose by 7%.

Berlin remains the focus of investment: Berlin accounted for around 16% of transactions in the first nine months of 2019, making it the biggest investment destination. Investment interest in the federal capital remains strong, despite regulatory intervention like the rent cap and other rent controls.[8]

Shortage of available housing persists: The Federal Institute for Research on Building, Urban Affairs and Spatial Development [Bundesinstitut für Bau-, Stadt- und Raumforschung – BBSR] expects the number of households to increase by some 500,000 by 2030. This trend will result in additional demand on the German residential property market. Given that the number of persons per household is expected to fall further, the number of households in Germany is increasing at a faster rate than the population where 70% of the country's 37.4 million households are single or two-person households, with this figure rising to as high as 80% in major cities.[9]

Housing construction lags behind population growth: Rapid population growth in the top locations – Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Cologne, Munich, Stuttgart – means that new building is still behind demand for housing, despite the rising number of completions.[10] A total of 287,000 new residential units were built in 2018, or just 1% more than in 2017. The number of planning consents given in 2018 even fell slightly year-on-year to 347,000 units.[11] This means the shortfall in construction has risen steadily in recent years. In 2018 it came to a good 697,000 units nationwide, and more than 123,000 in the top locations. Berlin alone accounts for 63,000 of the total and has by far the biggest construction shortfall.

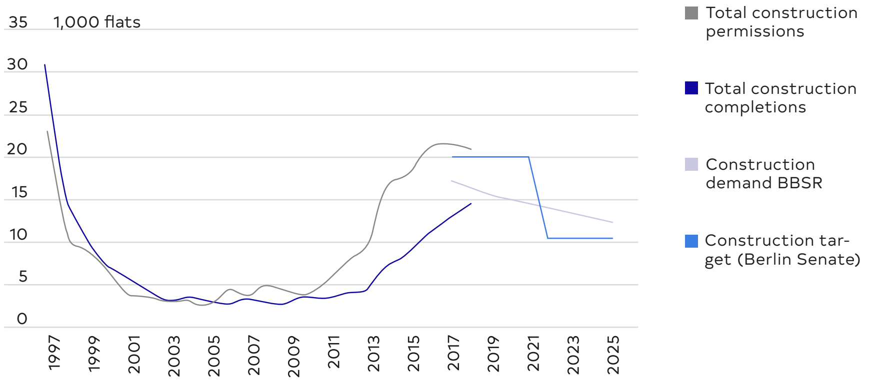
New constructions lags behind housing needs, especially in Berlin.

At the same time the new building requirement in Germany comes to nearly 342,000 residential units in both 2019 and 2020 respectively, with the federal government even aiming for 375,000 units per year until 2021.

4 Investitionsbank Berlin, Berlin's Economy, October 2019
5 Senate Department for Economics, Energy and Public Enterprises, Market Report on the Economic Situation in Berlin, 3rd Quarter 2019
6 Berlin-Brandenburg Statistical Office, press release 15 of 23 January 2020
7 JLL, press release as of 6 January 2020
8 NAI apollo, Transaction market for residential portfolios in Germany, Q3 2019
9 BBSR, Residential Property Market Forecasts 2030
10 DZ HYP, Real Estate Market Report, 2018/19
11 GEWOS, Property Market Germany, IMA info 2019

So between 2016 and 2018 just 83% of the required units were built, and in Berlin just 73%.[12] Although the figure of 14,500 housing completions in the capital in 2018 was up on the year, it is still far removed from the target of 20,000 new units a year.[13]

Construction completion versus demand in Berlin



Destatis, BBSR Housing Market Forecast 2015, JLL, as of July 2019

Ongoing momentum in metropolitan areas

Rental increases stem from excess demand: Ongoing population growth in German conurbations is resulting in housing shortages and tight residential property markets. From 2007 to 2017 the rate of population growth in Germany's top locations has ranged from 7% in Düsseldorf to 15% in Frankfurt. So an additional 1 million people were living in these cities compared with ten years earlier. At the same time, far fewer apartments were completed in this period than needed.[14]

This rising population trend in German metropolitan regions is set to continue in the years ahead, with cities like Berlin, Hamburg, Munich or Cologne forecast to grow by more than 5% by 2030.[12]

The gap between a growing population and a shortage of housing also results in higher rents. In 2019, asking rents in the big 8 cities increased by 4.1% compared to the previous year.[15]

Berlin with weakened dynamics in rental price developments: In 2019 rental prices in Berlin climbed by 4.1% year-on-year to EUR 12.55 per sqm per month. The rental price trend in the capital therefore has weakened significantly compared to 2018 (+8.6%) and the five-year average (+8.0%).

Purchase price growth still dynamic: Prices for condominiums in the eight biggest German cities – Berlin, Hamburg, Munich, Cologne, Frankfurt/Main, Stuttgart, Düsseldorf, and Leipzig – rose year-on-year by 10.2% in 2019. There is still no sign of this trend tailing off.

12 German Economic Institute, IW-Report 28/2019, "Is building houses on the right way?"
13 JLL, Residential City Profile Berlin, 1st half-year 2019
14 DZ HYP, Real Estate Market Report, 2018/19
15 JLL, press release of 23 January 2020

Prices for condominiums in Berlin were up by some 8.4% in 2019. This means prices are rising slightly less fast, but with a mean five-year increase of 10.1%, Berlin remains one of the cities with the greatest increase in prices for condominiums.[16]

Market for care properties increasingly important

Population is getting older: The German population continues to age, despite significant net immigration and higher birth rates. By the year 2035 the working population will fall by around 4 to 6 million individuals to between 45.8 and 47.4 million. Between 1990 and 2018 the number of people older than 67 grew by 54% from 10.4 million to 15.9 million. By 2039 it will go up by another 5 to 6 million to at least 21 million. The number of people above 80 will increase from 5.4 million in 2018 to 6.2 million in 2022 and stay at this level until the early 2030s.[17]

Number of people older than 67 will go up to 21 million until 2039.

Demand for nursing care to rise rapidly by 2050: Even if the population in some areas of Germany is shrinking overall, the proportion and total number of old people and those requiring nursing care there can still go up at the same time. At the end of 2017 around 4.1% of the population in Germany needed nursing care. According to a study by the AOK Scientific Institute, the number of people with statutory health insurance who need nursing care in their home will go up by around 50% by 2050. The number of people who need a place in a nursing home will go up even faster, by 74% over the same period. By 2039 the number of nursing care patients in Germany will increase to almost 5 million, and to nearly 6 million by 2050.

Older society needs different types of housing: People's housing needs change as they get older. Ease of access and the availability of home help, assistance and nursing care become more important factors in choosing where and how to live. After nursing homes, assisted living is the second most common form of special housing today. In its current survey, JLL predicts that the number of homes and apartments will continue to grow in future.

Assisted living is the second most common form of special housing.

The number of places in care homes has gone up from 799,000 in 2007 to 952,000 at the end of 2017. Over the same period the occupancy rate rose from 87.6% to 90.4%.

As the public subsidies for converting existing apartments to make them suitable for older people do not cover demand by a long way, there is an urgent need for a greater and more varied supply of housing adapted to different forms of assisted living and nursing care.

Demand on the deal market remains high: Demographic developments and a shortage of supply mean that investors are increasingly focusing on healthcare properties. This is also reflected in the number and size of transactions: in 2018 the deal volume in the nursing home sector, including assisted living, rose year-on-year by 70% to some EUR 1.7 billion. In the first half-year 2019 the volume came to almost EUR 800 million, which represents the long-term average for the previous full years in just six months.[18]

Transaction volume in the nursing home sector rose by 70%.

16 JLL, press release of 23 January 2020
17 Federal Statistical Office, press release 242 from 27 June 2019
18 JLL, Assisted Living 2019, the market for nursing homes in transition, September 2019

Statement of the Management Board to the economic situation

Deutsche Wohnen continued its successful performance in 2019 and again achieved all its main targets.

We have again achieved our main targets.

Earnings from Residential Property Management came to some EUR 730 million. This is an increase of EUR 74 million or 11% on the previous year. We exceeded our forecast of EUR 700 million by 4%, mainly due to acquisitions. Our increase of 3.4% in rental growth was above the forecast of 3.0%. Maintenance expenses of EUR 102.4 million or EUR 9.92 per sqm were within our planning range (EUR 9 to EUR 10 per sqm). The vacancy rate for all our residential units came to 1.8% as of year-end, which is 0.3 percentage points lower than the previous year.

In the Disposal segment we generated an average gross margin of 35% (previous year: 38%), despite the valuation uplifts due to higher market prices. The transaction volume rose from around EUR 180 million to EUR 767 million as a result of the larger number of units sold in institutional sales. Sales proceeds therefore rose in absolute terms by EUR 143 million, from EUR 43 million to EUR 186 million.

We believe that Deutsche Wohnen is still in a very strong position.

In the Nursing and Assisted Living business field the earnings contribution went up by EUR 33 million or nearly 60% year-on-year to EUR 88 million. The increase is mainly due to acquisitions. This means we significantly exceeded our forecast of EUR 80 million.

Adjusted EBITDA (without Disposals) rose from EUR 622 million by EUR 97 million or 15.5% to EUR 718.6 million, which is higher than the figure of EUR 685 million planned for 2019.

In terms of financing we can point to very solid figures for the maturity profile, average interest rates and sources of financing. The LTV of 35.4% is 0.6 percentage points lower than the previous year and so within our target range of 35% to 40%. Current interest expenses rose year-on-year by EUR 29.2 million to EUR 135.5 million, which is higher than the forecast figure of EUR 130 million for 2019, due to debt financing of acquisitions.

FFO I rose year-on-year by nearly EUR 56 million or 12% to EUR 538 million. FFO I per share went up accordingly from EUR 1.36 in 2018 to EUR 1.50 in 2019. This meets our target of EUR 535 million forecast at the beginning of the year.

EPRA NAV (undiluted) came to EUR 47 per share as of year-end 2019, an increase of around 11%. The main driver was the revaluation of the property portfolio, which contributed some EUR 1.4 billion in 2019. The ongoing discrepancy between supply and demand in conurbations within Germany once more resulted in a rise in prices.

Overall, operations in the financial year 2019 went according to plan. We believe that Deutsche Wohnen is still in a strong position. The increase in the number of inhabitants in German metropolitan regions, which causes rising demand for housing, supports our long-term strategic focus on major cities.

Notes on the financial performance and financial position

Earnings

Deutsche Wohnen closed its financial year 2019 with a profit for the period of almost EUR 1.6 billion (EUR –0.3 billion or 13.9% down on 2018). Although the operating result was higher, the decline was mainly due to a lower year-on-year increase in the value of the investment properties.

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 2019 compared to 2018:

EUR m	2019	2018
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
Earnings from companies valued in accordance with the equity method	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**

Earnings before taxes rose year-on-year by EUR 164.0 million or 30.4% to EUR 703.5 million.

EUR m	2019	2018
Earnings before taxes	**2,104.6**	**2,626.8**
Gains/losses from the valuation of properties	–1,406.3	–2,177.9
Amortization of goodwill	2.0	0.7
Gains/losses from fair value adjustments to derivative financial instruments and convertible bonds	–28.5	80.3
One-off expenses and earnings	31.7	9.6
Adjusted earnings before taxes	**703.5**	**539.5**

The result of the adjustment of the fair value of derivative financial instruments and convertible bonds primarily comprised the valuation of the convertible bonds. Due to the fall in the share price, which is primarily due to the Berlin legislative process for the rental cover, which became more concrete at the end of 2019, non-cash valuation income came to EUR 58.0 million in 2019 (previous year: expense of EUR 70.7 million). Expenses from the measurement of derivative financial instruments came to EUR 29.5 million (previous year: EUR 9.6 million).

The non-recurring expenses and revenues comprised financing costs (EUR 13.1 million; previous year: EUR 9.3 million), other expenses (EUR 87.2 million; previous year: EUR 6.5 million), finance income (EUR 9.1 million; previous year: EUR 1.2 million) and other income (EUR 59.5 million; previous year: EUR 5.0 million).

Non-recurring financing costs related to the early repayment of loans and interest rate hedges (EUR 8.5 million; previous year: EUR 8.7 million), the corporate bond partially redeemed in the second quarter of 2019 (EUR 4.5 million in interest expenses) and non-recurring interest expenses and financial transaction costs (EUR 0.1 million; previous year: EUR 0.6 million).

The amount of non-recurring other expenses and income in 2019 is mainly due to the ongoing appraisal proceeding in connection with the control agreement signed in 2014 between Deutsche Wohnen SE and GSW Immobilien AG, which could well lead to a higher compensation payment to the non-controlling shareholders.

Earnings from Residential Property Management

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

	31/12/2019	31/12/2018
Residential and commercial units	164,044	166,980
Residential and commercial space in sqm thousand	10,139	10,299
Fair value per sqm residential and commercial areas in EUR	2,394	2,157
Current gross rental income for living space per sqm in EUR	6.94	6.62
Like-for-like rental growth in %	3.4	3.4
Residential vacancy rate in %	1.8	2.1
Maintenance costs per sqm/year in EUR[1]	9.92	10.14
Capital expenditure per sqm/year in EUR[1]	35.53	30.91

1 Based on average surface area on a quarterly basis in each period

An overview of the portfolio as at 31 December 2019 can be found in our portfolio figures.

Portfolio
from page 38

EUR m	2019	2018
Contracted rental income	837.3	785.5
Income from operating costs	359.4	337.4
Rental income	**1,196.7**	**1,122.9**
Operating costs	–350.7[2]	–347.2
Rental loss	–7.1	–7.7
Maintenance	–102.4	–102.9
Other	–6.7[2]	–8.9
Earnings from Residential Property Management	**729.8**	**656.2**
Staff, general and administration expenses	–54.5[2]	–52.2
Operating result (NOI)	**675.3**	**604.0**
NOI margin in %	80.7	76.9
NOI in EUR per sqm/month[1]	5.45	4.96
Change in NOI in EUR per sqm and month in %	9.9	

1 Taking account of the average floor spaces on a quarterly basis in the relevant period
2 Comparison with the same period last year is limited by the absence of lease expenses due to first-time application of IFRS 16 as of 1 January 2019.

With regard to the changes in in-place rent and investment expenses, we refer to our portfolio figures.

Portfolio
from page 38

Income from operating costs was higher than expenses for operating costs, because the change in accounting rules for leases meant that various expenses are no longer included in operating costs. For 2019 this concerns lease expenses for metering and heat contracting of EUR 18.9 million or approximately 2.3% of rental income. This also made a significant contribution to the higher NOI margin.

The losses arising from non-recoverable operating costs and rental loss amounted to 2.1% of gross rental income (previous year: 2.2%).

The staff costs and general and administration expenses amounted to approximately 6.5% (previous year: 6.6%) of gross rental income.

Net Operating Income (NOI) increased year-on-year by EUR 71.3 million, or 11.8%. The NOI margin in relation to gross rental income went up from 76.9% to 80.7%.

Earnings from Disposals

In the Disposals business segment, we sold a total of 7,181 residential units (previous year: 1,971), with the transfer of risks and rewards taking place in the financial year 2019.

EUR m	2019	2018
Sales proceeds	767.3	180.3
Cost of sales	–11.6	–7.0
Net sales proceeds	**755.7**	**173.3**
Carrying amount of assets sold	–569.6	–130.2
Earnings from Disposals	**186.1**	**43.1**

In the following, the key figures and earnings are shown broken down according to privatisation and institutional disposals:

Privatisations

EUR m	2019	2018
Sales proceeds	**90.0**	**68.7**
Average sales price in EUR per sqm	3,435	2,444
Volume in residential units	314	374
Cost of sales	–8.1	–5.4
Net sales proceeds	**81.9**	**63.3**
Carrying amount of assets sold	–56.3	–48.8
Gross margin in %	59.9	40.8
Earnings	**25.6**	**14.5**
Carrying amounts	56.3	48.8
Loan repayment	–3.3	–2.9
Liquidity contribution	**78.6**	**60.4**

Sales prices per square metre went up by 40.5% for privatisations and the gross margin by 19.1 percentage points. The higher average sales price per sqm was influenced by a privatisation in a central location of Berlin.

Institutional sales

EUR m	2019	2018
Sales proceeds	**677.3**	**111.6**
Average sales price in EUR per sqm	1,614	1,025
Volume in residential units	6,867	1,597
Cost of sales	–3.5	–1.6
Net sales proceeds	**673.8**	**110.0**
Carrying amount of assets sold	–513.3	–81.4
Gross margin in %	32.0	37.1
Earnings	**160.5**	**28.6**
Carrying amounts	513.3	81.4
Loan repayment	–1.8	–25.6
Liquidity contribution	**672.0**	**84.4**

Around 6,350 units of the institutional sales in 2019 were accounted for by a portfolio transaction, largely in Kiel and Erfurt with the transfer of risks and rewards taking place in late December 2019.

Earnings from Nursing and Assisted Living

Earnings from Nursing and Assisted Living (EUR 88.3 million; previous year: EUR 55.3 million) is made up of earnings from Nursing Operations (EUR 18.5 million; previous year: EUR 6.5 million) and earnings from Nursing Assets (EUR 69.8 million; previous year: EUR 48.8 million).

Nursing Operations

EUR m	2019	2018
Income		
Nursing care	147.7	54.5
Rental income	59.5	30.7
Other	18.0	13.6
	225.2	**98.8**
Costs		
Nursing and corporate expenses	–41.7[1]	–22.9
Staff expenses	–138.2	–54.2
Intra-group lease expenses	–26.8	–15.2
	–206.7	**–92.3**
Earnings from Nursing Operations	**18.5**	**6.5**
Without intragroup leasing expenses	45.3	21.7

1 Comparison with the same period last year is limited by the absence of lease expenses due to first-time application of IFRS 16 as of 1 January 2019.

25 nursing facilities are managed by the KATHARINENHOF Group, in which we held a 49% stake in 2019, and 13 nursing facilities by the PFLEGEN & WOHNEN HAMBURG Group, which has been a wholly owned subsidiary of Deutsche Wohnen since 2 January 2019. Of the 38 facilities, 37 are owned by Deutsche Wohnen.

Following approval by the antitrust authorities we have acquired the remaining interests in KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH as of 6 February 2020.

Earnings from the segment Nursing assets before internal and external rents (EBITDAR[19]) came to EUR 45.3 million for 2019 (previous year: EUR 22.2 million). This represents an EBITDAR margin of 20.1% (previous year: 22.5%).

Whereas the EBITDAR margin of the KATHARINENHOF Group was 24.7% in 2019, the different range of services at the PFLEGEN & WOHNEN HAMBURG Group meant the corresponding figure was 16.4%. The consolidation of the PFLEGEN & WOHNEN HAMBURG Group as of 2 January 2019 therefore diluted the EBITDAR margin to 20.1%.

19 EBITDAR is EBITDA from the operation of nursing facilities before internal rental expenses. External rental and lease expenses are not included in the EBITDA calculation in line with IFRS 16 and are therefore not eliminated to obtain EBITDAR.

Nursing Assets

EUR m	2019	2018
Income		
Nursing care	45.4	36.5
Rental income	26.8	15.2
	72.2	**51.7**
Costs	**–2.4**	**–2.9**
Earnings from Nursing Assets	**69.8**	**48.8**
Without intragroup leasing expenses	43.0	33.6

Earnings of Nursing assets include lease earnings for 89 nursing facilities owned by Deutsche Wohnen. 37 nursing facilities have been leased within the Group; 24 to the KATHARINENHOF Group and 13 to the PFLEGEN & WOHNEN HAMBURG Group. A further 52 nursing properties are let to other well-known operating companies.

The increase in income from EUR 51.7 million in 2018 to EUR 72.2 million in 2019 is mainly due to the fact that properties were acquired in 2018 whose rental income was only recognised for the full twelve months in 2019. They consist of seven nursing facilities acquired as of 1 May 2018 and further 30 acquired as of 1 October 2018.

The increase in intra-group rental income results from the full consolidation of the PFLEGEN & WOHNEN HAMBURG Group from 2 January 2019.

With a contract dated December 2019, Deutsche Wohnen sold 13 nursing facilities leased to third parties. It is expected that the associated risks and rewards will be transferred in the first half of 2020. These 13 nursing facilities accounted for rental income of EUR 11.7 million in 2019.

Corporate expenses

Corporate expenses include all staff costs, general and administration expenses, excluding the segments Nursing Operations and Nursing Assets.

11.7%
was the cost ratio.

EUR m	2019	2018
Staff expenses	–65.0	–62.5
Long-term remuneration component (share-based)	0.0	–0.3
General and administration expenses	–36.4	–30.9
Total corporate expenses	**–101.4**	**–93.7**

The long-term remuneration component (share-based) relates solely to the non-cash expenses from the share option programme 2014.

Corporate expenses, not including the staff, general and administration expenses of disposals, accounted for about 11.7% of rental income (cost ratio) (previous year: 11.5%). Staff, general and administration expenses of disposals amounted to EUR 3.5 million (previous year: EUR 3.1 million).

Other expenses/revenues

Other expenses/revenues comprised expenses of EUR 113.8 million (previous year: EUR 24.4 million) and revenues of EUR 84.1 million (previous year: EUR 22.6 million).

Of the other expenses mentioned above, EUR 87.2 million (previous year: EUR 6.5 million), along with EUR 57.2 million (previous year: EUR 5.0 million) of other income were eliminated to obtain adjusted earnings before taxes.

Other unadjusted expenses (EUR 26.6 million; previous year: EUR 17.9 million) mainly consisted of expenses for the SYNVIA Group (EUR 8.6 million; previous year: EUR 2.5 million), as well as non-recurring costs for one-off IT and marketing projects (EUR 7.5 million; previous year: EUR 7.1 million).

Other unadjusted income (EUR 26.9 million; previous year: EUR 17.6 million) included income from the SYNVIA Group (EUR 10.6 million; previous year: EUR 2.3 million), income from broadband cable rental (EUR 5.1 million; previous year: EUR 4.4 million), to the extent that the contracts are classified as operating leases, and from capitalised own work for engineering and construction project management services provided within the Group (EUR 4.7 million; previous year: EUR 4.0 million).

Depreciation and amortization

Depreciation and amortization rose from EUR 10.3 million in 2018 to EUR 42.9 million in 2019. The increase is due particularly to the change in lease accounting and the right-of-use assets recognised in connection with leases, which are depreciated, and which accounted for EUR 19.8 million of the total. Other additional depreciation and amortization mainly related to acquisitions, firstly the purchase of last-mile broadband cable and secondly customer contracts acquired as part of the business combination with the PFLEGEN & WOHNEN HAMBURG Group.

Financial result

The financial result is made up as follows:

EUR m	2019	2018
Current interest expenses	–135.5	–106.3
Accrued interest on liabilities and pensions	–25.9	–15.8
Transaction-related interest expenses	–13.1	–9.3
Fair value adjustment of derivative financial instruments	–29.5	–9.6
	–204.0	
Fair value adjustment of convertible bonds	58.0	–70.7
		–211.7
Interest income	10.9	7.8
Financial result	**–135.1**	**–203.9**

Current interest expenses went up largely due to the higher financing volume of financial liabilities and corporate bonds. The average interest rate for all financing arrangements of 1.3% was the same as the previous year.

Non-cash accrued interest related primarily to low interest-bearing loans and provisions for retirement benefits.

Transaction-related interest expenses of EUR 8.5 million (previous year: EUR 8.7 million) mainly consist of early repayment penalties and payments for unwinding interest rate hedges in the context of refinancing loans ahead of schedule, as well as one-off interest expenses of EUR 4.5 million for the partial redemption in the second quarter 2019 of a corporate bond maturing in July 2020.

Since long-term interest rates have changed, the negative market value of derivative financial instruments (interest rate hedges) has risen. To the extent that these financial instruments do not form part of an effective hedging relationship, the fair value adjustment is recognised as an expense in the financial result.

5.7
was the interest cover ratio.

The year-on-year changes in the financial result are principally due to the decline in expenses from the fair value adjustment of convertible bonds with a total nominal value of EUR 1,600 million. The price of the convertible bonds follows the share price of Deutsche Wohnen SE. The convertible bonds are held at fair value in the consolidated balance sheet. The decline in the Deutsche Wohnen share price therefore resulted in a valuation gain on the convertible bonds (previous year: valuation loss of EUR 70.7 million).

Interest income includes current interest income of EUR 9.4 million (previous year: EUR 2.4 million) and interest income of EUR 1.5 million in connection with finance leases (previous year: EUR 5.4 million).

The ratio of current interest expenses less interest income to EBITDA (adjusted) before disposals is as follows:

	2019	2018
EBITDA (adjusted) before Disposals in EUR m	718.6[1]	622.0[1]
Current interest expenses and interest income in EUR m	126.1[2]	103.9
Interest cover ratio (ICR)	**5.7**	**6.0**

1 Calculation method changed: staff, general and administration expenses are no longer included in EBITDA (adjusted) before Disposals. the previous year's figures have been amended accordingly.
2 Current interest expenses and interest income do not include interest income from finance leases for broadband cable networks.

Current taxes and deferred taxes

Current taxes amounted to EUR 19.0 million in the financial year 2019 (previous year: EUR 27.6 million). They include current income taxes (on balance expenses of EUR 39.7 million; previous year: EUR 34.5 million) and non-recurring effects (on balance income of EUR 20.8 million; previous year: EUR 7.1 million).

Deferred taxes amounted to EUR 484.7 million (previous year: EUR 736.6 million). Deferred tax expenses primarily relate to the appreciation in the value of our properties.

Assets and financial position

Here are some selected figures from the consolidated balance sheet.

	31/12/2019		31/12/2018	
	EUR m	in %	EUR m	in %
Investment properties	25,433.3	91	23,781.7	95
Other non-current assets	443.4	2	292.2	1
Total non-current assets	**25,876.7**	**93**	**24,073.9**	**96**
Current assets	1,289.4	5	651.2	3
Cash and cash equivalents	685.6	2	332.8	1
Total current assets	**1,975.0**	**7**	**984.0**	**4**
Total assets	**27,851.7**	**100**	**25,057.9**	**100**
Equity	**13,107.3**	**47**	**11,908.1**	**48**
Financial liabilities	6,327.7	23	6,184.6	25
Convertible bonds	1,682.8	6	1,697.2	7
Corporate bonds	2,014.1	7	1,200.4	5
Tax liabilities	26.2	0	36.0	0
Employee benefit liabilities	107.2	1	63.4	0
Deferred tax liabilities	3,713.8	13	3,244.7	12
Other liabilities	872.6	3	723.5	3
Total liabilities	**14,744.4**	**53**	**13,149.8**	**52**
Total assets	**27,851.7**	**100**	**25,057.9**	**100**

Our total assets increased, primarily as a result of acquisitions and the appreciation in value of our real estate holdings.

The investment properties continue to represent the largest asset items. With regard to the revaluation, we refer to portfolio figures.

Portfolio
from page 38

The year-on-year increase in other non-current assets is mainly due to the acquisition of goodwill and customer contracts as part of the business combination with the PFLEGEN & WOHNEN HAMBURG Group. Furthermore, the application of IFRS 16 as of 1 January 2019 resulted in additional other non-current assets from the recognition of right-of-use assets.

Higher current assets stemmed mainly from the reclassification of non-current assets held for sale (EUR 571.2 million as of 31 December 2019; previous year: EUR 33.0 million) as a result of two portfolio transactions. One is the sale of 13 nursing properties let to third parties, for which the transfer of risks and rewards will take place in the first half of 2020. Furthermore the disposal of 2,175 residential and commercial units in Berlin, where risks and rewards are expected to be transferred at the end of 2020.

Group equity went up by EUR 1,199.2 million in absolute terms in 2019. The balance sheet extension of EUR 2.8 billion caused the equity ratio to fall to approximately 47%.

47%
was the equity ratio as at the reporting date.

Equity increased above all due to comprehensive income of EUR 1,547.0 million. Furthermore, new shares were issued in the context of the offer of compensation made pursuant to the control agreement with GSW Immobilien AG and the exercise of share options by the Management Board.

Changes related to non-controlling interests, the dividend for financial year 2018 and the purchase of own shares all reduced the amount of equity. The dividend voted for 2018 was EUR 310.6 million. Shareholders had a choice between receiving the dividend in cash and in shares. The cash dividend of EUR 225.7 million was paid and 2,617.3 thousand new shares valued at EUR 84.9 million were issued in July 2019. The purchase of own shares reduced Group equity by EUR 99.4 million up to the reporting date.

Financing

Financial liabilities increased due to the addition of new bonds and loans that exceeded repayments.

Even with the new funding, the average interest rate remained stable year on year at around 1.3%. The average capital repayment rate of 0.5% is the same as the previous year. The average term to maturity of the Group's loans, convertible bonds and bonds is 7.5 years. The hedging ratio[20] came to approximately 88% as at 31 December 2019 (previous year: 87%).

As in the previous year, Deutsche Wohnen SE received a Long-term Issuer Rating from the two international rating agencies Standard & Poor's and Moody's. Standard & Poor's again gave a rating of A- and Moody's of A3, both with a negative outlook.

The Group's gearing (LTV) developed as follows:

EUR m	31/12/2019	31/12/2018
Financial liabilities	6,327.7	6,184.6
Convertible bonds	1,682.8	1,697.2
Corporate bonds	2,014.1	1,200.4
	10,024.6	**9,082.2**
Cash and cash equivalents	–685.6	–332.8
Net financial liabilities	**9,339.0**	**8,749.4**
Investment properties	25,433.3	23,781.7
Less right-of-use assets held as investment properties from leases[1]	–62.8	0.0
Non-current assets held for sale	571.2	33.0
Land and buildings held for sale	468.9	477.1
	26,410.6	**24,291.8**
Loan-to-Value ratio in %	**35.4**	**36.0**

1 Right-of-use assets in connection with leases accounted for according to IAS 40 are eliminated in the course of first-time application of IFRS 16.

20 The ratio of financial liabilities, convertible bonds and corporate bonds at fixed interest rates or with interest rate hedges to the total nominal value of financial liabilities, convertible bonds and corporate bonds.

Pension obligations went up due to the takeover of the PFLEGEN & WOHNEN HAMBURG Group.

The other liabilities presented in the balance sheet are made up as follows:

EUR m	31/12/2019	31/12/2018
Derivative financial instruments	52.1	15.6
Trade payables	300.5	302.4
Other	520.0	405.5
Total other liabilities	**872.6**	**723.5**

The increase in other liabilities is mainly due to the accrual of obligations in the context of the ongoing appraisal proceedings about the control agreement signed in 2014 between Deutsche Wohnen SE and GSW Immobilien AG.

Consolidated statement of cash flows

The most important cash flows are shown in the following:

EUR m	2019	2018
Cash flow from operating activities	454.5	469.4
Cash flow from investing activities	–674.2	–1,911.6
Cash flow from financing activities	572.5	1,411.3
Net change in cash and cash equivalents	**352.8**	**–30.9**
Opening balance cash and cash equivalents	332.8	363.7
Closing balance cash and cash equivalents	**685.6**	**332.8**

Deutsche Wohnen was able to meet its financial obligations in full at all times in 2019.

Cash flow from operating activities is subject to fluctuations because of the cash inflows and outflows from the purchase and sale of investment properties held for sale. Net cash from operating activities came to EUR +13.3 million in 2019 (previous year: EUR –104.1 million).

The net cash flows from investing activities reflect, in particular, incoming payments from disposals of investment properties (EUR 777.7 million; previous year: EUR 150.6 million) and outgoing payments in connection with acquisitions (EUR 917.4 million; previous year: EUR 1,577.6 million), newly constructed buildings (EUR 56.0 million; previous year: EUR 23.6 million) and refurbishment work (EUR 369.7 million; previous year: EUR 313.2 million).

The net cash flows from financing activities primarily reflect all outgoing payments in connection with refinancing measures (capital repayments and new borrowing, convertible bonds, corporate bonds and the related non-recurring payments), the proceeds of capital increases, payments for own shares, and dividend payments.

In the reporting period, cash flow from financing activities included new loans of EUR 508.1 million (previous year: EUR 1,354.4 million) and loan repayments of EUR 380.5 million (previous year: 106.5 million). Also included are cash inflows of EUR 1,159.5 million (previous year: EUR 525.0 million) from the issue of registered and bearer notes, and outflows of EUR 341.2 million (previous year: 150.0 million) for the redemption of corporate bonds. EUR 93.3 million was paid in 2019 to purchase own shares (previous year: zero). Of the dividend of EUR 310.6 million for financial year 2018 voted at the Annual General Meeting, EUR 225.7 million (previous year: EUR 194.8 million) was paid in cash. The difference was paid in shares, since shareholders had a choice between a cash and scrip dividend.

Funds from Operations (FFO)

The key figure funds from operations without disposals (FFO I), which is vital for us, rose by approximately 10.3% year-on-year in absolute terms and by 11.5% per share (undiluted), due to acquisitions and operating improvements in our portfolio:

11.5%
was the increase of FFO I.

EUR m	2019	2018
EBITDA before result of adjustments to the fair value of investment properties	**873.1**	**659.1**
Valuation of current assets (properties)	0.4	1.4
Other one-off expenses and income	23.8	0.6
Restructuring and reorganisation costs	3.9	0.9
EBITDA (adjusted)	**901.2**	**662.0**
Earnings from Disposals	–186.1	–43.1
Staff, general and administration expenses of disposals	3.5	3.1[3]
EBITDA (adjusted) before Disposals	**718.6**	**622.0**[3]
Long-term remuneration component (share-based)	0.0	0.3
Finance leasing broadband cable networks	2.9	2.0
At-equity valuation	2.8	2.6
Interest expense/income	–136.5	–103.6
Income taxes	–39.7	–34.5
Non-controlling interests	–10.0	–6.3
FFO I	**538.1**	**482.5**[3]
Earnings from Disposals	186.1	43.1
Staff, general and administration expenses of disposals	–3.5	–3.1
FFO II	**720.7**	**522.5**
FFO I per share in EUR (undiluted)[1]	1.50	1.36[3]
FFO I per share in EUR (diluted)[2]	1.50	1.36[3]
FFO II per share in EUR (undiluted)[1]	2.01	1.47
FFO II per share in EUR (diluted)[2]	2.01	1.47

1 Based on a weighted average of approximately 358.09 million shares in circulation in 2019 (without own shares) and approximately 355.70 million in 2018
2 Based on the weighted average of approximately 358.09 million outstanding shares in 2019 (without own shares) and approximately 355.70 million in 2018; each assuming conversion of the convertible bonds that are in the money.
3 Calculation method changed: staff, general and administration expenses are no longer included in FFO I – the previous year's figures have been amended accordingly.

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

EPRA key performance indicators

The European Public Real Estate Association (EPRA) is an organisation based in Brussels, Belgium, 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 performance indicators

	2019	2018
EPRA NAV (undiluted) in EUR m	16,791.3	15,087.8
EPRA NAV (undiluted) in EUR per share	47.02	42.26
EPRA NAV (diluted) in EUR m	16,791.3	15,087.8
EPRA NAV (diluted) in EUR per share	47.02	42.26
EPRA NNNAV (diluted) in EUR m	12,320.0	11,419.9
EPRA NNNAV (diluted) in EUR per share	34.50	31.99
EPRA Earnings in EUR m	488.3	466.0
EPRA Earnings (diluted) in EUR per share	1.37	1.31
EPRA Net Initial Yield in %	2.7	2.8
EPRA "topped-up" Net Initial Yield in %	2.7	2.8
EPRA Vacancies in %	2.2	2.3
EPRA Cost Ratio (incl. direct vacancy costs) in %	25.1	28.1
EPRA Cost Ratio (excl. direct vacancy costs) in %	22.5	25.4

EPRA NAV

Deutsche Wohnen has reported its NAV in accordance with EPRA standards since 2010. The net asset value is calculated on the basis of the current market value of the property portfolio, with the valuation of the residential and commercial buildings being verified by Jones Lang LaSalle. The valuation of the nursing properties is carried out solely by W&P Immobilienberatung GmbH.

The EPRA NAV (undiluted) per share increased by 11% from EUR 42.26 per share to EUR 47.02 per share in the year under review. Given that the outstanding convertible bonds were not in the money as at the balance sheet date, the diluted EPRA NAV also amounted to EUR 47.02 per share.

11%
was the increase of EPRA NAV per share (undiluted).

EUR m	31/12/2019	31/12/2018
Equity (before non-controlling interests)	12,700.4	11,559.1
Market value of derivative financial instruments	50.8	14.6
Deferred taxes	4,040.1	3,514.1
EPRA NAV (undiluted)	**16,791.3**	**15,087.8**
Number of shares (undiluted) in million (without own shares) on the reporting date	357.1	357.0
EPRA NAV (undiluted) in EUR per share	**47.02**	**42.26**
Effects from the conversion of convertible bonds	0.0	0.0
EPRA NAV (diluted)	**16,791.3**	**15,087.8**
Number of shares (diluted) in million (without own shares) on the reporting date	357.1	357.0
EPRA NAV (diluted) in EUR per share	**47.02**	**42.26**

We have not reported EPRA NAV adjusted for goodwill (Adjusted NAV) given that there was only an immaterial amount of goodwill of EUR 148.1 million as at the reporting date (previous year: EUR 21.5 million).

EPRA Triple Net Asset Value (NNNAV)

The EPRA NNNAV is calculated on the basis of the EPRA NAV, taking account of the fair value of the derivative financial instruments, the fair value of the financial liabilities and corporate bonds, and any deferred taxes.

EUR m	31/12/2019	31/12/2018
EPRA NAV (diluted)	**16,791.3**	**15,087.8**
Fair value of derivative financial instruments	–50.8	–14.6
Fair value of financial liabilities[1]	–277.1	–175.2
Fair value of corporate bonds[1]	–103.3	36.0
Deferred taxes	–4,040.1	–3,514.1
EPRA NNNAV (diluted)	**12,320.0**	**11,419.9**
Number of shares (diluted) in million (without own shares) on the reporting date	357.1	357.0
EPRA NNNAV (diluted) in EUR per share	**34.50**	**31.99**

1 Difference between the carrying amounts and fair values

EPRA Earnings

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

EUR m	2019	2018
Group profit/loss in accordance with IFRS	**1,600.9**	**1,862.6**
Adjustments for the purposes of the calculation of EPRA Earnings:		
Results of property valuation	–1,406.3	–2,177.9
Earnings from Disposals	–186.1	–43.1
Taxes on disposal earnings[1]	18.6	4.3
Amortization of goodwill	2.0	0.7
Valuation of financial instruments and prepayment penalties	–15.5	89.1
Deferred taxes	484.7	736.6
Minority shareholdings	–10.0	–6.3
EPRA Earnings	**488.3**	**466.0**
Number of shares (undiluted) in million (without own shares) on the reporting date	357.1	357.0
EPRA Earnings (undiluted) in EUR per share	**1.37**	**1.31**
Number of shares (diluted) in million (without own shares) on the reporting date	357.1	357.0
EPRA Earnings (diluted) in EUR per share	**1.37**	**1.31**

1 In the interests of simplicity, taxes are reported in the amount of 10% of the earnings from Disposals.

EPRA Net Initial Yield

EPRA Net Initial Yield represents the annualized net rental income in relation to the market value of the portfolio. Net rental income is reduced by management costs that cannot be charged to tenants, such as the costs of maintenance, debt collection and vacancies.

EUR m	2019	2018
Investment properties and non-current assets held for sale[1]	24,305.3	22,154.5
Land and buildings held for sale[1]	451.0	459.2
Less properties under construction and payments made on account[1]	-427.2	-334.3
Sub-total: completed property portfolio	**24,329.1**	**22,279.4**
Plus incidental acquisition costs of an investor, estimated at 8.0%	1,946.3	1,782.4
Total: completed property portfolio	**26,275.4**	**24,061.8**
Annualized in-place rent	835.6	815.8
Less direct management costs[2]	-126.2	-134.3
Annualized net in-place rent	**709.4**	**681.5**
Adjustments for letting incentives	2.6	2.7
Topped-up annualized net in-place rent	**712.0**	**684.2**
EPRA Net Initial Yield (EPRA NIY) in %	**2.7**	**2.8**
EPRA "topped-up" Net Initial Yield (EPRA NIY) in %	**2.7**	**2.8**

1 Excluding Nursing and Assisted Living and undeveloped land
2 Non-recoverable operating costs, rental loss, maintenance, etc.

EPRA Vacancies

The EPRA vacancy rate is calculated on the basis of the ratio of the estimated annualized market rents for the vacant properties to the market rents for the portfolio as a whole. The slight rise in the vacancy rate as compared to the previous year was attributable to vacancies resulting from modernisation measures implemented as part of our investment programme.

in %	2019	2018
EPRA Vacancies	**2.2**	**2.3**

EPRA Cost Ratio

The EPRA Cost Ratio is a key figure for measuring cost efficiency. It compares the management costs with the rental income.

EUR m	2019	2018
Payment of contractually agreed rents (potential gross rents and subsidies)	861.6	808.5
Less EBITDA adjusted	-901.2	-662.0
Less EBITDA adjusted: Segment earnings: Disposals	186.1	43.1
Less EBITDA adjusted: Segment earnings Nursing and Assisted Living	88.3	55.3
Less EBITDA adjusted: Administrative costs for segment Disposals	-3.5	-3.1
Plus expenses for leased nursing facilities	2.2	1.3
Less maintenance expenses	-102.4	-102.9
Plus payments of ground rent to third parties	2.3[1]	0.0
Management costs	**133.4**	**140.2**
Plus maintenance expenses	102.4	102.9
Less payments of ground rent to third parties	-2.3[1]	-2.4
EPRA costs (incl. direct vacancy costs)	**233.5**	**240.7**
Less vacancy losses	-24.3	-23.0
EPRA costs (excl. direct vacancy costs)	**209.2**	**217.7**
Payment of contractually stipulated rents (potential gross rents and subsidies)	861.6	808.5
Less payments of ground rent to third parties	-2.3	-2.4
Plus leasing income from third-party-operated nursing facilities	45.4	36.5
Plus leasing income from Group-operated nursing facilities	26.8	15.2
	931.5	**857.8**
EPRA Cost Ratio (incl. direct vacancy costs)	**25.1%**	**28.1%**
EPRA Cost Ratio (excl. direct vacancy costs)	**22.5%**	**25.4%**
EPRA Cost Ratio adjusted for maintenance expenses (incl. direct vacancy costs)	**14.1%**	**16.1%**
EPRA Cost Ratio adjusted for maintenance expenses (excl. direct vacancy costs)	**11.5%**	**13.4%**
Internally generated assets[2]	**4.7**	**4.0**

1 First-time application of IFRS 16 from 1 January 2019 means that the ground rents paid to third parties are no longer included as expenses in EBITDA adjusted.
2 Internally generated assets for internal engineering and construction project management services.

REPORT ON THE INDIVIDUAL FINANCIAL STATEMENTS OF DEUTSCHE WOHNEN SE

Foundations of Deutsche Wohnen SE

Deutsche Wohnen SE 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 [Handelsgesetzbuch – HGB] applicable to large corporations, and the supplementary provisions of the German Stock Corporation Act [Aktiengesetz – AktG] as well as the European Regulation and the German introductory law on European Stock Corporations. Deutsche Wohnen SE is a capital-market-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 SE.

Employees

On 31 December 2019, Deutsche Wohnen SE had 220 employees[1] (previous year: 197) and 60 trainees and students (previous year: 57).

Management Board analysis of business operations

In 2019 Deutsche Wohnen SE issued long-term bonds in the form of registered and bearer bonds to finance the company and redeemed part of the corporate bond maturing in 2020 ahead of schedule. In November 2019 the Management Board adopted a share buyback programme with a volume of up to 25 million shares for a total purchase price (without incidental costs) of up to EUR 750 million, in the course of which approximately 2.6 million shares had been purchased for approximately EUR 99.4 million as of the reporting date. Total assets increased by around EUR 900 million.

Operating earnings from the holding activities fell year-on-year by EUR 12.2 million, since revenue for managing acquisitions by subsidiaries was lower due the volume of transactions. Furthermore staff, general and administration expenses were higher, especially for IT, marketing and advisory services.

Transfers of profits and losses and distributions from subsidiaries came to EUR 39.5 million in 2019, which was below the previous year’s figure of EUR 68.5 million and also lower than our forecast. This was due to impairment losses on equity investments and properties at the level of subsidiaries and to expenses for equalisation payments to external shareholders.

Furthermore, earnings for 2019 were reduced by expenses of EUR 32.6 million presented in non-operating earnings in connection with data protection, interest rate hedges and the partial redemption of the corporate bond.

1 All employees incl. those on maternity/parental leave, temporary staff and marginal employees, but excl. trainees, excl. Management Board

Non-recurring effects in investment income and the non-operating earnings meant that earnings before taxes did not reach our original forecast of positive net income before income taxes.

Notes on the financial performance and financial position of Deutsche Wohnen SE

Earnings

	2019	2018	Changes	Changes
	EUR m	EUR m	EUR m	relative in %
Revenues	47.7	52.6	–4.9	–9
Other operating income	2.4	1.8	0.6	33
Staff expenses	–25.4	–22.9	–2.5	11
Other operating expenses	–48.8	–44.2	–4.6	10
Depreciation and amortization	–4.6	–3.8	–0.8	21
Operating results	**–28.7**	**–16.5**	**–12.2**	**74**
Net interest income	–4.9	0.9	–5.8	–644
Earnings from shareholdings	39.5	68.5	–29.0	–42
Non-operating earnings	–32.6	0.0	–32.6	n/a
Income taxes	–0.2	0.0	–0.2	n/a
Annual earnings	**–26.9**	**52.9**	**–79.8**	**–151**

Deutsche Wohnen SE acts as a holding company and generates revenues from the provision of business management services to the entire Group, both for general business management and for managing acquisitions by subsidiaries. The decline in revenues is due to the lower volume of acquisitions compared with the previous year.

The increase in staff expenses by EUR 2.5 million as compared with the previous year was largely due to the hiring of employees, the expansion of the Management Board to four members, and salary increases. Deutsche Wohnen SE had an annual average of 209 employees in 2019 (previous year: 186 employees).

Other operating expenses consisted mainly of IT and marketing expenses (EUR 22.4 million; previous year: EUR 18.0 million). They also included services rendered by affiliates, ongoing legal and advisory costs and especially costs in connection with projects and transactions. One-off other operating expenses for data protection in 2019 were included in non-operating earnings to facilitate comparison.

The depreciation and amortization for the year related to depreciation and amortization of software and property, plant and equipment, such as tenant installations and operating and business equipment. The depreciation and amortization of software was higher than in the previous year due to investments in office furniture, equipment and our IT systems.

Net interest income comprised interest expenses of EUR 56.7 million (previous year: EUR 24.8 million), of which EUR 15.9 million was shown in non-operating earnings, and interest income of EUR 35.9 million (previous year: EUR 25.7 million).

In this and in the previous financial year, Deutsche Wohnen SE primarily relied upon equity and low-interest-bearing convertible bonds and corporate bonds to finance its activities. Deutsche Wohnen SE also received further funding from managing the Group's cash pool. It passed on these funds to subsidiaries in the form of equity or intra-group financing. In light of the above, net income comprised net income generated with third parties of EUR –37.7 million (previous year: EUR –24.4 million) and net income generated with affiliated companies in the amount of EUR 32.8 million (previous year: EUR 25.3 million). Interest expenses with third parties increased due to higher nominal amounts of outstanding corporate bonds. Non-recurring interest expenses incurred in 2019 in connection with the redemption of corporate bonds and additions to provisions for interest rate hedges were included in the non-operating earnings for ease of comparison.

Value created at the subsidiary level accrued, via the earnings from shareholdings, to Deutsche Wohnen SE in its capacity as holding company. Earnings from shareholdings take account of transfers of earnings from subsidiaries pursuant to profit transfer and/or control agreements and from partnerships amounting to EUR –28.7 million (previous year: EUR –6.0 million), as well as dividend payments from GSW Immobilien AG of EUR 74.5 million (previous year: EUR 74.5 million). Expenses for compensation payments from company contracts were deducted from the distributions. These expenses relate mainly to the ongoing appraisal proceeding in connection with the control agreement signed in 2014 between Deutsche Wohnen SE and GSW Immobilien AG, which could well lead to a higher compensation payment to the non-controlling shareholders. Losses assumed in 2019 in accordance with profit and loss transfer agreements were mainly due to write-downs on individual investments and properties held by subsidiaries in application of the principle of individual asset valuation. Unrealised gains on other investments and properties did not have to be recognised under commercial law, however. Losses assumed in 2018 under profit and loss transfer agreements were largely transaction-related, since one company in the tax group incurred one-off land tax expenses of EUR 26.9 million in connection with the acquisition of subsidiaries owning land and buildings.

Non-operating earnings in 2019 included non-recurring interest expenses of EUR 4.5 million for the corporate bond partially redeemed in the second quarter of 2019, other interest expense of EUR 11.3 million for additions to provisions for interest rate hedges, and non-recurring other operating expenses for data protection of EUR 16.8 million.

Deutsche Wohnen SE generated a net loss of EUR 26.9 million in 2019 (previous year: profit of EUR 52.9 million).

Assets and financial position

	31/12/2019		31/12/2018		Changes
	EUR m	%	EUR m	%	EUR m
Fixed assets	6,889.4	79.1	4,973.5	63.7	1,915.9
Receivables and other assets	1,184.6	13.6	2,557.5	32.8	–1,372.9
Cash and bank balances	635.2	7.3	276.2	3.5	359.0
	8,709.2	**100.0**	**7,807.2**	**100.0**	**902.0**
Equity	3,320.3	38.1	3,671.5	47.0	–351.2
Provisions	53.6	0.6	13.8	0.2	39.8
Liabilities	5,335.3	61.3	4,121.9	52.8	1,213.4
	8,709.2	**100.0**	**7,807.2**	**100.0**	**902.0**

The fixed assets of Deutsche Wohnen SE, amounting to EUR 6,889.4 million (previous year: EUR 4,973.5 million), primarily consist of shares in affiliated companies amounting to EUR 4,369.8 million (previous year: EUR 4,369.0 million) and loans to affiliates of EUR 2,504.0 million (previous year: EUR 589.9 million). The increase stemmed from the intra-group financing of capital expenditure and acquisitions by subsidiaries, which entailed Deutsche Wohnen SE passing on liquidity by means of long-term shareholder loans. Deutsche Wohnen SE's current receivables from the cash pool declined accordingly.

Receivables and other assets primarily comprise receivables from affiliated companies (EUR 1,115.2 million; previous year: EUR 2,525.0 million), which fell as a result of the cash pooling system with Deutsche Wohnen SE as the central cash pool leader.

The equity of Deutsche Wohnen SE increased in the financial year 2019 by EUR 84.8 million as a result of the capital increase in kind from the share dividend in July 2019 and by EUR 0.8 million as a result of the ongoing capital increase in kind pursuant to the control agreement concluded with GSW Immobilien AG, which grants the external shareholders the right to exchange shares of GSW Immobilien AG for shares of Deutsche Wohnen SE. The loss of EUR 26.9 million for 2019, the dividend for 2018 of EUR 310.6 million and the share buybacks for EUR 99.4 million all reduced shareholders' equity.

The issued capital after deduction of own shares amounted to EUR 357.1 million as at the reporting date (previous year: EUR 357.0 million). The equity ratio came to 38.1% (previous year: 47.0%).

Provisions increased, primarily due to the addition of EUR 11.3 million to provisions for interest rate hedges and of EUR 22.0 million to provisions for litigation costs and risks.

The liabilities comprised the following items:

EUR m	31/12/2019	31/12/2018	Changes
Liabilities to affiliated companies	1,622.7	1,301.5	321.2
Convertible bonds	1,605.9	1,605.9	0.0
Unsecured financial liabilities	2,035.7	1,210.1	825.6
Liabilities to banks	60.4	0.2	60.2
Other liabilities	7.6	4.2	3.4
Deferred income	3.0	0.0	3.0
	5,335.3	**4,121.9**	**1,213.4**

Liabilities to affiliates in connection with the internal Group cash pool increased. They decreased as part of the group-internal cash pooling with Deutsche Wohnen SE as the central cash pool leader to EUR 1,004.6 million (previous year: EUR 1,251.5 million), whereas internal loans to Deutsche Wohnen SE increased to EUR 564.1 million (previous year: EUR 14.4 million).

As of the reporting date the two convertible bonds issued in 2017, which are carried at their total nominal amount plus accrued interest, were still outstanding:

- WSV 2017 with a total nominal value of EUR 800.0 million, maturing in 2024 and with a fixed interest rate of 0.325% p.a. The conversion price per share as of 31 December 2019 was EUR 47.4859.
- WSV 2017 II with a total nominal value of EUR 800.0 million, maturing in 2026 and with a fixed interest rate of 0.60% p.a. The conversion price per share as of 31 December 2019 was EUR 49.9189.

The unsecured financial liabilities comprised the following items:

EUR m	31/12/2019	31/12/2018	Changes
Corporate bond	280.5	503.0	–222.5
Registered bonds	480.4	329.3	151.1
Bearer bonds	1,274.8	317.8	957.0
Commercial paper	0.0	60.0	–60.0
	2,035.7	**1,210.1**	**825.6**

The corporate bond was issued in 2015 and partially redeemed in 2019, so that a nominal EUR 278.8 million was outstanding as of the reporting date. It is not secured and pay fixed interest of 1.375% p.a. The bond matures in July 2020.

In financial years 2017 and 2019, unsecured registered bonds with a nominal value of EUR 475.0 million were issued at fixed interest rates of between 0.9% p.a. and 2.00% p.a. They mature in the years 2026 to 2032.

Unsecured bearer bonds with a total nominal value of EUR 1,264.5 million were issued in 2018 and 2019. They pay interest at fixed rates of between 0.00% p.a. and 2.50% p.a. and mature between 2020 and 2036.

As at the reporting date, there were no bonds issued from the Multi Currency Commercial Paper Programme.

As of the reporting date the gearing ratio for Deutsche Wohnen SE (ratio of debt to total assets) was 61.9% (previous year: 53.0%).

A decision has been taken in accordance with section 264 para. 1, sentence 2 of the German Commercial Code [Handelsgesetzbuch – HGB] not to present a consolidated statement of cash flows.

Deutsche Wohnen SE was able to meet its financial obligations at all times in the financial year 2019.

As in the previous year, Deutsche Wohnen SE received a long-term issuer rating from the two international rating agencies Standard & Poor's and Moody's. Standard & Poor's again gave a rating of A- and Moody's of A3, both with a negative outlook.

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

Forecast for the 2020 financial year

Deutsche Wohnen SE acts as a holding company within the Group and as such is dependent on the performance of its operating subsidiaries. We expect the company to continue to operate successfully, and we do not currently see any risks that could pose a threat to the company's existence.

Our forecast is based on the company planning derived from the planning instruments and takes into account the application of the law on rental freeze in housing in Berlin that came into force on 23 February 2020 [Gesetz zur Mietenbegrenzung im Wohnungswesen in Berlin – MietenWoG Bln]. It adequately reflects the possible risks and opportunities of future development. Nevertheless, some risks and opportunities associated with future development remain, as are described in the risk and opportunity report. The assumptions regarding the overall economic development and the development of the housing market have also been included in the planning.

The financial position and financial performance of Deutsche Wohnen SE is linked to the financial development of its subsidiaries. Earnings are also dependent on profit and loss transfers and distributions by subsidiaries.

We are expecting higher earnings from shareholdings in 2020 because the one-off valuation expenses incurred at tax group companies in 2019 will no longer apply. We therefore anticipate a pre-tax net profit in the middle two-digit million range, before one-off items such as expenses for capital increases or transactions.

RISK AND OPPORTUNITY REPORT

Risk management system of Deutsche Wohnen

Deutsche Wohnen SE continuously reviews opportunities as they arise to safeguard the ongoing development and growth of the Group. To exploit such opportunities it may be necessary to incur exposure to risks. It is therefore highly important to identify, assess and control all key aspects of risk. To this end, Deutsche Wohnen has implemented a central risk management system (RMS), which is intended to ensure that all the key risks affecting the Group are identified, measured, managed and monitored. The RMS is intended to guarantee that risks are recognised early, prioritised and communicated to the decision makers responsible in order to take the corresponding countermeasures. This is intended to prevent or minimise damage to the company.

A central risk management system ensures that risks are being recognised early, prioritised and communicated.

Within the structures of the Group's risk management system (RMS), Deutsche Wohnen has implemented a risk early-warning system (REWS). This therefore covers all fully consolidated companies. The REWS is included in the audit of the annual financial statements and is audited for compliance with the legal requirements. The most recent audit has shown that the REWS of Deutsche Wohnen is able to identify developments which could pose a threat to the company's continued existence, and the measures undertaken by the Management Board for the establishment of such a REWS meet the requirements imposed by section 91 para. 2 of the German Stock Corporation Act [Aktiengesetz – AktG] in this regard.

Principles of the risk management policy

Our risk management strategy is intended to safeguard the company's continued existence and to achieve sustainable increases in its enterprise value. Commercial success requires exploiting opportunities and identifying and assessing the related risks. Opportunities should be exploited optimally and entrepreneurial risks accepted deliberately and responsibly, while being proactively managed, to the extent that they enable appropriate value to be added. Risks that jeopardise the company's continued existence are to be avoided.

All employees are trained in risk awareness.

All employees are trained in risk awareness and instructed to report potential risks. Furthermore, all employees are instructed to behave in a risk-conscious way, i.e. to inform themselves about the risk situation within their area of responsibility on the one hand, and to deal responsibly with the identified risks on the other. In this way the company ensures that suitable measures are taken to avoid, reduce or transfer risks, or that calculated risks are accepted deliberately. Decision makers are provided with information about material risks by way of regular reporting and otherwise as needed.

Responsibility

The Management Board has overall responsibility for risk management. It decides on the organisation of structures and processes and the provision of resources. It adopts the documented results of risk management and takes these into account in its management of the business.

Selected managers at Deutsche Wohnen are designated as "risk owners" and in this role are responsible for identifying, assessing, documenting and communicating all the key risks in their area of responsibility. The risk managers coordinate the identification, assessment, documentation and communication of risks as part of the risk management process. They initiate the periodic risk management process, consolidate risk reports from risk owners and prepare the report for the Management Board and the Supervisory Board. The internal audit function monitors the risk management function regularly as part of its auditing responsibilities.

From a current perspective we see no risks that the company cannot address adequately and which could jeopardise the continued existence of the Deutsche Wohnen Group, its earnings or financial position.

Instruments of the risk management system

The RMS as applicable across the Group should contribute to enabling corporate objectives to be reached, deviations to be identified at an early stage, negative effects on Deutsche Wohnen to be averted and appropriate action to be taken in good time.

The existing Group-wide RMS is adapted to current company developments as needed and its functionality reviewed on an ongoing basis.

The core elements of the risk management system (RMS) at Deutsche Wohnen are:

1. Internal control system (ICS)
2. Reporting
3. Risk management
4. Compliance
5. Internal audit

1. Internal control system (ICS)

The internal control system in terms of the accounting process aims to ensure that accounting and financial reporting are orderly and effective.

An ICS is established for Deutsche Wohnen SE that essentially covers the principles of transparency, dual control principle, separation of functions and information of employees on a need-to-know basis.

The key features of our existing internal control and risk management system as it relates to the (consolidated) accounting process can be summarised as follows:

- Deutsche Wohnen stands out for its clear organisational, corporate, control and monitoring structure.
- Agreed planning, reporting, controlling and early warning systems and processes apply throughout the Group for the holistic analysis and management of earnings-relevant risk factors and risks to the Group's continued existence.
- Functions are clearly assigned in all areas of the financial reporting process (e.g. financial accounting and controlling).
- The IT systems used in financial reporting are protected against unauthorised access.

- Standard software is mostly used in the financial systems applications.
- The departments involved in the (consolidated) financial reporting process meet the quantitative and qualitative requirements.
- The completeness and accuracy of the data in the (consolidated) financial reporting process are checked, both by manual controls and software applications.
- Dual control principle is required for processes relevant to (consolidated) financial reporting.
- Among other things, the Supervisory Board deals with key matters of (consolidated) financial reporting, risk management, the annual audit and its focus areas.

Internal control and risk management systems as they relate to the financial reporting process, the key features of which are described above, ensure that events at the company are recognised correctly in the accounts, prepared, analysed and included in external financial reporting.

The internal control and risk management system ensures that financial reporting at Deutsche Wohnen SE and the companies included in the consolidated financial statements is uniform and complies with statutory and other legal standards and internal policies.

2. Reporting

Integrated corporate planning and the corresponding internal reporting of key operating and financial figures from the controlling function form the basis of the early warning system used in the company.

Management and Supervisory Board receive key information in the monthly report.

The central component of the RMS is a detailed monthly company report, which compares actual figures with the budget figures approved (FFO I, debt ratio) and possibly updated by the Supervisory Board. Deutsche Wohnen focuses particularly on key figures for rentals, lets and disposals, for staff costs, general and administration expenses, on cash flows, liquidity and balance sheet ratios.

This reporting enables deviations to be flagged up at an early stage and steps to be taken accordingly.

The Management Board and Supervisory Board receive key information from the detailed monthly reports.

3. Risk management

The risk management function of Deutsche Wohnen has identified ten risk categories.

Ten risk categories
1. General company risks
2. Legal risks
3. IT risks
4. Letting risks
5. Performance risks – personnel
6. Acquisition and disposal risks
7. Risks in the nursing segment
8. Performance risks – property
9. Financial risks
10. Investment risks

The risk categories in turn comprise a total of 50 individual risks. Early warning indicators are assigned to sector- and company-specific risks that enable the risks to be identified.

Risks are documented quarterly in a risk inventory. The risk manager updates the risk inventory in line with the estimates of the risk owners from the operating departments.

Risks are managed in the operating departments and from a potential loss of EUR 500 thousand upwards are verified in the risk inventory and assigned to the risk categories shown. Newly identified risks must be communicated by means of an ad hoc announcement.

The observation horizon for the risk measurement is twelve months.

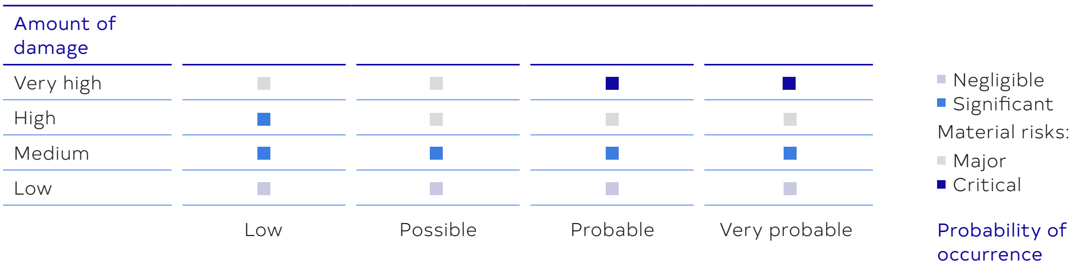
Risks are measured using expenditure-oriented thresholds defined for the amount of damage and the probability of occurrence.

Thresholds

Amount of damage	EUR m	Probability of occurrence	%
Low	0.5 – 2	Low	0 – 20
Medium	> 2 – 15	Possible	> 20 – 50
High	> 15 – 50	Probable	> 50 – 70
Very high	> 50	Very probable	> 70

For each risk, it is determined whether there are factors that could indicate the occurrence of the risk (= current relevance). Countermeasures being taken are included in the assessment. In the final assessment the potential loss from the risks is classified using these categories: negligible, significant, major, critical.

Risk assessment scheme



Major risks for Deutsche Wohnen are risks in the final assessment categories “major” and “critical”. Critical risks may endanger the company’s continued existence.

The risk inventory is discussed at regular face-to-face meetings with all risk owners, the risk manager and the Management Board. This is intended to ensure that the risk situation is made transparent and risks are addressed across the Group.

Risk management is documented quarterly in a risk report that is presented to the Management Board. The Audit Committee of the Supervisory Board is notified about the risk situation in the course of its regular meetings.

This takes place on the basis of a risk management manual that is updated as needed.

4. Compliance

Compliance is an essential element of corporate governance at Deutsche Wohnen.

Our Code of Conduct is binding for all employees.

Compliance with statutory provisions, the standards of the German Corporate Governance Code and binding internal guidelines is an important principle for Deutsche Wohnen, as is the fair treatment of business partners and competitors. This is intended to avoid negative consequences for the company.

Risks arising from corporate governance are monitored in the legal department and are included in a risk inventory as part of the overall risk management system.

In all areas of the company, employees are also bound to the Code of Conduct, which defines and stipulates behaviour in accordance with the law. Managers also make their employees aware of key compliance risks. There is also a Code of Conduct for Business Partners, which sets standards for parties to contracts with Deutsche Wohnen.

The Group Compliance Officer keeps a record of insiders at the company and informs managers, staff and business partners about the consequences of breaching insider-dealing regulations and other relevant legal standards.

The Compliance Officer acts as the central contact for questions and reports of suspicious circumstances.

5. Internal audit

Risk management is monitored regularly and independently of the processes involved by the internal audit function. This is carried out regularly, at least every three years, by an independent individual appointed by the Management Board.

Risk management is monitored by an independent individual.

The focus of the audit is determined with the Management Board and the Supervisory Board. The results of the audit are provided to the Management Board, the Supervisory Board and the risk manager.

At Deutsche Wohnen the process-independent monitoring function is exercised by a firm of external auditors.

Risk report

Overall assessment of the risk situation by company's management

In our estimation of the overall risk situation there were no concrete risks to the company’s continued existence in financial year 2019 and there are none currently. There were no risks requiring ad hoc announcement.

Compared with the previous year, risks resulting from the Berlin rental freeze law drafted by the Berlin Senate (regulatory rent risks) are assessed as material for the first time in the 2019 financial year.

The following table provides an overview of the assessment scheme used by Deutsche Wohnen. It shows the ten risk categories and the measurement of key risks in terms of amount of damage, probability of occurrence and the final assessment.

Risk category	Risk	Amount of damage	Probability of occurrence	Relevance	Result (after assessment of relevance and countermeasures)
1. General company risks		No material risk identified			
2. Legal risks		No material risk identified			
3. IT risks		No material risk identified			
4. Letting risks	Berlin rental freeze (rent reductions)	Very high	Possible	Yes	Major
	Berlin rental freeze (limited rental growth)	Very high	Possible	Yes	Major
	Berlin rental freeze (value development)	Very high	Possible	Yes	Major
5. Performance risks – personnel		No material risk identified			
6. Acquisition and disposal risks		No material risk identified			
7. Risks in the nursing segment		No material risk identified			
8. Performance risks – property		No material risk identified			
9. Financial risks		No material risk identified			
10. Investment risks	Risk arising from time delay – longer duration of authorisation procedure	High	Very probable	Yes	Major
	Risk arising from object, ground, subsoil, contaminants	High	Very probable	Yes	Major
	Cost risk – higher costs for construction work	High	Probable	Yes	Major
	Cost risk – due to shortage of qualified employees and supplier	High	Very probable	Yes	Major

The overview includes seven risks that are classified in the final assessment as serious and relevant and so are described below as **material**.

1. General company risks

General company risks are risks that cannot be directly assigned to other categories. They are deemed to be immaterial risks under the Deutsche Wohnen assessment scheme.

Failure to identify market developments and trends

Market risks may arise if the economic situation in Germany slows and this causes market rates for rentals or properties to remain flat or decline. In a flat or contracting economy the unemployment rate may also go up, which restricts the tenants' financial possibilities. In addition, a decline in available income – whether due to unemployment, higher social security and tax payments, or higher utilities bills – may have an adverse impact on the performance of Deutsche Wohnen via lower new letting, lower rents obtained for new letting and higher vacancy rates. A sharp increase in the volume of new building can also have an adverse impact on pricing.

If such market developments or trends are not anticipated early, serious risks may result. To reduce these risks, all business segments are regularly reminded to track developments in their sectors closely and to report changes promptly to the risk management function.

Reputational and image risks

Both negative reporting in the media and legal proceedings against decision-making bodies or employees of Deutsche Wohnen may have negative consequences.

The balance of supply and demand in German conurbations is delicate, which means that private-sector owners of housing are in the focus of policymakers and the media. This results in both political demands and corresponding media reports. For this reason Deutsche Wohnen strives for open communications and direct dialogue with customers, investors, politicians and civil servants. We take the topics of reputation and customer satisfaction very seriously and have implemented a wide range of activities in this context. So customer satisfaction is measured by means of regular tenant surveys, for example; the results are used to take concrete action.

In the third quarter we published our voluntary commitment in accordance with our “promise to our tenants”. We sign hardship clauses with tenants if needed, both for rent increases after refurbishment and for rent increases in line with the rent index, and so voluntarily forego rent increases.

Risks of disasters and loss events

An increase in loss events or natural disasters (including storms, floods) or changes/dependencies in the insurance market could cause financial losses. There are currently no indications of this.

Risks from changes in data privacy and data protection legislation

The EU General Data Protection Regulation (GDPR) that came into effect in May 2018 makes increased demands of companies in terms of how they handle personal data. Breaches of the regulation can be punished by high fines, linked to company revenue.

Data processing by all business segments (processing) is documented by Deutsche Wohnen in a register and updated continuously. No processing has currently been identified that could represent a high risk for data subjects.

In the fourth quarter 2019 the competent supervisory authority imposed a fine on Deutsche Wohnen SE, against which Deutsche Wohnen SE has appealed and which is now the subject of judicial review. The alleged infringements relate to a data archival solution that Deutsche Wohnen SE has already replaced.

2. Legal risks

These are deemed to be immaterial risks under the Deutsche Wohnen assessment scheme.

Risks that may result in losses for the company could arise from non-compliance with legal standards, non-implementation of new or revised legislation, the lack of adequate provisions in contracts or inadequate documentation.

Pending or impending litigation could have a material impact on the financial performance and position.

On 30 April 2014 a control agreement was signed between Deutsche Wohnen SE as the controlling company and GSW Immobilien AG as the controlled company, which took effect when it was entered in the commercial register on 4 September 2014. It obliges Deutsche Wohnen to assume any losses incurred by GSW. As part of the control agreement Deutsche Wohnen SE also undertakes to exchange the GSW shares held by non-controlling shareholders for Deutsche Wohnen shares at a ratio currently set at 3:7.079 (settlement offer). For the duration of the control agreement Deutsche Wohnen also guarantees the non-controlling shareholders of GSW an equalisation payment in the form of a guaranteed gross annual dividend of EUR 1.66 per share.

An Appraisal Proceeding as defined in section 1 no. 1 German Law for Appraisal Act [Gesetz über das gesellschaftliche Spruchverfahren – SpruchG] is currently taking place to determine whether the settlement amount and equalisation payment are reasonable. If a higher settlement amount or equalisation payment are set by a court ruling or an out-of-court agreement, the non-controlling shareholders of GSW may demand that Deutsche Wohnen increases the amount of payments made to them.

3. IT risks

They are currently deemed to be immaterial risks under the Deutsche Wohnen assessment scheme.

Risks from the availability of IT systems

Deutsche Wohnen SE currently uses SAP across the Group as its primary IT application.

Generally speaking, there is a risk that this application fails completely, which could lead to considerable disruption of business processes. For this reason we have a contract with our IT service provider to ensure functional operating, maintenance and administration processes and effective monitoring mechanisms, in order to prevent such a failure and any ensuing loss of data.

Risks from vulnerabilities and unauthorised access to IT systems

Generally speaking, there is an unavoidable risk that the IT is attacked by means of malware or that data is accessed by unauthorised persons.

Security procedures are optimised regularly, security leaks are patched and steps to prevent malware are updated on a continuous basis. All employees are obliged by applicable policies to comply with the security measures for the IT environment and are made aware of the risks in training courses.

4. Letting risks

The regulatory rental risks arising from the law on rental freeze [Gesetz zur Mietenbegrenzung im Wohnungswesen in Berlin – MietenWoG Bln] are ranked as material and serious under the Deutsche Wohnen assessment scheme.

The law came into force on 23 February 2020 and partially applies retroactively as of 18 June 2019.

With the rental freeze law coming into force there is a risk of rent reductions. Existing rents have to be reduced to 120% of the upper limit defined in the act than nine months after the act came into effect. For new lets the rent has to be reduced to the lower of the upper limit and the previous rent.

Furthermore, there is a risk that standard rent increases will no longer be possible in future when the rental freeze law comes into effect.

An adverse impact on the valuation of the properties concerned in Berlin can therefore not be ruled out; the risk is also ranked as serious in the period under consideration.

In line with many legal opinions and commentaries we believe that the planned rental freeze law is unconstitutional.

At the level of the German states, further regulation is particularly expected in Berlin (such as the expansion of neighbourhood protection areas, the so called "Millieuschutzgebiete", or amendments to the ban on misappropriation of housing).

Other legislative amendments are discussed regularly (such as changes in the way the rent index is calculated, the so-called "Mietspiegel"). Further regulatory changes can therefore not be ruled out.

We therefore monitor legislation closely, are involved in residential property management associations and use the legal opportunities available to make our voice heard.

Further risks for letting may result from defaults by tenants, lack of tenant satisfaction, risks in tenancy agreements or risks involving our business partners.

5. Performance risks – personnel

They are currently deemed to be immaterial risks under the Deutsche Wohnen assessment scheme.

Our employees, their knowledge and their special skills are a decisive factor in our commercial success.

Risks may arise from changes in the statutory framework (minimum wage, for example), employees' lack of identification with the company, the inadequate integration of new staff, higher staff turnover, a lack of specialists or higher staff expenses due to general rises in market rates or higher social security expenses.

The Human Resources department develops programmes for supporting and retaining employees and benchmarks the system of remuneration against the market. Requirements of different generations are also reflected in the modern design of working areas. Health days, a summer party for the whole company and other benefits are also intended to make the company more attractive for employees.

The Deutsche Wohnen Group has pension obligations from company pension plans. Provisions of EUR 107.2 million were recognised for them as of 31 December 2019. The actual amount of the obligations cannot be fully determined in advance, however, and is subject to uncertainty, so that the actual employee benefit liabilities may exceed the recognised pension provisions.

Risks for Deutsche Wohnen may also arise if employees do not follow statutory or company regulations. In all areas of the company, employees are also bound to the Code of Conduct, which defines and stipulates behaviour in accordance with the law. Managers also make their employees aware of key compliance risks. Corruption is also explicitly forbidden in the anti-corruption policy. Data protection agreements on privacy and policies on data protection and IT security are also binding for employees.

6. Acquisition and disposal risks

They are currently deemed to be immaterial risks under the Deutsche Wohnen assessment scheme.

New legislation

Legal and political intervention may delay disposals or have a negative effect on the prices that can be realised.

Market risks from disposals

An overall economic downturn, a general increase in interest rates or more new building may reduce interest in purchasing existing properties. Both for the privatisation of individual apartments or block sales there is then a danger that potential buyers postpone their investment, so causing Deutsche Wohnen's disposal plans to be delayed or making it impossible to implement them at the prices planned.

Risks from acquisitions

Acquisitions in existing and new regions are exposed to the risk that business plans cannot be implemented fully, or only partially, or only at a later date. The performance of acquired portfolios also depends on various factors: forecast rents, opportunities to reduce vacancy rates, expenses for maintenance and refurbishment work, planned privatisations, prices obtained for the disposal of non-strategic units and the costs of the integration process. The integration of larger new holdings may require a reorganisation of administration, management, internal structures and processes. These factors may differ from our expectations and mean that the forecast earnings are not achieved or that risks increase. To minimise these risks we use external and internal specialists and ongoing project controlling.

Risks also increase due to a large number of purchase contracts and their complexity, or to unjustified claims by third parties.

In order to minimise risks, extensive due diligence is carried out to identify and analyse all possible legal, financial, operational and tax risks in advance. Claims are secured by means of guarantees, indemnities, retained amounts and insurance. Obligations are followed up and monitored in a systematic and structured way.

Any deviations from the business plan or assumptions made for business combinations are identified and followed up in the corresponding reports.

7. Risks in the nursing segment

This risk category covers special risks resulting from the nursing segment. They are currently deemed to be immaterial risks under the Deutsche Wohnen assessment scheme.

Risks may arise from changes to the legislative environment for nursing care (in some states there is a statutory quota for single-room occupancy, for instance), the default of operators or a decline in the quality of nursing properties. With acquisitions there is a risk of unplanned investments requirements. A lack of employees in nursing facilities may affect the profitability of the nursing home. Activities to recruit new employees are currently being expanded.

8. Performance risks – property

They are currently deemed to be immaterial risks under the Deutsche Wohnen assessment scheme.

Property risks arise from the statutory requirements and environmental concerns relating to properties, as well as in the structure and quality of portfolios and their immediate vicinity.

Risks may arise from maintenance backlogs, structural damage or inadequate fire safety measures. Legacy risks include unexploded ordinance, soil quality and toxins in building material, as well as any breaches of construction law.

At the portfolio level the risks include a concentration in the structure of holdings, which may comprise higher maintenance and renovation costs and greater difficulty in letting properties.

A technical analysis provides us with an overview of the condition of our properties. On this basis the programme of investments is drawn up. Ad hoc activities are carried out in addition to our long-term investment plans. The large number of properties acquired in recent years means that the quality of our holdings has to be improved in some areas of the portfolio.

Generally speaking, they are all suitable for letting, since the vacancy rate in the Deutsche Wohnen portfolio was 1.8% as of 31 December 2019. Moreover, the condition of the properties in technical terms is an aspect which is taken into account in the risk assessment.

9. Financial risks

They are currently deemed to be immaterial risks under the Deutsche Wohnen assessment scheme.

Risk from fundamental reform of company taxation

There are plans to extend the scope of the German Real Estate Transfer Tax Act [Grunderwerbsteuergesetz – GrEStG]. The legislative changes under discussion would affect the entire property industry. The draft legislation was not available for review in the reporting year.

Risk of fluctuating valuations

Deutsche Wohnen holds its investment properties (i.e. properties held for their rental income or for capital appreciation) at fair value. Fair value depends particularly on the performance of the overall property market and that of regional markets, as well as on economic growth and interest rates. If the performance of the property market or the wider economy is negative or if interest rates go up, there is therefore a risk that the values recognised for property assets by Deutsche Wohnen in its consolidated balance sheet have to be written off.

The values of shareholdings and/or investment income or of other investments may also fluctuate as a result.

Liquidity risks

Deutsche Wohnen considers delays in receiving revenues and loans as well as unexpected expenses that lead to a liquidity shortfall to be financial risks.

Financial market risks and risks of financial instruments

Following the refinancing and restructuring of its loan portfolio, Deutsche Wohnen will not have any material volumes requiring refinancing in 2020. Deutsche Wohnen also has a credit rating of A- from Standard & Poor's and A3 from Moody's, both with a negative outlook. These ratings make Deutsche Wohnen one of Europe's best-rated publicly listed property companies.

Generally speaking, however, banks may no longer be able or willing to renew loans as they fall due. It cannot be ruled out that refinancings could be more expensive and future negotiations take longer to complete.

Furthermore, loan contracts contain financial covenants that entitle the banks to call in the loans early if they are not met. For Deutsche Wohnen these are financial indicators that relate primarily to the Debt Service Cover Ratio (DSCR) and Interest Service Cover Ratio (ISCR) and to the debt ratio in relation to rental income (multiple).

The risks to the Group from financial instruments consist of interest rate related cash flow, liquidity and default risks. Company management draws up and reviews risk management guidelines for each of these risks. **Default risks**, or the risk that a counterparty does not meet their payment obligations, are addressed by means of credit lines and monitoring procedures. There is no significant concentration of default risk at Deutsche Wohnen, either for a single counterparty or for a group of counterparties with similar characteristics. The **risk of a liquidity shortfall** is monitored by means of a liquidity planning tool on a daily basis. Deutsche Wohnen always strives to hold sufficient liquidity to meet its future obligations. The **interest rate risk** to which the Group is exposed stems mainly from long-term financial debt at floating rates of interest and is largely hedged by means of interest rate derivatives. In this regard we refer to our disclosures in the notes to the consolidated financial statements.

Notes to the consolidated financial statements from page 130

Tax risks

Fundamental changes in the tax environment may result in financial risks. Deutsche Wohnen has recognised deferred tax assets of EUR 317 million on tax loss carryforwards for example. If the use of tax loss carryforwards is limited in time or even prohibited altogether, the write-off of these deferred tax assets would result in a corresponding expense.

Tax inspections for past years have not yet been completed for some companies in the Group. It is possible that additional taxes have to be paid.

Deutsche Wohnen is subject to the rules on the interest rate cap, which limits the extent to which interest expenses can be deducted when calculating its corporation tax liability. It cannot be ruled out that these rules will lead to tax payments in future.

Any changes in our shareholder and organisational structure could trigger a land transfer tax liability or cause tax loss carryforwards to be forfeit.

10. Investment risks

The following risks in this category are classified as material (serious):

Applications for planning consent may be delayed because the planning authorities are understaffed.

Removing contamination or pollution from investments may be more expensive than originally calculated.

Construction materials may become more expensive due to high demand.

It is currently difficult to find providers and suppliers for building, trade and planning services. Building costs may increase or construction be delayed as a result, which in turn could cause return targets to be missed or investments to be postponed. Investment decisions are therefore reassessed on an ongoing basis.

The following risks are currently considered not to be material:

Legislation is an important factor for investments and always entails a risk of amendments. There is a risk when new building standards or restrictions take effect; changes could have a negative impact on return targets.

If construction sites are closed or planning consent is withheld this may have an adverse effect because of unplanned costs and delays. Compliance with new legislation may incur additional expenses.

Complex investments are generally subject to a cost risk and a time risk. These are addressed by means of project-specific controlling.

Opportunities from future developments

In the financial year 2019, Deutsche Wohnen was able to lay the foundation for its continued positive performance. Overall, the concentration and focusing of the portfolio on metropolitan regions in recent years, while maintaining our conservative capital structure, offers further potential for value appreciation in the future.

Opportunities from market developments or trends

The positive performance of the property portfolio is supported by the ongoing dynamic development of the market. This positive trend is enhanced by increasing demand for housing, especially in metropolitan areas, due to net population increases and a general reduction in the size of average households.

The Federal Statistical Office [Statistisches Bundesamt – Destatis], predicts that the current age pyramid will have a greater effect on the population figures over the next three decades than the net balance of immigration and emigration in Germany.

Rising market demand for nursing care represents another opportunity for Deutsche Wohnen in the Nursing and Assisted Living business field.

The residential property portfolio owned by Deutsche Wohnen has further growth potential, especially in the Core^{+} regions.

Financial opportunities

The financial structure of Deutsche Wohnen is very stable and flexible. The Group's financing is long-term and its debt ratio (LTV) is low. Our business model is well established with our banking partners. With its ratings of A- from Standard & Poor's and A3 from Moody's, both currently with a negative outlook, Deutsche Wohnen remains one of Europe's best-rated property companies. Our issuer ratings give us greater financial flexibility.

Access to equity and debt markets, also in connection with the current very low interest rates, offer good chances for financing future growth.

As of the reporting date the company had a market capitalisation of some EUR 13.1 billion. Deutsche Wohnen is therefore visible for international investors, which may result in interest rate advantages on capital markets.

Opportunities from investments

To further increase the quality of our portfolio we invest in our properties. We have also adopted a programme of new building and densification in order to make use of existing reserves and build more than 5,000 residential units in the medium term. The opportunities here are not in fulfilling short-term return expectations, but rather in sustainable investments and value creation.

To assume its own corporate responsibility, and in the context of its sustainability strategy, Deutsche Wohnen is addressing the challenges for society that are posed by the transition to a low-carbon economy and digitalisation. On the one hand this entails investments measures in heating plants, in order to make more efficient use of energy and avoid CO_2 emissions. At the same time, we are already investing in the multimedia infrastructure required to meet customers' digital needs in the future.

FORECAST

General economic conditions

Slow recovery of German economy in sight: According to the DIW Berlin (German Institute for Economic Research), the first indications of a slow economic recovery in Germany are visible. External demand is predicted to continue its moderate growth and so boost industrial production. After expanding by 0.5% last year, the German economy is forecast to grow by 1.2% in 2020 and 1.4% in 2021.[1] The spread of the Coronavirus (SARS-CoV-2) can create additional uncertainties for GDP growth. As a result of the ongoing risk management process, Deutsche Wohnen identified the Corona pandemic not as a material risk for the Group as of the reporting date. This means that Deutsche Wohnen does not assume at this point in time that the pandemic will have a material impact on the Group's net assets, earnings and financial position. Nevertheless, the further consequences of the pandemic on the financial and real estate markets cannot ultimately be assessed due to the current uncertainties.

German residential property market

Residential investments remain in demand: In its latest trend barometer for the property investment market, Ernst & Young Real Estate predicts that investment volumes will remain high in 2020. A large majority of those surveyed still consider real estate investments to be "attractive" or "very attractive".[2]

High new building requirement in metropolitan areas: The German Institute for Economic Research says almost 342,000 new apartments were and are needed in Germany in the years 2019 and 2020. Construction is significantly behind demand, with just 287,000 completions last year. With the construction industry working close to capacity, a shortage of trained workers and long-winded procedures, it seems unlikely that new building can be expanded to more than 300,000 residential units per year. Building work has increased significantly in almost all major cities, but this is still not enough to cover demand. In Berlin, Munich, Stuttgart and Cologne especially, construction has to go up substantially in the long term.[3]

Situation in Berlin is getting worse: According to a forecast by bulwiengesa, at least 19,000 residential units would have to be built in Berlin every year until 2030 to cover existing demand. In view of the growing population, the new housing planned by the city council department for urban development will not be sufficient to meet future demand. If construction activity does not pick up substantially in the short term there will be dramatic housing shortages and market will be distorted.[4] Then there is the increasing regulation and drastic interference as a result of municipal housing policies, which results in great uncertainty among investors and project developers. In view of the massive demand overhang, it is only a large-scale programme of new housebuilding that can provide any significant relief.[5]

1 DIW Weekly report 50/2019
2 Ernst & Young Real Estate GmbH, Trendbarometer Immobilien-Investmentmarkt 2020, January 2020
3 Institut der deutschen Wirtschaft, IW-Report 28/2019, „Ist der Wohnungsbau auf dem richtigen Weg?"
4 bulwiengesa, Wohnungsmarktstudie Berlin, 19 August 2018
5 JLL, Residential City Profile Berlin, 1st half-year 2019

Residential rents expected to rise further: The situation on the housing markets in top cities will not ease significantly in the foreseeable future. So residential rents are projected to continue their upward trend, despite the steep increases in recent years.[6]

Interest rates remain low: It is not thought likely that the European Central Bank (ECB) will abandon its policy of low interest rates for the foreseeable future. Cheap financing and low yields on alternative investments are therefore expected to continue favouring demand for housing.

Forecasts for the financial year 2020

Our forecast is based on the company planning derived from the planning instruments and takes into account the so-called "rental freeze law" in Berlin [Gesetz zur Neuregelung gesetzlicher Vorschriften zur Mietenbegrenzung – MietenWoG Bln], which came into effect on 23 February 2020. It adequately reflects the possible risks and opportunities of future development. Nevertheless, some risks and opportunities associated with future development remain, as are described 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. The forecast also represents a base case, i.e. it does not include any further acquisitions or opportunistic disposals, unless the contracts had already been signed at the time the planning was prepared.

Risk and opportunity report from page 73

For the 2020 financial year, we expect FFO I to be approximately at the previous year's level and adjusted EBITDA (excluding Disposals) to be around EUR 710 million. The forecast for 2020 includes the reductions in rental income of approximately EUR 39 million in total from institutional portfolio sales contracts signed in 2019 for some 8,500 residential and commercial units and 13 nursing facilities.

Our plans for the financial year 2020 with regard to the individual segments are as follows:

In the segment **Residential Property Management** we are expecting earnings of around EUR 730 million. Current maintenance costs in 2020 will come to between EUR 9 per sqm and EUR 10 per sqm, or around EUR 100 million in total. We do not expect any material change in the vacancy rate as compared with year-end 2019. The planned like-for-like rental increase for the portfolio is expected to be 1%.

The **Disposal** segment is mainly planning institutional portfolio sales from strategic core and growth markets in 2020. These will be decided opportunistically on the basis of the specific situation, however. In addition, commonhold apartments will be sold to owner-occupiers and investors as part of the privatisation process.

For the segment **Nursing Operations** and **Nursing Assets** we are expecting total earnings of some EUR 75 million.

Interest expenses are expected to come to around EUR 135 million. The debt ratio (Loan-to-Value ratio) is expected to be within our target range of 35% to 40% by the end of 2020.

6 JLL, press release of 23 January 2020

The valuation of our properties largely depends on pricing trends in the transaction market. Due to the regulatory uncertainties, we cannot provide a reliable forecast for the development of the fair value of the properties. Based on the assumption of a fundamentally positive development of the operating business, we assume a slight increase in the EPRA NAV per share in 2020 compared to the previous year.

REMUNERATION REPORT

The remuneration report describes the principles of the remuneration system for the members of the Management Board and Supervisory Board of Deutsche Wohnen SE and explains the structure and amount of individual remuneration for the board members.

Remuneration system for the Management Board

The system of remuneration for the Management Board and total remuneration for individual Management Board members is defined by the Supervisory Board and reviewed at regular intervals. Remuneration is governed by the German Stock Corporation Act [Aktiengesetz – AktG] and the provisions of the German Corporate Governance Code [Deutscher Corporate Governance Kodex – DCGK] applicable in financial year 2019 as amended on 7 February 2017.

The Management Board receives a fixed and a variable remuneration.

The criteria for appropriate Management Board remuneration include the responsibilities of the individual Management Board members, their personal performance, the economic situation, the company's performance and outlook. Remuneration is also measured against standards for the peer group and the company's internal remuneration structures. Overall, the remuneration system is aligned with the company's sustainable development.

All Management Board contracts provide for a compensation payment if the contract is terminated early without an important reason. It is capped at a maximum of two annual salaries (settlement cap), but covers no more than the remaining term of the employment contract. Contracts also provide for a compensation payment in the event of a change of control, capped at a maximum of three annual salaries in accordance with 4.2.3 of the DCGK 2017.

In addition to their fixed remuneration, Management Board members also receive variable short-term and variable long-term remuneration. The variable short-term remuneration component is based on short-term corporate goals. The variable long-term remuneration component is intended to associate the Management Board members, who shape and implement the company strategy and so are largely responsible for its financial performance, with the economic risks and opportunities of the company. Variable remuneration can expire if targets are not met and otherwise is subject to a cap.

The variable remuneration is composed of a short- and a long-term component.

Furthermore, Management Board members receive in-kind benefits in the form of insurance premiums, the private use of communication devices and company cars. In the event of extraordinary developments the contracts also allow the Supervisory Board to approve a special bonus. No retirement benefits have been agreed.

Variable remuneration components

The remuneration system is based on parameters reflecting personal and company performance and the relative performance of the company share. Variable remuneration is largely calculated on a long-term assessment base. Share ownership guidelines (SOG) further strengthen the focus on the capital market and the alignment of shareholders' interests with those of the Management Board of Deutsche Wohnen. The variable remuneration system for the Management Board as described below corresponds to the provisions of the German Stock Corporation Act [Aktiengesetz – AktG] and follows the recommendations and suggestions of the DCGK 2017.

Variable short-term remuneration component – short-term incentive (STI)

The STI is based on both financial and non-financial performance targets. These are aligned with the current company strategy and short-term company goals, and are agreed between the Management Board and the Supervisory Board at the beginning of every financial year. At least two financial and two non-financial performance targets are set for each financial year, whereby the financial performance targets account for 80% of the total target performance. The Supervisory Board defines the financial performance targets in consideration of the budget for the respective year. Payments are capped at a maximum of 125% of the target, aggregated across the financial targets. No payment is made if the aggregate performance is below 75% of the target. As with the financial targets, performance against strategic, non-financial targets can be between 0% and 125%, whereby 100% performance is the goal.

80%
of the total target performance is determined by financial targets.

Performance against the financial and non-financial targets is measured after the close of each financial year. The amount of the final annual bonus payment is capped at 125% of the target.

For the financial year 2019 the financial performance targets were (i) adjusted EBITDA without disposals (40% weighting), (ii) cost ratio (staff, general and administration expenses divided by contracted rental income; 10% weighting) and (iii) sales proceeds (30% weighting). The non-financial performance targets are strategic targets with a total 20% weighting, which cover the integration of homes acquired, the definition of a platform and portfolio strategy for the Nursing and Assisted Living business field, the implementation of the strategic sustainability programme and a more intensive dialogue with tenants and policymakers.

20%
of the total performance is determined by non-financial targets.

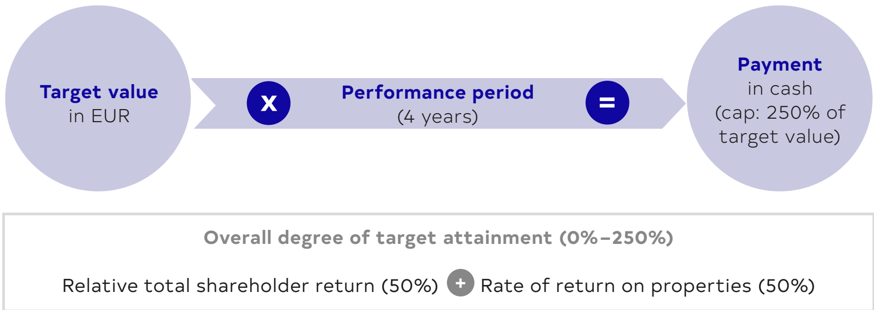
At its meeting held on 13 March 2020 the Supervisory Board approved a performance by the Management Board of 125% for the achievement of financial performance targets for financial year 2019. Adjusted EBITDA without disposals was EUR 718.6 million and earnings from Disposals amounted to EUR 186.1 million, thereby exceeded the planned figures adopted by the Supervisory Board by around 4.5% and around 540%. Cost ratio of 12.1% including disposal-related staff and general expenses was around 3.5% below the forecast for the financial year. For the non-financial targets for the financial year 2019, the Supervisory Board decided on a target performance of 110%.

For financial year 2020 the financial performance targets are (i) FFO I per share (40% weighting), (ii) cost ratio (staff, general and administration expenses divided by rental income; 10% weighting) and (iii) institutional sales proceeds (30% weighting). The non-financial performance targets are strategic targets with a total 20% weighting, including the development of the Equity Story, customer and employee satisfaction as well as the implementation of the strategic sustainability programme.

Variable long-term remuneration component – long-term incentive (LTI)

Management Board members receive a cash payment as part of a Performance Cash Plan. The remuneration system is based on parameters that are transparent, performance-related and based on the company's sustainable development. The Performance Cash Plan provides for LTI payments to be capped at 250% of the target value.

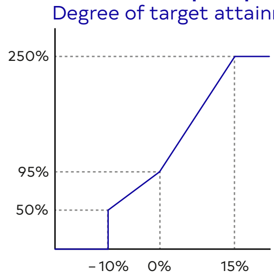
Performance cash plan
Mode of operation



Management Board members receive a target amount in euros for each tranche of the Performance Cash Plan. This target amount is multiplied by the total target performance after a four-year performance period. Total target performance is made up of two equally weighted performance targets, which are added together. Using the relative share performance and the property yield (EPRA NAV growth plus dividend yield) mean the amount of the variable long-term incentive payment depends on both an external comparison with competitors and on the performance of Deutsche Wohnen.

The relative share performance target reflects both the general capital market performance and the performance of competitors. During the four-year performance period the total shareholder return (TSR) of the Deutsche Wohnen share is compared with the FTSE EPRA/NAREIT Germany Index. Outperformance is defined as the difference between the TSR of the Deutsche Wohnen share and that of the peer group. The starting price for the Deutsche Wohnen share and the FTSE EPRA/NAREIT Germany Index is the arithmetic mean of the closing prices on the 30 trading days immediately preceding the start of the performance period. The final price is calculated in the same way, as the arithmetic mean of the closing prices on the 30 trading days immediately preceding the end of the performance period. When calculating the relative share performance, dividends paid during the respective years are assumed to have been reinvested.

Relative share price performance
Degree of target attainment



Outperformance over 4 years

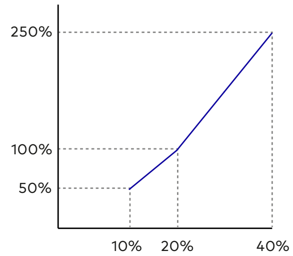
The relative share performance over the four-year performance period is measured on the following scale:

- For an outperformance of –10% compared with the FTSE EPRA/NAREIT Germany Index the performance is 50%; below –10% the performance is 0%.
- If the TSR of Deutsche Wohnen and the peer group are the same, the performance is 95%. The target figure of 100% is therefore only achieved for a positive outperformance compared with the peer group.
- The maximum performance of 250% is achieved for an outperformance of +15% and above.
- Performance between these two figures is interpolated on a linear basis.

Using the "return on property" as a performance target incentivises the Management Board members to increase the NAV of Deutsche Wohnen as well as dividend payments to shareholders. This entails a percentage comparison of EPRA NAV per share (adjusted for goodwill) at the beginning of the performance period with the corresponding figure at the end of the performance period. Total annual dividend yields, which express the ratio of the respective annual dividend to EPRA NAV per share for the previous year, are added to this figure. The performance of the property yield over the four-year performance period is measured on the following scale:

- For a "return on property" of 10% the performance is 50%; below 10% the performance is 0%.
- The target value of 100% is only achieved for a property yield of 20% and above.
- The cap of 250% is reached for a property yield of 40%.
- Performance between these two figures is interpolated on a linear basis.

Rate of return on property
Degree of target attainment



Rate of return on property over 4 years

Performance against the two targets is measured at the end of the four-year performance period and published in the remuneration report. The payment of any tranche is capped at 250% of the target originally agreed.

Before financial year 2018 the LTI was structured as a share option programme ("SOP 2014"). In line with the shareholders' interest in a sustainable increase in enterprise value, the share options can only be exercised if the defined performance targets are achieved at the end of the four-year vesting period, specifically: increase in (i) adjusted NAV per share (weighting: 40%), (ii) FFO I (without disposals) per share (weighting: 40%) and (iii) the share price performance (weighting: 20%). Within each of the targets mentioned there is a minimum target that must be achieved before half the share options attributable to this target can be exercised. There is also a maximum target at which all the share options attributable to this target can be exercised. The minimum is set at a performance of 75% and the maximum at 150% across all individual targets. The performance targets include both the absolute change in the sector-specific indicators EPRA NAV per share (adjusted for goodwill) and FFO I per share on the basis of the company's four-year planning before share options are issued, as well as the relative performance of the Deutsche Wohnen share compared with a peer group of publicly listed competitors in Germany. The vesting period for a tranche of share options starts on the issue date and ends at the close of the fourth anniversary of the issue date. The options may be exercised over a period of three years. Share options that are not exercised by the end of the total seven-year period are forfeited or expire without substitute or compensation.

In addition, Management Board members Henrik Thomsen and Lars Urbansky receive virtual shares known as "Restricted Share Units" (RSU). The allocation of the RSU's is made in tranches over four years on April 1 of each financial year. The number of RSU to be allocated in each financial year is defined in advance in the service contracts for Management Board members. The agreed value of each RSU corresponds to the reference price of the Deutsche Wohnen SE share at each allocation date, plus a notional dividend. This corresponds to the amount of the company's annual gross dividend per share, which is added in the year of allocation and every year thereafter. Allocations end if the qualified Management Board member leaves the company for whatever reason.

If the service contract is renewed for a qualified Management Board member the RSU are settled in the year the last tranche is allocated, generally on the date on which the variable short-term remuneration component (STI) is paid for the respective year. On this date the company transfers to the qualified Management Board member the number of company shares corresponding to 60% of the number of RSU acquired by the Management Board member (RSU convertible shares). The Management Board member receives the difference between the value of the RSU convertible shares and the value of the RSU including the notional dividend as a cash payment on the aforementioned date.

In all other cases the virtual shares are settled on 15 April of the first year after the last tranche has been allocated, on condition that the qualified Management Board member has not declined an offer to renew their service contract on the same terms, or has terminated their service contract without a good reason or their contract has been terminated for a good reason.

The RSU convertible shares may not be sold earlier than four years after the date on which the respective tranche was allocated.

Share ownership guidelines

In 2018 share ownership guidelines (SOG) were introduced at Deutsche Wohnen in order to strengthen the focus on capital markets and a shareholding culture. The Management Board members of Deutsche Wohnen undertake to invest 300% of their basic salary (Chief Executive Officer) or 150% of basic salary (ordinary Management Board members) in Deutsche Wohnen shares over a period of four years and to hold them until they cease to be a member of the Management Board. During an accumulation period the Management Board members undertake to build up interim holdings of company shares. This means that at the end of each financial year the total shareholding (including shares already held) of the Management Board members Michael Zahn and Philip Grosse should be at least 25% of the total STI payments (net) made after 1 January 2018. The accumulation period for the Management Board members Michael Zahn and Philip Grosse ends on 31 December 2021. Management Board member Lars Wittan's obligation to invest in and hold shares in Deutsche Wohnen ended when his employment contract on 30 September 2019. At the end of each fiscal year, the total shareholding (including shares already held)

Share ownership guidelines strengthen the focus on capital markets.

of Management Board member Lars Urbansky should be at least 25% of the total of the STI payments (net) paid after 1 January 2020, while being in a build-up phase from 1 April 2019 until 31 March 2023. At the end of each fiscal year, the total shareholding (including shares already held) of Management Board member Henrik Thomsen should be at least 25% of the total of the STI payments (net) paid after 1 January 2020, while being in a build-up phase from 1 January 2020 until 31 December 2023.

Total Management Board remuneration

The members of the Management Board have received the following remuneration in return for the performance of their responsibilities in this capacity:

Michael Zahn – Chairman of the Management Board (Member of the Management Board since 01/09/2007)

	Benefits granted				Benefits received	
EUR thousand	2018 Target	2019 Target	2019 Min	2019 Max	2018	2019
Base salary	1,025	1,025	1,025	1,025	1,025	1,025
Perquisites	34	34	34	34	34	34
Total fixed remuneration	**1,059**	**1,059**	**1,059**	**1,059**	**1,059**	**1,059**
Short-term variable compensation (STI)	500	500	0	625	625	587
Long-term incentive (LTI) 2018–2022	750	750	0	1,875	2,701[1]	1,527[1]
Total variable remuneration	**1,250**	**1,250**	**0**	**2,500**	**3,326**	**2,114**
Total	**2,309**	**2,309**	**1,059**	**3,559**	**4,385**	**3,173**

1 Benefits in kind from options exercised

Lars Wittan (Member of the Management Board from 01/10/2011 until 30/09/2019)

	Benefits granted				Benefits received	
EUR thousand	2018 Target	2019 Target	2019 Min	2019 Max	2018	2019
Base salary	450	338	338	338	450	338
Perquisites	24	18	18	18	24	18
Total fixed remuneration	**474**	**356**	**356**	**356**	**474**	**356**
Short-term variable compensation (STI)	300	225	0	281	375	352
Long-term incentive (LTI) 2018–2022	400	300	0	750	925[1]	529[1]
Total variable remuneration	**700**	**525**	**0**	**1,031**	**1,300**	**881**
Total	**1,174**	**881**	**356**	**1,387**	**1,774**	**1,237**

1 Benefits in kind from options exercised

Philip Grosse (Member of the Management Board since 01/09/2016)

EUR thousand	Benefits granted 2018 Target	2019 Target	2019 Min	2019 Max	Benefits received 2018	2019
Base salary	398	437	437	437	398	437
Perquisites	22	22	22	22	22	22
Total fixed remuneration	**420**	**459**	**459**	**459**	**420**	**459**
Short-term variable compensation (STI)	225	281	0	352	219	264
Long-term incentive (LTI) 2018–2022	300	375	0	938	0	0
Total variable remuneration	**525**	**656**	**0**	**1,290**	**219**	**264**
Total	**945**	**1,115**	**459**	**1,749**	**639**	**723**

Lars Urbansky (Member of the Management Board since 01/04/2019)

EUR thousand	Benefits granted 2018 Target	2019 Target	2019 Min	2019 Max	Benefits received 2018	2019
Base salary	0	225	225	225	0	225
Perquisites	0	16	16	16	0	16
Total fixed remuneration	**0**	**241**	**241**	**241**	**0**	**241**
Short-term variable compensation (STI)	0	150	0	188	0	0
Long-term incentive (LTI) 2018–2022	0	75	0	188	0	0
RSU[1]	0	137	0	137		0
Total variable remuneration	**0**	**362**	**0**	**513**	**0**	**0**
Total	**0**	**603**	**241**	**754**	**0**	**241**

1 Amount corresponds to the IFRS cash value of 3,125 RSU.

Henrik Thomsen (Management Board member since 01/10/2019)

EUR thousand	Benefits granted 2018 Target	2019 Target	2019 Min	2019 Max	Benefits received 2018	2019
Base salary	0	113	113	113	0	113
Perquisites	0	5	5	5	0	5
Total fixed remuneration	**0**	**118**	**118**	**118**	**0**	**118**
Short-term variable compensation (STI)	0	75	0	94	0	0
Long-term incentive (LTI) 2018–2022	0	88	0	220	0	0
RSU	0	0	0	0		0
Total variable remuneration	**0**	**163**	**0**	**314**	**0**	**0**
Total	**0**	**281**	**118**	**432**	**0**	**118**

No loans or advance payments were made to members of the Management Board of Deutsche Wohnen SE in financial year 2019.

The following share options have been granted on the basis of the previous share option programme (SOP 2014):

	Michael Zahn					Lars Wittan					Philip Grosse				
	2014	2015	2016	2017	Total	2014	2015	2016	2017	Total	2014	2015	2016	2017	Total
Basis: 150% of LTI in EUR thousand	1,125	1,125	1,125	1,125		390	390	390	600		n/a	n/a	112.5	337	
Reference price in EUR	16.96	24.16	24.37	31.80		16.96	24.16	24.37	31.80		n/a	n/a	28.57	31.80	
Options granted	66,332	46,565	46,163	35,377	194,437	22,995	16,142	16,003	18,867	74,007	n/a	n/a	3,937	10,613	14,550
Thereof exercised options	66,332	46,565	–	–	112,897	22,995	16,142	–	–	39,137	n/a	n/a	–	–	0
Remaining options	0	0	46,163	35,377	81,540	0	0	16,003	18,867	34,870	n/a	n/a	3,937	10,613	14,550

The final number of share options that can be exercised per tranche is determined at the end of the four-year vesting period, depending on performance against the criteria mentioned above. The exercise period is three years and the exercise price is EUR 1.00.

The second tranche (2015) of the SOP 2014 became eligible for exercise in March 2019 after the Supervisory Board had determined the level of performance. Michael Zahn and Lars Wittan each exercised all of their share options in this tranche in financial year 2019 and received shares from Contingent Capital 2014/III.

Total expenses recognised for share-based remuneration in the reporting period were EUR 11 thousand for Michael Zahn, EUR 3 thousand for Lars Wittan, EUR 1 thousand for Philip Grosse, EUR 0 for Henrik Thomsen and EUR 0 for Lars Urbansky.

In addition to their outstanding share options, Michael Zahn holds 81,565 company shares, Philip Grosse 21,184 company shares, Henrik Thomsen 1,565 company shares and Lars Urbansky 1,215 company shares as of 31 December 2019.

Remuneration system for the Supervisory Board

Each Supervisory Board member receives fixed annual remuneration of EUR 75 thousand, the Chairman of the Supervisory Board three times this amount and the Deputy Chairman one-and-a-half times this amount. For membership of the Audit Committee a Supervisory Board member receives an additional EUR 15 thousand per financial year and the Chairman of the Audit Committee receives twice this amount. A fee of EUR 5 thousand per member and committee is paid for each financial year for membership of other Supervisory Board committees; the Chairman of the Committee receives twice this amount. Total remuneration, including remuneration for membership of Supervisory Board committees and comparable supervisory boards of Group companies may not exceed EUR 300 thousand per Supervisory Board member (not including any VAT payable) per calendar year, regardless of the number of committee memberships and functions.

The remuneration paid to Supervisory Board members in the financial year 2019 amounted to EUR 744,167 (previous year: EUR 772,083) net of value added tax. Matthias Hünlein received EUR 255,000 net (previous year: EUR 182,083), Dr Andreas Kretschmer received EUR 127,500 net (previous year: EUR 140,833), Jürgen Fenk received EUR 95,000 net (previous year: EUR 86,667), Arwed Fischer received EUR 43,750 net (Supervisory Board member since 18 June 2019), Tina Kleingarn received EUR 77,917 net (previous year: EUR 43,750), Dr Florian Stetter received EUR 105,000 net (previous year: EUR 101,250) and Claus Wisser received EUR 40,000 net (previous year: EUR 82,500, left the Supervisory Board as of 18 June 2019).

The company reimburses the Supervisory Board members for their out-of-pocket expenses. The VAT payable on the remuneration is reimbursed by the company to the extent that the Supervisory Board members are entitled to invoice the company for separate VAT and they exercise this right.

Furthermore, the company has taken out general 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. The excess is capped at one-and-a-half times the fixed annual remuneration for the respective Supervisory Board member for all losses occurring in a given insurance year.

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

TAKEOVER-RELATED INFORMATION

pursuant to section 289a and section 315a of the German Commercial Code [Handelsgesetzbuch – HGB]

Issued capital and shares

The registered share capital of Deutsche Wohnen SE as at 31 December 2019 amounted to EUR 359,715,653.00 (previous year: EUR 357,014,286.00). It is divided into 359,715,653 no-par value bearer shares, each representing a notional share of the registered capital of EUR 1.00 per share. Deutsche Wohnen SE issues bearer shares only.

All shares carry the same rights and obligations. Each share entitles the holder to one vote at the Annual General Meeting and determines the shareholders' shares in the profits of the company. The rights and obligations of the shareholders are outlined in detail in the provisions of the German Stock Corporation Act [Aktiengesetz – AktG], in particular sections 12, 53a et seq., 118 et seq. and 186; as a result, the company has no rights from its own shares in accordance with section 71b German Stock Corporation Act [Aktiengesetz –AktG]. There are no shares with special rights conferring powers of control.

Capital increase

On 12 July 2019 the company's Management Board decided, with the approval of the Supervisory Board, to use authorised capital to increase capital against contributions in kind. The in-kind contributions consisted of pro rata dividend entitlements from 101,027,046.6 shares, amounting to EUR 84,862,719.14 in total, which were created by the resolution taken at the Annual General Meeting on 18 June 2019 on the use of distributable profits. On 18 July 2019, 2,617,281 new no-par value bearer shares with dividend rights from 1 January 2019 onwards were issued.

Equity interests representing more than 10% of voting rights

Pursuant to section 33 para. 1 of the German Securities Trading Act [Wertpapierhandelsgesetz – WpHG], any shareholder whose shareholding reaches, exceeds or falls below 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 – BaFin] accordingly without delay. Any such notifications are published by Deutsche Wohnen SE pursuant to section 40 of the German Securities Trading Act [Wertpapierhandelsgesetz – WpHG]. BlackRock, Inc. reported a direct or indirect stake in the share capital of Deutsche Wohnen SE in 2019 that exceeded the threshold of 10% of voting rights. However, as of 31 December 2019, there were no holdings exceeding 10% of the voting rights.

Power of the Management Board to issue or buy back shares

Authorised Capital

By resolution of the Annual General Meeting held on 15 June 2018, which was entered into the commercial register on 16 August 2018, the Management Board was authorised to increase the company's issued capital, with the consent of the Supervisory Board, by up to EUR 110 million once or several times during the period until 14 June 2023 by means of the issuance of up to 110 million new ordinary bearer shares against cash contributions and/or contributions in kind **(Authorised Capital 2018/I)**. This authorisation was utilised in the context of the capital increase against contributions in kind in the form of pro rata dividend entitlements amounting to EUR 2,617,281.00 by issuance of 2,617,281 new shares. After partial utilisation, the Authorised Capital 2018/I continues to exist in the amount of up to EUR 107,382,719.00 through the issuance of up to 107,382,719 new no-par value bearer shares. The shareholders must always be granted subscription rights within the scope of the authorised capital. However, in certain cases, the Management Board will be 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.

Contingent Capital

Contingent capital for compensation of GSW shareholders

The issued capital of the company was originally contingently increased by up to a further EUR 15 million by means of the issuance of up to 15 million new no-par value bearer shares with dividend rights pursuant to a resolution adopted by the Annual General Meeting held on 11 June 2014 **(Contingent Capital 2014/II)**. This contingent capital increase serves to grant 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, currently at the exchange ratio of 7.0790 no-par value shares of Deutsche Wohnen SE in exchange for three no-par value shares of GSW Immobilien AG, as adjusted on 4 June 2015 in accordance with section 5 para. 4 of the domination agreement. To the extent that this is necessary pursuant to section 5 para. 2 of the domination agreement, the company will pay compensation for fractional shares in cash. EUR 9,147,904.00 of this Contingent Capital 2014/II had been used – by means of the issuance of 9,147,904 new no-par value bearer shares with a corresponding increase in the issued capital – by 31 December 2019, with EUR 5,852,096.00 remaining as at 31 December 2019. An Appraisal Proceeding pursuant to section 1 para. 1 of the German Act on Appraisal Proceedings [Gesetz über das gesellschaftsrechtliche Spruchverfahren – SpruchG], for a review of the appropriateness of the settlement offer and the compensation is pending with the district court of Berlin due to corresponding motions brought forward by individual shareholders of GSW. Therefore, GSW shareholders may, pursuant to section 305 para. 4, sentence 3 of the German Stock Corporation Act [Aktiengesetz – AktG], exchange their GSW shares for Deutsche Wohnen shares in accordance with the terms of the offer, the ruling in the shareholder action or an amicable settlement reached in this context, within two months of the publication in the German Federal Gazette [Bundesanzeiger] of the final ruling in the shareholder action. Should a court order or the terms of an amicable settlement determine a larger amount of compensation or a larger settlement, external shareholders of GSW may, to the extent permitted by the relevant statutory provisions, be able to demand additional settlement or compensation payments. In light of this, an issuance of shares remains a possibility.

Contingent capital to serve the share option programme 2014

Furthermore, the contingent increase of the registered capital, originally 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 to issue 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 grant its own shares for the purpose of upholding these subscription rights. Any new shares issued as a result of the exercise of share options will – to the extent legally and effectively permissible – 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. Alternatively, the new shares will be entitled to dividends as of the financial year in which they accrue. EUR 152,034.00 of this Contingent Capital 2014/III had been used – by means of the issuance of 152,034 new no-par value bearer shares with a corresponding increase in the issued capital – by 31 December 2019, with EUR 12,727,718.00 remaining as at 31 December 2019.

Contingent capital to serve the convertible bonds 2017–2024

The **Contingent Capital 2015/I** amounting to EUR 50 million serves the issuance of shares to the owners of convertible bonds with a total nominal value of EUR 800 million issued by the company on 27 February 2017 pursuant to the authorisation of the Annual General Meeting of 12 June 2015. 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.

Contingent capital to serve the convertible bonds 2017–2026

The **Contingent Capital 2017/I** amounting to EUR 30 million serves the issuance of shares to the owners of convertible bonds with a total nominal value of EUR 800 million issued by the company on 4 October 2017 pursuant to the authorisation of the Annual General Meeting of 2 June 2017. The share issue will only take place insofar as conversion rights arising out of the convertible bonds are exercised, or insofar as conversion obligations arising out of the bonds are fulfilled, and own shares, shares issued out of authorised capital or other benefits are not used to service the obligations.

Contingent capital to serve future conversion or option obligations

A resolution adopted by the Annual General Meeting held on 15 June 2018 authorised the contingent increase of the issued capital by up to a further EUR 35 million by issuing up to 35 million new no-par value bearer shares **(Contingent Capital 2018/I)**. If conversion rights or warrants are exercised or conversion or warrant obligations are met, the contingent capital increase serves to issue shares to the holders or creditors of convertible bonds or bonds with warrants, profit participation rights and/or profit-sharing bonds (or a combination of these instruments), which are issued before 14 June 2023 by the company, or companies which are controlled or majority owned by the company, on the basis of the authorising resolution adopted by the Annual General Meeting held on 15 June 2018. The resolution adopted at the Annual General Meeting held on 15 June 2018 authorised the Management Board with approval 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) with a nominal value of up to EUR 3.0 billion, and to grant the creditors thereof conversion or option rights for the company's shares representing a share of the issued capital of up to EUR 35 million. The share issue will only take place insofar as conversion rights arising out of the convertible bonds are exercised, or insofar as conversion obligations arising out of the bonds are fulfilled, and own shares, shares issued out of authorised capital or other benefits are not used to service the obligations.

Acquisition of own shares
The acquisition of own shares is authorised pursuant to article 9 para. 1 c) (ii) SE Regulation in conjunction with section 71 et seq. German Stock Corporation Act [Aktiengesetz – AktG] and also, as at the balance sheet date, by the Annual General Meeting held on 15 June 2018. The Management Board is authorised, with the consent of the Supervisory Board and subject to compliance with the principle of equal treatment of shareholders pursuant to article 9 para. 1 c) (ii) SE Regulation in conjunction with section 53a German Stock Corporation Act [Aktiengesetz – AktG] to purchase and use the company's own shares until 14 June 2023 up to a total amount 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 own shares the company has previously acquired and still holds or are attributable to it under section 71a et seq. of the German Stock

Corporation Act [Aktiengesetz – AktG] may not at any time exceed 10% of the company's share capital. The authorisation may not be used for the purpose of trading in own shares.

Utilising the authorisation the Management Board of Deutsche Wohnen SE, with consent of the Supervisory Board, has resolved to carry out a share buy-back program on 12 November 2019 with a maximum volume of up to 25 million shares of Deutsche Wohnen SE for a total maximum purchase price (excluding incidental costs) of up to EUR 750 million. The buy-back via Xetra trading of the Frankfurt Stock Exchange will begin on 15 November 2019 and will terminate at the end of 30 October 2020 at the latest. The shares bought back shall be used for purposes permitted by the authorisation to acquire own shares by the Annual General Meeting of 15 June 2018. More detailed information pursuant to article 5 section 1 lit. b) and section 3 of the Regulation (EU) No. 596/2014 in conjunction with article 2 section 2 and section 3 of the Commission Delegated Regulation (EU) No. 2016/1052 is available on the internet at www.deutsche-wohnen.com/share-buy-back.

Share buy-back programme

As at 31 December 2019, the company held 2,628,698 own shares. A share capital of EUR 2,628,698.00 is attributable to these 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 by the Supervisory Board pursuant to articles 9 para. 1 and 39 para. 2 SE Regulation and sections 84 and 85 of the German Stock Corporation Act [Aktiengesetz – AktG]. The Supervisory Board of Deutsche Wohnen SE 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 SE additionally stipulate in article 8 para. 1 and para. 2 that the Management Board has to consist of at least two members and 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 Officer or Spokesperson of the Board.

According to article 59 SE Regulation, the Annual General Meeting decides on changes to the Articles of Association. Pursuant to section 14 para. 3 sentence 2 of the Articles of Association, amendments to the Articles of Association require a majority of two-thirds of the votes cast, unless mandatory statutory provisions require a different majority, or, if at least half of the share capital is represented, a simple majority of the votes cast. Pursuant to section 179 para. 1 sentence 2 of the German Stock Corporation Act [Aktiengesetz – AktG] in conjunction with section 14 para. 5 of the Articles of Association, the Supervisory Board is authorised to make changes to the Articles of Association which merely affect the wording thereof.

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

The material agreements of Deutsche Wohnen SE and its Group companies which are subject to a change in control primarily relate to financial 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 an impact on bonds issued by Deutsche Wohnen SE, especially convertible bonds and bearer bonds, existing credit lines and loan agreements between Deutsche Wohnen SE or Group companies and banks. 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 in control of the company, the members of the Management Board will receive benefits in accordance with the requirements of section 4.2.3 of the German Corporate Governance Code in the version effective on the balance sheet date and with the limitation on the cap on remuneration prescribed therein in each case.

CORPORATE MANAGEMENT

We have published the information according to section 289f and section 315d of the German Commercial Code [Handelsgesetzbuch – HGB] on our website.

Corporate governance report

Berlin, 19 March 2020

Michael Zahn Chairman of the Management Board	Philip Grosse Management Board	Lars Urbansky Management Board	Henrik Thomsen Management Board

NON-FINANCIAL GROUP STATEMENT

Deutsche Wohnen SE is publishing this non-financial Group statement for the 2019 financial year in accordance with section 315b et seq. of the German Commercial Code [Handelsgesetzbuch – HGB], pursuant to the German CSR Directive Implementation Act [CSR-Richtlinie-Umsetzungsgesetz – CSR-RUG]. The statement addresses the most important non-financial matters, which were identified based on their having a significant impact on the environment or the company's employees, or due to their relevance to social issues, corruption, bribery, human rights or the business activities of Deutsche Wohnen in 2019. In writing the statement, we have followed the standards of the Global Reporting Initiative. The reported key figures are self-defined indicators of performance.

An internal process has been established with the specialist departments and the Management Board to determine the main topics of the non-financial Group statement in accordance with the CSR-RUG. Based on the GRI Standards, the impact and risks of activities carried out by Deutsche Wohnen were assessed with regard to the sustainability issues specified in legislation in addition to their relevance for understanding the company's performance and results. There follows a report on the identified key topics. We have structured the non-financial Group statement in line with our five fields of activity, following the structure of our sustainability report.

The non-financial Group statement is based on the standards of the Global Reporting Initiative.

Furthermore, the combined management report presents additional measures and activities carried out by Deutsche Wohnen SE as part of its sustainability management programme. References can be found in the relevant sections of the non-financial Group statement. With regard to risks and risk management, we refer to the combined management report in addition to those presented in this statement.

Risk and opportunity report from page 73

The non-financial Group statement has been subjected to a voluntary audit with limited assurance by accounting firm KPMG AG.[1] More detailed information about the activities of Deutsche Wohnen SE in the area of sustainability can be found in the comprehensive sustainability report, scheduled for publication online in June 2020 at www.deutsche-wohnen.com/sustainability. This report will be prepared in accordance with the GRI Standards (Core option).

Sustainability report

Business model

Deutsche Wohnen is one of the leading publicly listed real estate companies in Germany and Europe. Its property portfolio comprises around 164,000 residential and commercial units and has a fair value of some EUR 24.2 billion.[2] Our portfolio also includes nursing properties with a fair value of around EUR 1.3 billion, comprising approximately 12,200 beds and apartments for assisted living. Further information about the business model can be found in the combined management report.

Fundamental aspects of the Group from page 33

1 Only the figures for 2019 were checked within this non-financial statement.
2 Excluding advance payments, units under construction and undeveloped land

Responsible business management

Through its core business of providing housing, the real estate sector has an influence on how people live together as well as the design of cities. As one of the largest property companies in Europe, we recognise our duty to assume responsibility in these areas. We see the challenges of tomorrow as an opportunity to define a strategic approach to responsible business management and to integrate our targets in our day-to-day activities.

As part of the housing industry, Deutsche Wohnen is currently the focal point for many challenging trends affecting our society, including climate protection, gentrification, a shortage of housing, rising rents and demographic change. On the one hand the need for additional housing is undisputed, but on the other it has to be affordable, all while taking national and international climate goals into account. These challenges have become much more prominent in the public debate and have already led to political responses. By the decision to freeze rents in Berlin (Mietendeckel), for example, the Berlin Senate has introduced a significant regulatory intervention in the housing market of the capital city.

The housing industry is facing many social challenges.

This development shows that our business is dependent on the social and regulatory environment. Which is why we are convinced that we will only be able to address the challenges described above adequately when tenants and policymakers support the activities required to create urgently needed housing. At the same time the affordability of housing must not be played off against climate protection. Here, too, the involvement of all stakeholders is called for to distribute the burden of climate protection fairly, because this is the only way we can afford problems of acceptance. In its voluntary commitment, “Our promise to our tenants”, Deutsche Wohnen has taken a clear position and so is actively involved in improving the pressure on the housing market. The Berlin Dialogues organised by Deutsche Wohnen in October and November 2019 also contributed to an active exchange between policymakers responsible for the housing sector and the general public. The results are documented in a Pact for Fair Housing, which was published in December 2019. The pact comprises the following elements: 1. Urgently needed housing should be provided by systematic new building; 2. Tenants should be supported and protected according to their individual income; 3. Refurbishment should be subsidised, the division of costs regulated and climate protection measures advanced; 4. Unused building land should be reclaimed for urban development. The proposals it has generated were presented to the public in December 2019.

Deutsche Wohnen is actively involved in improving the pressure on the housing market.

The Deutsche Wohnen sustainability strategy

Sustainability and responsibility for the environment, society, customers and employees are vitally important for Deutsche Wohnen. We firmly believe that a sustainable approach to business secures the future viability of our company and benefits our stakeholders.

Our strategic approach aims to combine cost-effectiveness with quality housing for our customers and energy efficiency in our properties. We therefore invest substantially to insulate the fabric of the buildings and improve the energy balance of the technical facilities. In doing so we pay attention to the wider energy environment and the use of environmental and durable materials. We are aware of our social responsibility in our refurbishment work and give a high priority to carrying it out in a socially acceptable way.

To this end, we foster a corporate culture whose main pillars are respect, diversity, openness and high quality. The fact that sustainability forms part of the group strategy is reflected in our daily work processes.

Sustainability is reflected in our daily work process.

Since 2013 Deutsche Wohnen has followed the globally acknowledged GRI guidelines to report on its understanding of sustainability and its sustainability performance in an economic, ecological and social context. In addition, we follow the best-practice recommendations for sustainability reporting from EPRA (EPRA sBPR), an association of publicly listed property companies, in order to ensure continuity and comparability for investors across the European real estate industry. Furthermore, we are committed to the German Sustainability Code [Deutscher Nachhaltigkeitskodex – DNK], and we meet the supplementary requirements that specifically apply to the housing sector.

Regular, transparent communication with our stakeholders is of great importance for our company and, in particular, for the further development of our sustainability strategy. Our key stakeholders include our customers, employees, investors and analysts, business partners, politicians, trade associations and the media.

Sustainability programme

Our sustainability programme consists of strategic and operational goals as well as the related measures in our five areas of activity. In addition, it documents the progress we make and our performance against targets in the corresponding areas. The programme forms the basis for managing our sustainability goals, which also contribute to the achievement of our business objectives. The entire Management Board is responsible for the sustainability strategy. The Sustainability Management/CSR Reporting department, which is responsible for the operational implementation, reports directly to the CFO. An overarching Sustainability Board was also established the previous year to ensure the strategic management and continuous development of sustainability within the company and of the sustainability programme.

The entire Management Board is responsible for the sustainability strategy.

Avoidance of human rights abuses

Respect for human rights is part of responsible corporate governance for Deutsche Wohnen. Our aspiration and our goal is to comply with human rights in all areas of our business activities. Deutsche Wohnen expects its business partners to do the same and to take steps to ensure that their own business partners, sub-contractors and service providers in turn meet their own duty of care in human rights matters. The Code of Conduct for business partners of Deutsche Wohnen specifies these expectations, building on the applicable conventions of the International Labour Organisation (ILO) and the UN Guiding Principles of Business and Human Rights. They are particularly intended to prevent any form of unethical or illegal working conditions, such as illegal, forced, obligatory or child labour, and to stop any form of discrimination based on origin, skin colour, ethnicity, religion, political conviction, gender, sexual orientation, disability, age or other personal characteristics. Deutsche Wohnen reserves the right to take appropriate action against business partners for grave breaches of the Code of Conduct.

The avoidance of human rights abuses also forms part of specific clauses in framework agreements with individual business partners, particularly relating to the prevention of illegal employment or payment of the minimum wage. Other examples include contractual provisions on health and safety at work, which are intended to ensure the safety of the people employed by our contractors on our building sites.

We expect our business partners to behave with integrity. The companies concerned must therefore be listed in the Directory of Companies and Suppliers for Public Contracts [Unternehmer- und Lieferantenverzeichnis – ULV] in Berlin or prequalified in all other regions of Germany. Alternatively, companies must complete a self-declaration for suitability with the disclosures required by section 6a of VOB/A.

We expect our business partners to behave with integrity.

One key instrument for detecting human rights abuses is the whistle-blower scheme for employees, customers and suppliers. No human rights abuses were reported or identified via this scheme in the reporting period.

Combating corruption and bribery

As landlords and parties to transactions of all kinds, Deutsche Wohnen SE and its group companies are dependent on gaining and maintaining the trust of customers, purchasers and business partners. For Deutsche Wohnen, its management and supervisory boards and employees this means that compliance is not only adherence to the law and the articles of association, but also compliance with internal instructions and commitments, in order to put the values, principles and rules of responsible corporate governance into practice on a daily basis. It is vital that the Code of Conduct of Deutsche Wohnen is embedded in its organisational structure, because it depends on the responsibility and initiative of its managers and employees to fulfil its tasks.

We have implemented clear rules on corruption prevention.

Compliance with statutory provisions, the standards of the German Corporate Governance Code and the Code of Conduct is an important principle for Deutsche Wohnen SE. We encourage our employees to notify us of any infringements. For this purpose we have set up a whistle-blower system for employees and business partners, which can also be used anonymously if desired. All the business segments and processes at Deutsche Wohnen are subject to regular reviews of compliance risks.

Managers sensitize their employees to compliance with the internal Code of Conduct.

Deutsche Wohnen has drawn up a Code of Conduct to implement the values, principles and rules of responsible corporate governance and to combat corruption and bribery in day-to-day business. It applies to all the staff across Deutsche Wohnen. The Code of Conduct is reviewed regularly and is continuously developed. An anti-corruption policy also includes detailed instructions on compliance with legislation and internal rules for combating corruption and bribery. Unlawful influencing of or by business partners by means of preferential treatment, gifts or other benefits is prohibited without exception under the policy. All employees are required to confirm that they have received and understood this policy when they start work. Managers must make their employees aware of the need for compliance. An e-learning programme for permanent staff training is available to all employees with intranet access. Furthermore, in line with the principle of double verification, a signature policy applies throughout the company based on value limits. This may require a second signature and a plausibility check when an order is placed, for example. Risks arising from corporate governance are monitored in the legal and compliance department and are included in a risk inventory as part of the overall risk management system.

Code of Conduct for business partners

The Code of Conduct for business partners of Deutsche Wohnen that came into effect in May 2019 is based on the Code of Conduct for our employees. We attach great importance to respectful cooperation with our business partners. The Code defines the standards for our business partners in terms of compliance with legislation, integrity and ethical benchmarks. So for example we expect all our business partners to follow the laws and regulations applicable to them, particularly anti-corruption, anti-money laundering, monopolies, competition, environmental, data protection and capital markets legislation. We do not tolerate any form of corruption or other unfair business practices and expect the same from our business partners. Conflicts of interest that could lead to corruption risks are also to be avoided.

In the reporting year 2019 there was one confirmed case of corruption at a subsidiary of Deutsche Wohnen. The contractual relationship with the freelancer concerned was ended. The police were informed after an internal investigation had been completed. The public prosecution service is still carrying out enquiries. Otherwise, no incidents of corruption have been identified and there were no confirmed cases of employees being dismissed or warned because of corruption.[3]

Data protection

Deutsche Wohnen processes personal data, in particular about its customers, employees, applicants and business partners, for reasons such as fulfilling its contractual obligations or for statutory purposes. Responsible information handling and compliance with data protection regulations are high priorities for us.

3 As of 31/12/2019

An internal data protection coordinator liaises between internal contacts who deal with specific data protection issues in each department and the external data protection officer. This happens in close discussion with an in-house counsel in the legal and compliance department who primarily deals with data protection issues.

The General Data Protection Regulation [Datenschutz-Grundverordnung – GDPR] and the Federal Data Protection Act [Bundesdatenschutzgesetz – BDSG] are the most important pieces of legislation that define generally applicable data protection rules. The necessary technical and organisational measures have been implemented within the company to protect data, and we are constantly working to optimise these in line with requirements.

In the reporting year there was one notifiable incident, which was reported to the data protection authority. The incident was due to an individual mistake. The person responsible was again made aware of the importance of data protection. The competent data protection authority confirmed that it had received the report, but did not make any further use of its powers.

In another case the competent supervisory authority imposed a fine on Deutsche Wohnen SE in the fourth quarter of 2019, which Deutsche Wohnen SE has appealed against. If the supervisory authority does not retract the fine, the case will be sent for judicial review. The alleged infringements relate to a data archival solution that Deutsche Wohnen SE has already replaced.

Responsibility for our customers and properties

Contemporary living standards and a sound infrastructure are not only important for the well-being of each individual; they also contribute to a positive social climate.

Through ongoing investment in maintenance and refurbishment, Deutsche Wohnen maintains the quality of the buildings in its portfolio and ensures that they remain attractive. We focus on strong tenant communities, which allow the stable development of urban neighbourhoods. Combined with dedicated administrative staff and a central service centre well placed to deal with any questions from tenants, this means we make an important contribution to the satisfaction of our customers.

When planning new city estates we follow acknowledged sustainability certification processes that cover the entire lifecycle of a building.

Tenant dialogue

In the event of maintenance and refurbishment work, Deutsche Wohnen provides information at an early stage and establishes contact with tenants through activities such as tenant meetings, tenant talks and personal visits. First and foremost, our customers can reach us through local estate offices or our central Service Centre. We have also set up an online customer portal that is constantly being developed and improved. In doing so, we aim to intensify contact with our tenants while simplifying processes and making them faster. Tenants can find answers to many questions about their tenancy and other useful services on our website. In addition to increasing the exchange of information, we aim to encourage more active participation by our residents in the life of their estates.

Online customer portal

Customer satisfaction

In its voluntary commitment published in 2019, "Our promise to our tenants", Deutsche Wohnen is making an active contribution to relieving the pressure on the housing market. Deutsche Wohnen did not raise rents to the full extent or at all in a total of 259 cases in 2019 as a result of its tenant promise.

Our tenant promise

Our focus is on long-term tenancies and high customer satisfaction. We measured this satisfaction in 2017 and 2019 by carrying out a comprehensive tenant survey, and intend to repeat this process every year in order to identify specific improvements with the potential to increase satisfaction. At the same time, we can see to what extent measures taken have had an effect and where further optimisation is required. The participation rate for the survey rose from 20% in 2017 to 36% in 2019. The latest survey of our tenants revealed that Deutsche Wohnen has improved in the main areas covered by the questionnaire in comparison with the previous survey. Of the tenants surveyed, 78% are satisfied or very satisfied with Deutsche Wohnen as a landlord. This is some seven percentage points more than in 2017. 87% said they were satisfied or very satisfied with their apartment, which is an increase of six percentage points. There is potential for improvement, however, as with the processing time or the cleanliness of the estates. We have already increased the number of caretakers in order to give our tenants a point of contact on-site and to improve the level of service, cleanliness and security.

Performance indicator	2019	2017
Tenant survey: Satisfaction with housing situation	87%	81%
Satisfaction with Deutsche Wohnen as landlord	78%	71%

Health and safety of customers

The health and safety of our customers is our main concern. The building materials used have an impact on the environment throughout the life cycle, from the extraction of raw materials to manufacturing processes and disposal. For this reason, Deutsche Wohnen pays attention to ecological and health-related aspects in procurement. Given that environmentally friendly materials are usually more expensive, this decision has a direct impact on the bottom-line result.

Deutsche Wohnen's consumption of materials relates to three categories: major projects, such as the refurbishment of residential units; smaller projects carried out as part of its ongoing maintenance activities; and new construction measures. These projects are carried out by external subcontractors, which means that Deutsche Wohnen is only able to influence the choice of materials by imposing specifications. As a rule, all materials used must comply with German laws and regulations. Any specifications that are more stringent represent an additional contribution to environmental protection.

Dealing with contaminated sites

The majority of residential units in Deutsche Wohnen's portfolio were not built by the company itself. In certain cases, these buildings still contain materials that were deemed to be modern from a technical perspective at the time of construction, but would now be considered harmful if they were released into the environment. These materials should be replaced before they can come into contact with their surroundings.

The handling of hazardous building materials is subject to strict regulations in the form of guidelines and laws. When replacing and disposing of asbestos and other notifiable waste, Deutsche Wohnen adheres to the Technical Rules for Hazardous Substances [Technische Regeln für Gefahrenstoffe – TRGS], which are part of the Technical Building Rules [Technische Baubestimmungen]. Any materials in existing buildings containing asbestos or other harmful substances are replaced with suitable materials. The contaminated materials are disposed of correctly in order to avoid any risk to people or the environment. In the 2019 financial year, a subcontractor was commissioned by a contractor to dispose of unknown contaminated excavated earth without consent or approval. The contractor has so far not been able to provide evidence of the proper disposal of the excavated earth by presenting proper disposal certificates. Competent authorities were involved.

When carrying out maintenance and refurbishment work as well as new construction projects, we treat ground soil on the site with due care. New building plots are carefully examined for contamination and are treated in accordance with the statutory requirements of the Federal Soil Protection Act [Bundes-Bodenschutzgesetz – BBodSchG].

Specifications for system providers

As part of its technical facility management Deutsche Wohnen works with a system provider, B&O Service Berlin GmbH. This company carries out repair and maintenance work in line with the contractual provisions, whereby it may also outsource work to subcontractors. Standard price lists apply to some of the work it carries out. So in the case of tenant turnover they cover 80% to 90% of the standardised work carried out when one tenant moves out and a new tenant moves in. They define the standard-quality products that system suppliers can install, including washbasins, tiles and fittings. Another standard price list was developed in 2017 with quality criteria for frequent work with an individual contract value of more than EUR 1,000 in the ongoing maintenance segment.

As part of its technical facility management activities, Deutsche Wohnen coordinates the purchase of materials, products and services also through the system service provider B&O Service Berlin GmbH. The applicable quality standards on this front are the building rules lists issued by the German Institute of Construction Technology [Deutsches Institut für Bautechnik – DIBt]. As part of the quality assurance system, approval of services rendered ensures that the relevant specifications are met.

Refurbishment work

Deutsche Wohnen is continually refurbishing its portfolio. We follow an approach that is as sustainable as possible, making individual plans for each building. For example, we use mineral wool to insulate facades, avoiding polystyrene. When working on windows, we aim to restore old installations with wooden frames where possible and fit new windows made from plastic or wood as appropriate. We also make sustainable plans when redesigning outdoor facilities. This applies to the handling of rainwater, for instance, the planting of trees adapted to the climate (resistant, tough species that can withstand dry periods) and increasing biodiversity by planting a wide range of species that attract pollinators.

We refurbish our portfolio in a sustainable way.

Our portfolio includes many residential estates that are several decades old. About 80% of our properties were built before the 1980s and more than a third are buildings from before 1949. Here we aim to remain as close as possible to the original design, especially when carrying out refurbishment work.

This applies to factors such as the colour of facades, plasterwork and the restoration of balconies. For our listed properties, we work closely with conservation experts and the local listed building authorities, acting in compliance with all the applicable regulations.

Criteria for new construction projects

Deutsche Wohnen ensures that its new construction projects are in line with recognised sustainability criteria, such as the standards of the German Sustainable Building Council [Deutsche Gesellschaft für Nachhaltiges Bauen – DGNB] or the Sustainable Housing evaluation system [Nachhaltiger Wohnungsbau – NaWoh]. Qualified agencies for sustainable building certification monitor new construction projects and provide advice, concepts and measurements that are necessary for the respective sustainability certification. They also coordinate documentation for planning and construction, incorporating specifications for sustainable materials in supplier contracts. For all construction work, materials should only be used if there is established proof that they do not present health or environmental risks with regard to their extraction, transport, processing, use and disposal. Checks and quality assurance are carried out by the commissioned architect.

Responsibility for our employees

77%
of the surveyed employees are satisfied with Deutsche Wohnen.

Only with highly qualified, motivated employees is Deutsche Wohnen able to continue its successful business activities into the future. For that reason, recruitment and staff retention are very important. We want to be an attractive employer for employees and junior staff, offering interesting career development and professional opportunities while guaranteeing fair remuneration and making it possible to achieve a healthy balance between work and family life. In particular, we pay close attention to the qualified training and development of our staff. All these topics, the regular and systematic staff survey and structured debriefing sessions with departing employees as part of our fluctuation analysis feed into our HR development work.[4] This allows us to avoid the costs associated with staff turnover and ensure the successful implementation of our corporate strategy. In 2019, 71% of all employees asked took part in the survey. The results show that 77% of them are satisfied with Deutsche Wohnen as an employer. The welcome culture, mutual support within the team and management were all rated very highly, for instance. Potential for improvement is seen, for example, in terms of better information flows between organisational units.

We have established a binding Code of Conduct for all employees and managers and implemented employer values that promote trust and mutual respect among all staff and in dealings with third parties. Building on the new value system we have initiated an ideas competition entitled "Opportunity Thinker". In this context, all employees were asked to think of strategic ideas or suggestions for operating improvements. It produced a total of 118 suggestions, which were ranked and judged by a jury. Four of the ideas were selected for special prizes, including concrete ideas for improving everyday work processes for our employees, an ideas competition for our customers and a blood donation scheme for Deutsche Wohnen employees. Some of these ideas have already been put into practice and others will be in the future.

4 The following HR development work relates to all companies with employees, apart from FACILITA, PFLEGEN & WOHNEN HAMBURG and SYNVIA media GmbH.

Staff development

The Human Resources department has a policy of structured staff development and individual support, helping employees to develop their personal strengths. Regular staff surveys, our "protected space" format for internal job changes, and a generational analysis provide important information about the abilities and needs of our employees. These activities help us to appoint in-house specialists to fill key roles and to retain employees who demonstrate strong performance for the long term.

We foster the development of suitable junior staff through our various apprenticeship, trainee and management development programmes as well as dual courses of study. Deutsche Wohnen has won several prizes in this area, including the Fair Company Award from the website karriere.de, and the Excellent Training Quality certificate from the Chamber of Trade and Industry. In addition, we were given five out of five stars by the business magazine Capital in the categories Vocational Training and Dual Study Courses in its survey of Germany's Best Training Company, making us one of the best companies in Germany for an apprenticeship.

Through an internal professional development programme we ensure that training is suited to the specific needs of the target group. To ensure that these activities are effective, we are also currently implementing a structured efficiency analysis for the contents of the programme.

Performance indicators for the training programme[1]	2019	2018	2017
Investment in professional training	EUR 641 thousand	EUR 788 thousand	EUR 685 thousand
Training hours per employee	15	22	18
Training ratio for total workforce	43.0%	54.8%	73.4%
Training ratio for managers	78.6%	81.9%	89%

1 Not including FACILITA, PFLEGEN & WOHNEN HAMBURG and SYNVIA media GmbH

Fair remuneration

The performance-related pay structure introduced[5] in 2014, which is in line with the market, sets out uniform, gender-independent standards and is intended to increase overall employee satisfaction. Clear rules form the basis for equal pay for equal work. On the basis of a comprehensive market survey (collective bargaining agreements, pay surveys for the property industry), five to seven salary levels were defined as appropriate for all the functions in the individual Deutsche Wohnen companies. They are reviewed regularly on the basis of current market benchmarks and adjusted as necessary, most recently in April 2019.

5 The remuneration structure does not cover the upper level of management below the Management Board.

Work-life balance and additional benefits

To promote a positive work-life balance, Deutsche Wohnen offers a range of part-time and flexitime models. Employees also have the option of working from a home office. An occupational health management programme offers benefits such as health awareness days, free massages, organic fruit and sports events with the aim of creating a healthy working environment. Following an employee survey on occupational health management, the company also introduced the "machtfit" health platform with a wide range of subsidised health and fitness courses for staff. Further information can be found in the "Employees" section.

Part-time and flexitime models improve work-life balance.

Employees from page 30

Performance indicators[1]	2019	2018	2017
Part-time ratio[2]	13.6%	12.3%	9.2%
Use of home office	48%	22%	n/a
Use of "machtfit" (number of bookings)	1,087	797	n/a

1 Not including FACILITA, PFLEGEN & WOHNEN HAMBURG and SYNVIA media GmbH
2 As of 31/12/2019

Responsibility for the environment and climate

The signatory countries to the Paris Agreement have agreed on common goals for reducing energy consumption and CO_2 emissions. The German government's target is to reduce emissions of greenhouse gases by 80% to 95% compared with 1990 by the year 2050. Deutsche Wohnen is convinced that climate protection is a task for the whole of society, which has to be tackled by companies, the state and citizens equally. This requires a constructive dialogue in the spirit of socially acceptable climate protection, which involves all stakeholders.

As a sponsoring member of the foundation Stiftung 2° [Deutsche Unternehmer für Klimaschutz] Deutsche Wohnen supports this commercial alliance for climate protection. With its position paper "Recommendations for Improving Climate Protection in the Property Sector" as part of the Stiftung 2° Business Initiative for Climate Protection Legislation, Deutsche Wohnen underlines its engagement for a predictable framework for achieving the climate protection goals.

Energy

The property sector plays a key role in climate protection in Germany, with some 20 million rental units. Property accounts for around 36% of energy consumption and more than one-third of climate emissions in Germany. Older buildings in particular have great potential for improving their energy efficiency.

In order to make a contribution to achieving the national and international climate protection targets, Deutsche Wohnen boosts the energy efficiency of the buildings in its portfolio and uses energy from renewable souces. With all these activities, the aim is to manage the interdependencies between economic, ecological and social aspects.

Energy management is the responsibility of the Chief Development Officer (CDO) at Deutsche Wohnen. He is involved in the strategic planning of energy management and attends the monthly meetings. Additionally, important decisions are discussed and made in the regular Board meetings of Deutsche Wohnen.

Energy concept: holdings
As part of our portfolio investments we have spent over EUR 1 billion in the past three years. In the years ahead we are planning further investments, depending on the regulatory environment, to keep improving the quality of our residential holdings. The relevant measures include adding insulation to facades, basement ceilings and roofs, as well as improving the standard of equipment in apartments, replacing or renovating windows to improve energy efficiency, progressively switching of energy carrier, and renewing heat generation plants. One of the goals in this area is to cut annual CO_2 emissions by 20,000 tonnes from 2022 onwards. As a result, Deutsche Wohnen also intends to ensure compliance with current and future legal requirements, such as the Federal Immission Control Act [Bundes-Immissionsschutzgesetz – BimSchG] and the German Energy Saving Ordinance [Energieeinsparverordnung – EnEV]. Further information about this topic can be found the combined management report.

Property portfolio from page 38

Performance indicator	2019	2018	2017
Average energy intensity[1]	128,9 kWh/ sqm per year	132.3 kWh/ sqm per year	133.4 kWh/ sqm per year

1 Weighted average of final enery consumption based on current energy performance certificates of properties (the approximately 30,000 listed units are not taken into consideration because no energy certificate is required for them).

Energy requirement of tenants
In the housing sector, it is customary for tenants to enter into their own contracts with utility companies for the supply of electricity and gas. Deutsche Wohnen has no direct influence on the choice of suppliers or the energy consumption of tenants. Around 90% of the general electricity supply for our rental portfolio was from certified green electricity (100% renewable energy).

We try to raise our tenants' awareness of environmental issues. For example, a billing system based on the consumption of resources (heating, hot water and cold water) can influence a change in consumer behaviour. In the context of complex refurbishment work this is achieved by fitting of heat cost allocators or meters for cold and hot water, which allows consumption-based billing.

Energy concept for new buildings
By 2023 Deutsche Wohnen intends to build new estates qualifying for recognised sustainability certificates (NaWoh and DGNB) for up to 5,000 tenants. When planning and building new estates we ensure greater energy efficiency, as well as other measures. Accordingly, we examine ways to reduce energy consumption and to use renewable energy at an early stage, incorporating these into our urban development plans. Our focus here is on the energy standard of planned buildings and the supply of heating. Deutsche Wohnen therefore designs and constructs new buildings in accordance with integrated energy concepts. Further information can be found in the combined management report.

Criteria for new construction projects from page 112

In-house energy consumption

As part of the energy audit conducted in accordance with DIN EN 16247-1 in January 2019, Deutsche Wohnen had comprehensive information about energy consumption collected at its own office locations and verified by on-site inspections. Analysis of this data revealed potential energy savings as well as possible measures to optimise energy flows in the company. Since 2012, we have been using energy from certified green electricity to meet most of the total in-house electricity requirements of our administrative offices.

Social responsibility

To us, the neighbourhood is just as important as the home itself. That is why we promote the healthy development of our estates by ensuring a balanced social and demographic tenant structure, protecting small traders and setting up nurseries and childcare centres, for instance. As part of the urban community we are also committed to many charitable projects, particularly in the provision of suitable living space, as well as financial support for activities in the fields of the arts, culture and sport. We also consider our investments to protect historic architecture in the spirit of listed building regulations as a key part of our social engagement.

We promote the healthy development of our estates.

The Management Board is closely involved in the strategic planning of all major activities.

Urban design

The design of Deutsche Wohnen housing estates has a positive impact on the surrounding areas. Most buildings are surrounded by green open spaces that are tended by Deutsche Wohnen as recreation areas that also improve air quality. Other features that promote a pleasant living environment include green roofs and playgrounds. In our "promise to our tenants" we undertake in future to let one in four apartments to tenants entitled to a certificate of eligibility to live in social housing (Wohnberechtigungsschein), who would otherwise have difficulties finding accommodation. In addition, we offer advice for tenants whose needs have changed. Deutsche Wohnen will never terminate a tenancy agreement to use the apartment itself.

In the business field of Nursing and Assisted Living, our facilities have been transformed over a number of years into social and community centres offering a broad range of cultural activities and in-house restaurants. These are open to residents as well as external guests.

Social engagement

Deutsche Wohnen would also like to help to make cities a pleasant place to live and to strengthen social structures through ongoing dialogue and cooperation with residents, politicians and providers of social services. In its "promise to our tenants" Deutsche Wohnen also undertakes to increase its engagement for non-profit and social projects. We are currently examining for what we will provide resources in the years ahead. We will also enter into discussions with people from the urban community and decide together on how the funds will be used.

Our social responsibility applies particularly to our core housing-related competences. We let commercial space in our neighbourhoods to social institutions on favourable terms, subsidise the employment of social workers and provide housing to people experiencing hardship. We have also been working with local authorities and social initiatives since 2015 to facilitate the integration of refugees. We donate money to support initiatives that have a positive influence on relationships between neighbours in our estates and that help to build a successful community.

Performance indicator	2019	2018	2017
Newly let apartments to people in social hardship	3.5%	4.5%	4.8%

In addition, we are a Platinum Partner of the Berlin Füchse handball team, an Official Partner of the Berlin Olympic Centre [Olympiastützpunkt – OSP] and an Official Title Partner of the Women's Sculling Team within the German Rowing Association [Deutschen Ruderverband – DRV] for professional athletes in Berlin. The aim of the partnerships with both the OSP and the DRV is to ensure that the athletes have optimal training conditions to prepare for the Olympic Games 2020 in Tokyo. The focus of the long-term cooperation with the Berlin Füchse is partly on supporting the outstanding and sustainable junior division of this successful handball club.

Preservation of listed buildings

Deutsche Wohnen is one of the largest private owners of listed residential properties in Germany, with more than 30,000 residential units in this category. They include the four housing estates in Berlin that are UNESCO World Cultural Heritage sites: Ringsiedlung Siemensstadt, Weiße Stadt, Wohnstadt Carl Legien and the Hufeisensiedlung Britz. We have many years of experience in the conservation of historic buildings and monuments, for instance in the area of energy-related refurbishment work. By protecting historic buildings and listed architecture, we make a contribution to the preservation of our cultural identity. This also benefits our estates and our tenants.

Our property portfolio includes four UNESCO World Heritage communities in Berlin.

Deutsche Wohnen is currently refurbishing several listed housing estates. Due notice of all measures is given to the local listed building authority [Untere Denkmalbehörde – UD] in accordance with the Law for the Protection of Monuments in Berlin, and we do not carry out the work until approval has been received. If possible, buildings are restored to the condition they would have been in at the time of construction.

In early 2017, we became a sponsoring member of the Federal Foundation for Baukultur so that we could share our expertise and foster dialogue.

Berlin, 19 March 2020

Michael Zahn
Chairman of the Management Board

Philip Grosse
Management Board

Lars Urbansky
Management Board

Henrik Thomsen
Management Board

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR REGARDING THE NON-FINANCIAL GROUP STATEMENT[1]

To the Supervisory Board of Deutsche Wohnen SE, Berlin

We have performed a limited assurance engagement on the Non-Financial Group Statement (hereinafter "Statement") of Deutsche Wohnen SE (hereinafter "Deutsche Wohnen") according to Section 315b and 315c in conjunction with 289c to 289e HGB (German Commercial Code) for the business year from January 1 to December 31, 2019.

Management's Responsibility

The legal representatives of the entity are responsible for the preparation of the Report in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report in a way that is free of – intended or unintended – material misstatements.

Independence and Quality Assurance on the Part of the Auditing Firm

We are independent from the entity in accordance with the requirements of independence and quality assurance set out in legal provisions and professional pronouncements and have fulfilled our additional professional obligations in accordance with these requirements.

Our audit firm applies the national statutory provisions and professional pronouncements for quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Practitioner's Responsibility

Our responsibility is to express a conclusion on the Report based on our work performed within our limited assurance engagement.

1 Our engagement applied to the German version of the Report 2019. This text is a translation of the Independent Assurance Report issued in the German, whereas the German text is authoritative.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" published by IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance of whether any matters have come to our attention that cause us to believe that the Report of the entity has not been prepared, in all material respects, in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB. We do not, however, provide a separate conclusion for each disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor's own judgement.

Within the scope of our engagement, we performed amongst others the following procedures:

- Inquiries of personnel on the group level, who are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting boundaries of Deutsche Wohnen
- A risk analysis, including a media search, to identify relevant information on Deutsche Wohnen's sustainability performance in the reporting period
- Assessment of the suitability of internally developed definitions
- Evaluation of the design and implementation of the systems and processes for determining, processing and monitoring of disclosures relating to environmental, employee and social matters, respect for human right, and combating corruption and bribery, including the consolidation of the data
- Inquiries of personnel on the group level who are responsible for determining disclosures on concepts, due diligence processes, results and risks, for conducting internal controls and consolidation of the disclosures
- Evaluation of selected internal and external documentation
- Analytical evaluation of data and trends of quantitative disclosures
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on interviews and evaluation of documentation
- Assessment of the overall presentation of the disclosures.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Report of Deutsche Wohnen for the business year from January 1 to December 31, 2019 is not prepared, in all material respects, in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB.

Restriction of Use/Clause on General Engagement Terms

This assurance report is issued for the purposes of the Supervisory Board of Deutsche Wohnen, Berlin, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of Deutsche Wohnen, Berlin, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer (German Public Auditors) and Wirtschaftsprüfungsgesellschaften (German Public Audit Firms) (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms having taken note of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the General Engagement Terms with respect to us.

Berlin, March 19, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Hell

ppa. Zimen

Consolidated financial statements

CONSOLIDATED BALANCE SHEET

as of 31 December 2019

EUR m	Notes	31/12/2019	31/12/2018
Assets			
Investment properties	D.1	25,433.3	23,781.7
Property, plant and equipment	D.3	191.5	146.5
Intangible assets	D.4	188.9	31.4
Derivative financial instruments	D.7	1.1	0.9
Other non-current financial assets	C.7	61.8	113.3
Deferred tax assets	D.16	0.1	0.1
Non-current assets		**25,876.7**	**24,073.9**
Land and buildings held for sale	D.5	468.9	477.1
Other inventories	C.8	6.5	4.2
Trade receivables	D.6	25.0	22.4
Income tax receivables		112.2	83.1
Derivative financial instruments	D.7	0.2	0.1
Other financial assets	C.7	94.0	22.3
Other non-financial assets	C.6	11.4	9.0
Cash and cash equivalents	D.8	685.6	332.8
Sub-total current assets		**1,403.8**	**951.0**
Non-current assets held for sale	C.10	571.2	33.0
Current assets		**1,975.0**	**984.0**

Total assets		**27,851.7**	**25,057.9**

EUR m	Notes	31/12/2019	31/12/2018
Equity and liabilities			
Equity attributable to shareholders of the parent company			
Issued share capital	D.9	359.7	357.0
Own shares	D.9	-2.6	0.0
Issued capital		**357.1**	**357.0**
Capital reserve	D.9	2,555.5	2,918.1
Other reserves		-46.3	7.1
Retained earnings	D.9	9,834.1	8,276.9
Total equity attributable to the shareholders of the parent company		**12,700.4**	**11,559.1**
Non-controlling interests	D.9	406.9	349.0
Total equity		**13,107.3**	**11,908.1**
Non-current financial liabilities	D.10	6,154.4	6,112.3
Convertible bonds	D.11	1,676.9	1,691.3
Corporate bonds	D.11	1,518.6	1,130.3
Employee benefit liabilities	D.12	107.2	63.4
Derivative financial instruments	D.7	43.6	7.3
Other provisions	D.14	44.4	15.2
Other financial liabilities	D.13	302.5	296.7
Deferred tax liabilities	D.16	3,713.8	3,244.7
Total non-current liabilities		**13,561.4**	**12,561.2**
Current financial liabilities	D.10	173.3	72.3
Convertible bonds	D.11	5.9	5.9
Corporate bonds	D.11	495.5	70.1
Trade payables		300.5	302.4
Other provisions	D.14	7.6	9.4
Derivative financial instruments	D.7	8.5	8.3
Tax liabilities	D.15	26.2	36.0
Other financial liabilities	D.13	141.1	54.9
Other non-financial liabilities		24.4	29.3
Total current liabilities		**1,183.0**	**588.6**
Total equity and liabilities		**27,851.7**	**25,057.9**

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the period from 1 January to 31 December 2019

EUR m	Notes	2019	2018
Contracted rental income	E.1/5	837.3	785.5
Income from operating costs	E.1/5	359.4	337.4
Expenses from Residential Property Management	E.2	–466.9	–466.7
Earnings from Residential Property Management		**729.8**	**656.2**
Sales proceeds		767.3	180.3
Of which revenues from property holdings		17.5	27.3
Cost of sales		–11.6	–7.0
Carrying amount of assets sold		–569.6	–130.2
Of which for revenues from property holdings		–11.9	–19.5
Earnings from Disposals	E.3/5	**186.1**	**43.1**
Income from nursing		165.7	68.1
Rental and lease income		104.9	67.2
Expenses for Nursing and Assisted Living		–182.3	–80.0
Earnings from Nursing and Assisted Living	E.4/5	**88.3**	**55.3**
Corporate expenses	E.6	–101.4	–93.7
Other expenses	E.8	–113.8	–24.4
Other income	E.7	84.1	22.6
Interim result (EBITDA before gains/losses from the fair value adjustment of investment properties)		**873.1**	**659.1**
Gains/losses from the fair value adjustment of investment properties	D.1	1,406.7	2,179.3
Depreciation and amortization	D.3/4	–42.9	–10.3
Earnings before interest and taxes (EBIT)		**2,236.9**	**2,828.1**
Financial income		10.9	7.8
Gains/losses from fair value adjustments to derivative financial instruments and convertible bonds	D.7/11, E.10	28.5	–80.3
Earnings from companies valued in accordance with the equity method	B.3	2.8	2.6
Financial expenses	E.11	–174.5	–131.4
Earnings before taxes (EBT)		**2,104.6**	**2,626.8**
Income taxes	E.12	–503.7	–764.2
Profit/loss for the period		**1,600.9**	**1,862.6**
Of which attributable to:			
Shareholders of the parent company		1,529.5	1,833.0
Non-controlling interests		71.4	29.6
		1,600.9	**1,862.6**
Earnings per share			
Undiluted in EUR	H	4.27	5.15
Diluted in EUR	H	3.82	4.86

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 December 2019

EUR m	Notes	2019	2018
Profit/loss for the period		**1,600.9**	**1,862.6**
Other comprehensive income			
Items subsequently reclassified to profit or loss			
Net gain/loss from derivative financial instruments	D.7	–12.6	–1.8
Income tax effects	D.16	3.1	0.4
		–9.5	**–1.4**
Items not subsequently reclassified to profit or loss			
Net change in the fair value of equity instruments	D.7	–1.5	0.0
Income tax effects	D.18	0.0	0.0
Actuarial gains/losses on pensions and impact of caps for assets in pension plans	D.12	–15.1	0.4
Income tax effects	D.18	3.3	0.0
Net gains/losses from convertible bonds	D.11	–43.6	39.8
Income tax effects	C.18	12.5	–12.0
		–44.4	**28.2**
Other comprehensive income after taxes		**–53.9**	**26.8**
Total comprehensive income after taxes		**1,547.0**	**1,889.4**
Of which attributable to:			
Shareholders of the parent company		1,476.1	1,859.8
Non-controlling interests		70.9	29.6

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 January to 31 December 2019

EUR m	Notes	2019	2018
Operating activities			
Profit/loss for the period		1,600.9	1,862.6
Financial income		-10.9	-7.8
Adjustment to derivative financial instruments and convertible bonds	D.7/11, E.10	-28.5	80.3
Finance expenses		174.5	131.4
Earnings from companies valued in accordance with the equity method	B.8	-2.8	-2.6
Income taxes		503.7	764.2
Profit/loss for the period before interest and taxes		**2,236.9**	**2,828.1**
Non-cash expenses/income			
Fair value adjustment of investment properties	D.1	-1,406.7	-2,179.3
Depreciation and amortization	D.3/4	42.9	10.3
Other non-cash expenses/income	G	-146.1	-28.0
Changes in net current assets			
Changes in receivables, inventories and other current assets		-108.4	-28.2
Changes in operating liabilities		0.6	141.0
Net operating cash flow		**619.2**	**743.9**
Proceeds from the disposal of properties held for sale	G	17.5	27.3
Investment in properties held for sale		-4.2	-131.4
Interest paid		-148.2	-111.3
Interest received		10.9	3.9
Taxes paid		-70.6	-73.7
Taxes received		29.9	10.7
Net cash flow from operating activities		**454.5**	**469.4**
Investing activities			
Sales proceeds	G	777.7	150.6
Purchases of property, plant and equipment		-1,370.5	-2,046.5
Receipt of investment subsidies		0.0	0.8
Proceeds from dividends from shareholdings and joint ventures		0.1	0.1
Payments for business combinations less cash and cash equivalents acquired		-83.2	-18.7
Other proceeds of investing activities		2.2	2.8
Payments to limited partners in funds		-0.5	-0.7
Net cash flow from investing activities		**-674.2**	**-1,911.6**

EUR m	Notes	2019	2018
Financing activities			
Proceeds of new borrowing	D.10	508.1	1,354.4
Loan repayments	D.10	–380.5	–106.5
Proceeds from the issue of corporate bonds		1,159.5	525.0
Repayment of corporate bonds		–341.2	–150.0
One-off financing payments	E. 11	–19.5	–9.7
Repayment of lease liabilities		–20.6	0.0
Payments for the purchase and repayment of non-controlling interests		–7.4	0.0
Payments for the purchase of own shares	D.9	–93.3	0.0
Proceeds of the capital increase	D.9	0.1	0.1
Other payments from financing activities		–1.8	–1.4
Costs of the capital increase	D.9	–0.4	–0.5
Dividend paid to shareholders of Deutsche Wohnen SE	H	–225.7	–194.8
Dividends paid to shareholders of non-controlling interests		–4.8	–5.3
Net cash flow from financing activities		**572.5**	**1,411.3**
Net change in cash and cash equivalents		**352.8**	**–30.9**
Opening balance cash and cash equivalents		**332.8**	**363.7**
Closing balance cash and cash equivalents		**685.6**	**332.8**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as of 31 December 2019

EUR m	Share capital	Own shares	Issued capital	Capital reserve	Pensions and convertible bonds
Equity as of 1 January 2018	**354.7**	**0.0**	**354.7**	**3,078.6**	**–17.7**
Profit/loss for the period					
Of which non-controlling interests					
Other comprehensive income					28.2
Of which non-controlling interests					0.0
Total comprehensive income					**28.2**
Capital increase	2.3		2.3	87.4	
Cost of capital increase, less tax effect			0.0	–0.4	
Transfer from capital reserve			0.0	–247.8	
Contribution in connection with Management Board remuneration			0.0	0.3	
Change in non-controlling interests			0.0		
Dividend			0.0		
Other			0.0		
Equity as of 31 December 2018	**357.0**	**0.0**	**357.0**	**2,918.1**	**10.5**
Equity as of 1 January 2019	**357.0**	**0.0**	**357.0**	**2,918.1**	**10.5**
Profit/loss for the period					
Other comprehensive income					–44.4
Total comprehensive income					**–44.4**
Capital increase	2.7		2.7	83.0	
Cost of capital increase, less tax effect			0.0	–0.3	
Acquisition of own shares		–2.6	–2.6	–96.8	
Transfer from capital reserve			0.0	–348.5	
Change in non-controlling interests			0.0		
Dividend			0.0		
Other			0.0		
Equity as of 31 December 2019	**359.7**	**–2.6**	**357.1**	**2,555.5**	**–33.9**

Cash flow hedge reserve	Total other comprehensive income	Retained earnings equity	Equity attributable to shareholders of the parent equity	Non-controlling interests	Total equity
–2.0	**–19.7**	**6,474.6**	**9,888.2**	**322.8**	**10,211.0**
		1,862.6	1,862.6		1,862.6
		–29.6	–29.6	29.6	0.0
–1.4	26.8		26.8		26.8
0.0	0.0		0.0	0.0	0.0
–1.4	**26.8**	**1,833.0**	**1,859.8**	**29.6**	**1,889.4**
			89.7		89.7
			–0.4		–0.4
		247.8	0.0		0.0
			0.3		0.3
		–0.2	–0.2	–3.4	–3.6
		–283.7	–283.7		–283.7
		5.4	5.4		5.4
–3.4	**7.1**	**8,276.9**	**11,559.1**	**349.0**	**11,908.1**
–3.4	**7.1**	**8,276.9**	**11,559.1**	**349.0**	**11,908.1**
		1,529.5	1,529.5	71.4	1,600.9
–9.0	–53.4		–53.4	–0.5	–53.9
–9.0	**–53.4**	**1,529.5**	**1,476.1**	**70.9**	**1,547.0**
			85.7		85.7
			–0.3		–0.3
			–99.4		–99.4
		348.5	0.0		0.0
		–0.1	–0.1	–13.0	–13.1
		–310.6	–310.6		–310.6
		–10.1	–10.1		–10.1
–12.4	**–46.3**	**9,834.1**	**12,700.4**	**406.9**	**13,107.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

A General remarks on the consolidated financial statements of Deutsche Wohnen SE

1 The Deutsche Wohnen Group

The consolidated financial statements of Deutsche Wohnen SE ("Deutsche Wohnen") as at 31 December 2019 were prepared by the Management Board on 19 March 2020. The Supervisory Board is scheduled to approve the consolidated financial statements at its meeting on 19 March 2020. Deutsche Wohnen SE is a publicly listed property company which is based in Germany and operates nationally. Its headquarters are located at Mecklenburgische Straße 57, Berlin, and it is entered in the Commercial Register held at Berlin-Charlottenburg Local Court, HRB 190322 B.

Deutsche Wohnen SE operates solely as a holding company for the entities which make up the group and consists of all material central functions. The operating subsidiaries focus on Property Management, Disposals/Acquisitions and Property-related Services.

The consolidated financial statements are presented in euros. Unless stated otherwise, figures are rounded to the nearest thousand (EUR thousand) or the nearest million (EUR m) EUR. For arithmetical reasons, there may be rounding differences between the 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 applicable in a supplementary capacity pursuant to section 315e para. 1 of the German Commercial Code [Handelsgesetzbuch – HGB].

The consolidated financial statements have been prepared on an amortised cost basis. This excludes, in particular, the investment properties, the convertible bonds and the derivative financial instruments, which are measured at 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 subsidiaries' financial statements are prepared using uniform accounting policies and valuation methods with the same reporting date as the parent company's financial statements.

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 2018.

First-time application of new standards in the financial year 2019:

In January 2016 the IASB published the new standard IFRS 16 Leases. As of 1 January 2019 all leases have to be recognised by the lessee in the form of rights of use and lease liabilities, to the extent that the lease term exceeds twelve months and the assets are not of minor value. Lessors continue to distinguish for accounting purposes between finance leases and operating leases. The new standard will apply to Deutsche Wohnen as an entity which is both lessor and lessee.

As lessee, Deutsche Wohnen has identified the following categories of lease that are significant for the Group and result in the recognition of rights of use and lease liabilities as of 1 January 2019 following the first-time application of the standard: heat contracting, metering technology, commercial leases for office properties, commercial leases for nursing properties and vehicle leasing. First-time application resulted in the recognition of right-of-use assets of EUR 47.8 million and lease liabilities of 48.3 million. IFRS 16 was applied using the modified retrospective approach. Comparative figures for prior year periods were not adjusted. The operating lease liabilities as of 31 December 2018 are reconciled with the opening balances of lease liabilities as of 1 January 2019 as follows:

EUR m	1 January 2019
Operating lease liabilities as of 31 December 2018	37.3
Discounting	–2.1
Lease liabilities as of 1 January 2019	35.2
Accounting changes for existing finance leases as of 1 January 2019	13.1
Additional lease liabilities from first-time application of IFRS 16 as of 1 January 2019	**48.3**

Lease liabilities were discounted to 1 January 2019 using the marginal borrowing rate. The weighted average discount rate was 1.2%.

Effects on the opening balances as of the transition date are shown below:

EUR m	1 January 2019
Assets	
Non-current assets	
Right-of-use assets – Metering technology	25.0
Right-of-use assets – Heat contracting	13.6
Right-of-use assets – Land and buildings	4.9
Right-of-use assets – Investment properties	3.7
Right-of-use assets – Vehicle fleet	0.5
Deferred taxes	0.1
Total	**47.8**
Equity and liabilities	
Equity	
Retained earnings	–0.5
Non-current other financial liabilities	
Lease liabilities	41.7
Current other financial liabilities	
Lease liabilities	6.6
Total	**47.8**

With the exception of the investment properties, right-of-use assets are presented in plant, property and equipment. First-time application of IFRS 16 resulted in the recognition of interest expenses of some EUR 0.6 million, depreciation and amortization of some EUR 7.1 million and revaluations of some EUR 0.5 million in the reporting period in connection with the first-time recognition of leases.

The distinction between finance and operating leases is maintained for leases where the Group is lessor. The Group lets its investment properties, which include both owned properties and right-of-use assets. The Group has classified these leases as operating leases. Sub-leases were classified on the basis of the right of use and not on the underlying asset.

Because the underlying performance for land tax and property insurance is not transferred to the lessee, income from these operating costs is considered to be another component of the contract (neither lease nor service component) and is therefore recognised separately according to the relevant provisions of IFRS 15.

For further information on accounting for leases we refer to section C.14 “Leases” in the chapter “Accounting policies and valuation methods”.

In June 2017 the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments. The interpretation makes clear that entities should, in reporting uncertain amounts of income taxes on the balance sheet, proceed on the basis that the tax authorities will verify the reported amounts in full knowledge of all of the relevant information. The amendments do not have any effect on Deutsche Wohnen.

In October 2017, the IASB published amendments to IAS 28 “Investments in associates and joint ventures” relating to long-term shareholdings in such entities. These amendments make clear that an entity will be required to apply IFRS 9 “Financial instruments”, including the provisions governing impairments contained therein, to long-term investments in associates and joint ventures which represent a portion of the net amount invested in the associate or joint venture in question and are not reported in accordance with the equity method. The amendments do not have any effect on Deutsche Wohnen.

In October 2017 the IASB published minor amendments to IFRS 9, Financial Instruments, which enables financial assets with symmetric prepayment options to be measured at amortised cost or at fair value through other comprehensive income. It also clarified the modification of financial liabilities that does not result in derecognition. The amendments do not have any effect on Deutsche Wohnen.

The IASB published Annual Improvements to IFRS Standards 2015 – 2017 Cycle in December 2017. The improvements relate to clarifications for IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs. The amendments do not have any effect on Deutsche Wohnen.

In February 2018 the IASB published an amendment to IAS 19 Leases. The amendment stipulates that in the event of the amendment, curtailment or settlement of a defined-benefit pension plan, the current service expense and net interest for the remaining financial year must be remeasured using the current actuarial assumptions that were used for the remeasurement of the net liability (asset). The IASB also included amendments to IAS 19 clarifying how a plan amendment, curtailment or settlement affects the requirements regarding the asset ceiling. The amendments do not have any effect on Deutsche Wohnen.

Apart from this, there were no changes as a result of the first-time application of IFRS or IFRIC having a material effect on the reporting in the consolidated financial statements in the financial year 2019.

Standards which are not yet mandatorily applicable:

The following shows IFRS which have already been published and have already been incorporated into EU law, but which are not yet mandatorily applicable:

In March 2018 the IASB published a revised version of the Conceptual Framework. The revision of the Conceptual Framework particularly included a new chapter on the measurement of assets and liabilities, guidelines for the presentation of financial performance, a revised definition of the terms asset and liability and clarifications on the importance of accountability and the principle of prudence in the context of the objective of IFRS financial reporting. The updated references to the revised Conceptual Framework in the standards and interpretations are applicable from 1 January 2020. Deutsche Wohnen is currently analysing whether it is likely to have any effect on its reporting methodology.

In October 2018 the IASB published changes to the definition of materiality in financial statements. The amendments, in combination with additional comments on use in IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, are intended to make it easier for IFRS reporting entities to determine materiality. The amendments also ensure that the definition of materiality is harmonised across all IFRS. Deutsche Wohnen is currently analysing whether it is likely to have any effect on its reporting methodology.

In addition, in September 2019 the IASB published proposals for amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 9 Financial Instruments in connection with the IBOR reform The amendments relate to certain rules for hedge accounting and are intended to ensure that the current accounting for hedging transactions can be continued. Deutsche Wohnen is currently analysing whether it is likely to have any effect on its reporting methodology.

The following IFRS standards have not yet been incorporated into EU law and as such do not yet apply.

In October 2018 the IASB published an amendment to IFRS 3 concerning the definition of a business. In it the IASB clarifies the three elements of a business. The background was an increasing number of questions in the past about whether a business was being acquired or not in a particular case. Deutsche Wohnen is currently analysing whether it is likely to have any effect on its reporting methodology.

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 during the reporting year or up to the date the consolidated financial statements were approved.

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. 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 the KATHARINENHOF Group

Deutsche Wohnen SE assumes that it exercises control over the KATHARINENHOF Group although it does not hold the majority of the voting rights. This position of control is due, in particular, to contractual arrangements entered into with the majority shareholder. Please see Note B.3 "Disclosure of shares in other companies" for further information.

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.

Classification of nursing properties as investment properties

In its Nursing and Assisted Living business field, Deutsche Wohnen implements the business model of holding nursing properties to generate rental income and/or for capital appreciation. The decision to classify the nursing properties which are managed by KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG as investment properties was largely based on the analysis of two criteria: on the one hand, fluctuations in operating cash flows from the nursing operations (excluding the rents for the related residential units or beds) are examined and, on the other hand, the earnings from the provision of nursing care services are juxtaposed against the rental income from the residential units in the nursing properties as a means of assessing the significance of the nursing care services for the material financial management parameter FFO I. Due to the relatively minor fluctuations in the operating cash flows from the aforementioned provision of nursing care services and the negligible size of the contribution of these services towards the amount of the FFO I in comparison with the rental income, these properties are reported on the balance sheet as investment properties.

Estimates and assumptions

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

The fair value of investment properties and properties held for sale

The fair value of the residential and commercial properties held for investment purposes was determined on an internal basis by means of portfolio valuations as at 30 June 2019 and 31 December 2019 and was also confirmed externally as of 31 December. The properties are clustered on the basis of their location and property quality. Assumptions regarding changes in rents, vacancies and maintenance costs, as well as discount and capitalisation rates, are largely made on the basis of these clusters. The nursing properties were valued by an external appraiser as of 31 December 2019. The valuation is largely based on assumptions about market rents, discount rates and maintenance costs. All assumptions adopted in the context of valuations are subject to uncertainty due to their long-term reach, which could result in positive or negative value adjustments in the future. The carrying amount of the investment properties and properties held for sale amounted to EUR 26.0 billion (previous year: EUR 23.8 billion). Please see Note D.1 “Investment properties” for further information.

Pensions and other post-employment benefits

Expenses relating to post-employment defined benefit plans and the value of the related employee benefit liabilities reported on the balance sheet 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 liabilities amounted to EUR 107.2 million as at 31 December 2019 (previous year: EUR 63.4 million). Please see Note D.12 "Employee benefit liabilities" for further information.

Deferred taxes

The reporting on the balance sheet of deferred taxes calls for, in particular, estimations with regard to tax rates, the reversal of temporary differences and the use of tax assets resulting from loss carry-forwards. The underlying assumptions are subject to some uncertainty. The deferred tax assets amounted to EUR 0.1 million as at 31 December 2019 (previous year: EUR 0.1 million) and the deferred tax liabilities to EUR 3,713.8 million (previous year: EUR 3,244.7 million). Please see Note D.17 "Deferred taxes" for further information.

B Basis of consolidation and consolidation methods

1 Basis of consolidation

The consolidated financial statements comprise those of Deutsche Wohnen SE and the subsidiaries it controls from the time of their acquisition, i. e. from the date on which the Group obtains control over the entities in question. They will continue to be consolidated until the date on which the parent company relinquishes such control. The composition of the Deutsche Wohnen Group can be seen in the list of shareholdings attached as Appendix 1.

A total of 149 companies (previous year: 150) were included in the consolidated financial statements by way of full consolidation (Appendix 1) in 2019.

Four housing companies in the form of German limited liability companies (GmbH) were sold in the Residential Property Management segment. Furthermore, one limited liability company left the consolidated group due to a merger. This did not have any material effect on the company's assets, financial performance or position.

In the course of a successive acquisition in the Nursing properties segment the Group acquired the remaining 55% interest in PUW OpCo GmbH ("PFLEGEN & WOHNEN HAMBURG Group") based in Hamburg. The acquisition date on which Deutsche Wohnen SE gained control over the PFLEGEN & WOHNEN HAMBURG Group is 2 January 2019. As of this date Deutsche Wohnen SE holds 100% of the shares in the group. The PFLEGEN & WOHNEN HAMBURG Group is a Hamburg-based operator of nursing homes and offers a broad range of regional nursing care solutions to elderly people and others requiring nursing care.

The consideration paid for the purchase of the PFLEGEN & WOHNEN HAMBURG Group is made up as follows:

EUR m	
Fair value of equity instruments already held (45%)	54.0
Net cash price component for the remaining shares (55%)	66.9
Total compensation	**120.9**

The valuation of the equity instruments already held had no effect on earnings. The purchase price allocation for the acquired assets and liabilities of the PFLEGEN & WOHNEN HAMBURG Group as of the first consolidation date is based on an external valuation obtained for the purpose of measuring the fair values of these assets and liabilities.

The assets and liabilities acquired in the course of the business acquisition have the following fair values as of the initial consolidation date:

EUR m	
Intangible assets	38.7
Property, plant and equipment	13.2
Trade receivables	3.2
Cash and cash equivalents	7.7
Other assets at fair value	1.3
Total assets	**64.1**
Employee benefit liabilities	–27.8
Financial liabilities	–24.0
Trade payables	–2.2
Deferred tax liabilities	–4.4
Other liabilities at fair value	–13.4
Total liabilities	**–71.8**
Net assets at fair value	**–7.7**
Total compensation	120.9
Goodwill	**128.6**

Goodwill essentially represents the earnings potential of the business acquired, as well as synergy effects resulting from the integration of the PFLEGEN & WOHNEN HAMBURG Group into the Nursing properties segment.

The gross amount of the purchased trade receivables corresponds to their fair value.

Since its initial consolidation, the PFLEGEN & WOHNEN HAMBURG Group has contributed revenues of EUR 120.3 million and earnings (EBT) of EUR 10.5 million to the consolidated financial statements of Deutsche Wohnen.

No material transaction costs were incurred in connection with this step acquisition.

2 Consolidation methods

The subsidiaries' financial statements are prepared using uniform accounting policies and valuation methods with the same reporting date as the parent company's financial statements. Subsidiaries are fully consolidated from the time of their acquisition, this being the date on which the Group obtains control over them. They continue to be consolidated until the date on which the parent company ceases to exercise such control over them.

Capital is consolidated in accordance with the purchase 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. Any difference in a positive amount resulting from this offsetting is recognised under assets as goodwill. Any differences in negative amounts are verified and then recognised in the consolidated profit and loss statement. The time of the acquisition is the point in time at which the Group acquires the ability to exercise control over the relevant activities of the subsidiary in question, becomes exposed to fluctuations in the return on its investment and has powers of disposal with which it may influence such fluctuating returns. 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 associates are consolidated using the equity method in accordance with IAS 28. The investment is recognised for the first time at cost. For subsequent consolidation the carrying amount is modified to reflect pro rata changes in the equity of the associate or joint venture.

Non-controlling interests represent the share of the profits and net assets which is not attributable to the shareholders of the parent company of the Group. Non-controlling interests are valued on the basis of the share of the identified value of the net assets of the acquired company attributable to them at the time of their acquisition. Non-controlling interests are reported separately in the consolidated profit and loss statement, in the consolidated statement of comprehensive income 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

Shares in fully-consolidated subsidiaries

Deutsche Wohnen SE had 148 subsidiaries on the reporting date (previous year: 149). Its access to the assets and liabilities of these subsidiaries is not subject to any restrictions.

Some subsidiaries have non-controlling interests which are only entitled to a share of their earnings. Non-controlling interests are recognised in equity for these companies in the consolidated financial statements. The interests of non-controlling shareholders in GSW Immobilien AG amounted to 6.1% of the overall shareholdings as at 31 December 2019 (previous year: 6.1%). GSW Immobilien AG paid out dividends in the amount of EUR 4.8 million to non-controlling shareholders in the financial year 2019.

The following consolidated financial information relates to GSW as a major subsidiary in which Deutsche Wohnen SE holds a non-controlling interest:

EUR m	GSW Group
Non-current assets	8,479.9
Current assets	532.1
Cash and cash equivalents	6.0
Non-current liabilities	–3,791.0
Current liabilities	–174.4
Net assets	**5,052.6**
Earnings from Residential Property Management	217.2
Annual earnings	**517.7**
Other comprehensive income	0.6
Change in cash and cash equivalents	–0.6
Dividend	79.3

Since 1 January 2015 Deutsche Wohnen's shareholding and thus its related share of the voting rights in the KATHARINENHOF Group has amounted to 49%; the remaining shares were acquired from Deutsche Wohnen by a group of investors on that date. Even though this disposal means that it no longer holds the majority of the voting rights in the KATHARINENHOF Group, Deutsche Wohnen continues to include this subsidiary in its consolidated financial statements by way of full consolidation in accordance with IFRS 10 due to the fact that it is able, pursuant to contractual arrangements entered into with the other shareholders and the provisions of the shareholders' agreement, to dictate the relevant activities of the KATHARINENHOF Group and is exposed to variable returns on its investment. The provisions of these agreements with regard to the tendering of the shares of the majority shareholder are to be classified as conferring substantive rights within the meaning of IFRS 10.

Deutsche Wohnen SE has assumed guarantees, sureties and other collateral vis-à-vis third parties on behalf of Group companies of EUR 2,487.8 million (previous year: EUR 2,062.0 million).

Shares in joint arrangements and associates

As of the reporting date Deutsche Wohnen holds shares in nine joint ventures and three associates (previous year: eight joint ventures and four associates). The shareholdings are reported on the balance sheet in accordance with the equity method and are currently of secondary importance; no quoted market prices are available. The table below aggregates the carrying amounts and the share of profit and other comprehensive income for these entities:

EUR m	2019	2018
Carrying amounts of entities consolidated using the equity method	**22.6**	**72.8**
Group share of earnings of immaterial entities consolidated using the equity method:		
Earnings share from continuing operations	2.4	2.8
Other comprehensive income	–	–
Pro rata total comprehensive income	**2.4**	**2.8**

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

Equity interests in non-consolidated entities

Deutsche Wohnen hold shares in five (previous year: five) non-consolidated companies which are deemed to be of minor significance within the Group. These generally relate to shareholdings in other property companies. No material obligations exist vis-à-vis these companies.

Deutsche Wohnen's total risk exposure in relation to these shareholdings is equivalent to their carrying amounts. The carrying amounts of the non-consolidated companies amounted to approximately EUR 2.3 million as at 31 December 2019 (previous year: EUR 1.8 million).

C Accounting policies and valuation methods

1 Fair value measurement

The fair value is the price which would be received in return for the disposal of an asset or paid in return for the transfer of a liability in the context of a duly executed business transaction between market participants on the assessment date. The measurement of 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 fair value of an asset or a liability is determined by reference to the assumptions on which market participants would base their pricing of the asset or liability. This, in turn, is based on the assumption that the market participants would thereby be acting in their own best economic interests.

The Group uses valuation methods which are appropriate for the circumstances and for which sufficient data for fair value measurement are available. The use of observable inputs should be maximised and the use of unobservable inputs should be kept to a minimum.

All assets and liabilities, the 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 measurement of fair value:

- Level 1 – (Unadjusted) 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 fair value measurement 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 fair value measurement 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 fair value measurement) at the end of each reporting period.

2 Investment properties

Investment properties are properties that are held to generate rental income or for the purpose of generating value and that 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 valued at their fair value. Gains or losses arising from changes in the fair value of investment properties are reported in the profit and loss statement.

An internal valuation of the residential and commercial buildings was carried out as at 31 December 2019, 30 June 2019 and 31 December 2018. The portfolio was concurrently valued by Jones Lang LaSalle SE, Frankfurt/Main, as at 31 December 2019, 30 June 2019 and 31 December 2018 in accordance with internationally accepted valuation methodologies, and the total value was confirmed. The amount of remuneration paid to the external property appraisers is calculated on a fixed-rate basis and is thus independent of the results of the property valuation. Where an absolute materiality threshold of +/– EUR 250 thousand is exceeded, value deviations between an internal determination and an external approval for individual properties will generally be no greater than +/– 10%. Overall, the result of the valuation carried out by Jones Lang LaSalle varied by approximately –0.2% (previous year: –0.2%) from that of the internal valuation. The nursing properties were valued exclusively by W&P Immobilienberatung GmbH, Frankfurt/Main.

Investment properties are derecognised when either they have been disposed 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 amortization 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.

Straight-line depreciation and amortization 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. Any depreciation and amortization of these assets is recognised as such under expenses in the consolidated profit and loss statement.

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 de-recognition 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 each financial year end and adjusted if appropriate.

4 Intangible assets

Deutsche Wohnen only recognises acquired intangible assets on the balance sheet. These are valued 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. Any depreciation and amortization of these assets is recognised as such under expenses in the consolidated profit and loss statement.

Intangible assets with an indefinite useful life, particularly goodwill, are not amortised. Goodwill is tested annually for impairment and other intangible assets if there is an indication that they are impaired.

5 Borrowing costs

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

6 Impairment of non-financial assets

The non-financial assets primarily comprise 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 indication exists, the Group estimates the asset's recoverable amount. The recoverable amount of an asset is the higher of the fair value of an asset or a cash generating unit, less costs of disposal, and its value in use. The recoverable amount is measured for each individual asset, unless the asset does not generate cash flows that are largely independent of those of other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

Goodwill acquired in the context of the acquisition of companies and businesses is subjected to an impairment test 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 in question. These cash-generating units represent the lowest level at which these assets are monitored for corporate management purposes. For this purpose the goodwill of EUR 148.1 million is allocated as follows: EUR 140 million are allocated to the Nursing Assets segment and EUR 8.1 million were allocated to the Synvia Group.

The goodwill impairment testing involves the calculation of the value in use of the cash-generating units based on estimated future cash flows which have been derived from actual values and projected for a five-year period on the basis of a growth rate which is typical for the industry. The values in use of the cash-generating units are largely determined by the terminal value, however. Terminal value depends on the projected cash flow in the fifth year of the medium-term planning as well as the growth rate of the cash flows thereafter and the discount rate.

Non-financial assets are assessed on each reporting date in order to ascertain whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an 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 amortization, had no impairment loss been recognised for the asset in previous years. Such reversal is recognised in the profit and loss statement. Goodwill for which an impairment loss has been recognised is not written up.

7 Financial assets

Deutsche Wohnen allocates its financial assets to the following measurement categories:

- at fair value (either through profit or loss or through other comprehensive income), and
- at amortized cost.

Classification depends on the company's business model for the financial assets and on the contractual cash flows. If the financial asset is held to collect contractual cash flows consisting solely of interest and principal payments, the asset is held at amortised cost. All other financial assets are measured at fair value. Gains and losses are recognised through profit or loss, whereby the Group has elected to measure the current equity instruments not held for trading at fair value through other comprehensive income.

Arm's-length purchases or disposals of financial assets are recognised as at the trading date, i.e. the date on which the Group undertakes to buy or sell the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets expires or has been transferred and the Group has transferred essentially all of the risks and opportunities of ownership.

For first-time recognition the Group measures a financial asset at fair value, plus – in the case of a financial asset at fair value through other comprehensive income – the transaction costs directly attributable to this asset. Transactions costs of financial assets at fair value through profit or loss are recognised as expenses in the Group's income statement.

Financial assets with embedded derivatives are considered in their entirety to determine whether their cash flows consist solely of interest and principal payments.

Loss allowances for debt instruments are based on expected credit losses. The Group uses the simplified approach for trade receivables, which entails recognising the credit losses expected over the full lifetime at the first-time recognition of the receivable. Loss allowances on receivables from rental activities are recognised depending on the extent to which those receivables are past due. Reasonable individual loss allowances are made for other receivables and assets.

Interest rate hedges are reported at their fair value as determined by market-based valuation models.

A financial asset (or, where applicable, a portion of a financial asset or a portion of a grouping of similar financial assets) will be derecognised upon the expiration of the contractual entitlements to cash flows from the financial asset in question.

8 Inventories

Inventories comprise land and buildings held for sale and other inventories. Land and buildings intended for disposal are sold in the normal course of business, to the effect that 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 of 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 financial liabilities associated therewith as assets held for sale where notarised sales contracts exist as at the balance sheet date but the conveyance of title take place at a later date. Properties held for sale are valued at their fair value.

11 Financial liabilities

Financial liabilities within the scope of IFRS 9 are classified by Deutsche Wohnen as:

- other financial liabilities which are measured at amortised cost,
- financial liabilities at fair value or
- derivative financial liabilities.

Financial liabilities and corporate bonds

Loans and corporate bonds are initially recognised at their fair value less the transaction costs directly associated with the borrowing. 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 amortization process.

Convertible bonds

Convertible bonds, which, as financial instruments comprising bonds and share options, can be redeemed by the company either in cash or in the form of shares upon their conversion by creditors, and for which securities listings can be identified on the markets, will be valued, when reported for the first time, at the fair value commensurate with their nominal value. The transaction costs arising in connection with the issuance are reported as finance expense. As a result of the application of the fair value reporting option to compound financial instruments, the convertible bonds are subsequently valued at their market price on the relevant balance sheet date. Measurement gains and losses are recognised through other comprehensive income to the extent that they stem from changes in the default risk of the convertible bond. The remaining portion of measurement gains and losses is recognised through profit or loss.

Trade payables and other liabilities
Liabilities are initially recognised at their 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 amortization process.

Liabilities to limited partners in funds
Pursuant to IAS 32, the existence of termination rights on the part of a limited partner are a material criterion for the demarcation of equity and debt capital. Financial instruments granting the owner (here: limited partner) the right to return the instrument to the issuer in return for money payments constitute a financial liability. Due to the existence of termination rights on the part 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, the profit share of the limited partners is consequently recognised as a finance expense.

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

Within Deutsche Wohnen, there are liabilities to limited partners in funds of EUR 2.4 million (previous year: EUR 2.4 million).

Liabilities incurred in connection with put options
Shares of non-controlling shareholders who hold contractually vested put options with regard to their shares, which Deutsche Wohnen would be required to purchase were the shareholders to exercise those options, are treated in a corresponding manner. For these put options Deutsche Wohnen has liabilities corresponding to the amortised cost of EUR 22.6 million (previous year: EUR 24.0 million).

A financial liability is derecognised when the obligation underlying the liability is discharged or 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 for time value. 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 with regard to obligations (pension, invalidity, surviving spouse pension and surviving dependant benefits) arising in connection with pensions and ongoing benefits owed to eligible current and ormer employees and their surviving dependants. In total, there are pension commitments for 2,013 employees (of which 1,003 are active employees and 1,010 are retired employees and pensioners), which provide for pension payments on the basis of length of service and the salary level at retirement age (previous year: 783 employees, of which 271 were active employees and 512 pensioners).

Expenses for benefits granted as part of defined benefit plans are determined using the projected unit credit method. Actuarial gains and losses are recognised, without any effect on earnings, 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. Once the contributions have been paid there are no 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 for municipalities in Bavaria – as well as the Pension Institution of the Federal Republic and the Federal States (Versorgungsanstalt des Bundes und der Länder, hereinafter "VBL"). 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 on the basis of the employees' compensation 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 constitute 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. Plan surpluses/ deficits could in the future result in an increase/a reduction in the amount of the premiums to be paid by Deutsche Wohnen to the BVK and the VBL.

13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, when 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 that some or all of a provision liability will be reimbursed, for example pursuant to an insurance contract, the reimbursement will be recognised as a separate asset only where the receipt thereof is a virtual certainty. The expense involved in establishing the provision will be reported in the profit and loss statement net of the reimbursed amount. 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 Leases

As of 1 January 2019 the new IFRS 16 Leases requires Deutsche Wohnen as lessee to account for all contracts conveying the right to control the use of an identified tangible asset for a period of time in exchange for consideration by recognising a right-of-use to the leased asset and a corresponding lease liability for the present value of the payment obligations. Any renewal and termination options are taken into account when determining the term of the lease. As a rule the payment obligation is discounted using the incremental borrowing rate, since the Group cannot readily determine the rate implicit in the lease. The right-of-use asset is initially measured at cost, as determined by the initial amount of the lease liability, adjusted for lease incentives, contract costs and restoration obligations. Subsequent measurement of the right-of-use asset is the same as for comparable purchased assets, i.e. property, plant and equipment is depreciated on a straight-line basis and investment properties are measured at fair value.

The Group uses the recognition exemptions for low-value leased assets and lease terms of less than twelve months, generally recognising the lease payments on a straight-line basis as expenses in the income statement. Furthermore, the Group uses the practical expedient of not separating lease and non-lease components for vehicle leases.

Up to 31 December 2018 accounting for leases was based on whether substantially all of the risks and rewards associated with ownership of the asset could be attributed to the lessee. If Deutsche Wohnen bore the risks and rewards the lease was accounted for as a finance lease, and so the leased asset and the corresponding liability recognised accordingly. For leases in which the risks and rewards did not go to Deutsche Wohnen, the lease payments were recognised as expenses on a straight-line basis.

The new standard does not result in significant accounting changes for lessors. If an entity enters into a contract with Deutsche Wohnen as lessor which transfers essentially all of the risks and rewards to the lessee, instead of the leased item, the lease payments payable in future by the customer are recognised as the net investment amount of lease receivables from the lease.

The tenancy agreements which Deutsche Wohnen has concluded with its tenants are classified as operating leases. 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.

15 Recognition of revenue and expenses

Revenue from contracts with customers

Revenues from goods or services are recognised for the amount the Group expects to receive when control passes from Deutsche Wohnen to the customer either over time or at a point in time, after the performance obligation has been satisfied. The Group particularly generates revenue from contracts with customers for nursing services, the disposal of properties and the billing of operating costs. In terms of income from operating costs, the Group acts as principal with regard to tenants for service commitments and bears the inventory risk.

Rental income

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

Expenses

Expenses are reported when they are incurred in economic terms.

Interest expense and interest income

Amounts of interest are recognised as expenses or income in the period in which they accrue.

As part of the long-term performance-based remuneration there are share-based remuneration components. 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 where 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 subsidies, loans and subsidised-interest loans.

Subsidies, in the form of rent subsidies, are recognised in the profit and loss statement for the period in which the rent in question is collected. They are recognised as income from residential property management.

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 measured at fair value and are subsequently carried at amortised cost. However, they are to be viewed in the context of restrictions with regard to changes in the rent for the properties, which are taken into account when determining the fair value of those properties.

17 Internally generated assets

Directly attributable itemised costs and production-related fixed costs accruing in the context of the implementation of construction measures are reported in the profit and loss statement as additions to the carrying amount for the property in question where it appears likely that the construction measures concerned will give rise to a future economic benefit for Deutsche Wohnen. The revenues resulting from the first-time reporting of such items are reported in the consolidated profit and loss statement under other operating income and the subsequent valuation of the addition in question is carried out on the basis of the valuation method used for the balance sheet item relating to the property concerned.

18 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 reimbursed by or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those enacted as at the reporting date. The amount of the forecast tax liability or tax claim is a best estimate and reflects any uncertainties under tax law.

Deferred taxes

Income taxes are recognised and measured in accordance with IAS 12. Deferred income tax assets and liabilities are formed on temporary differences. The taxable and deductible temporary differences are calculated by comparing the IFRS carrying amounts and the local tax values of assets and liabilities (adjusted for permanent differences). The tax value is calculated according to the tax regulations of the respective tax jurisdiction where the item is taxed.

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, as yet unused tax loss carry-forwards and unused tax credits to the extent that it is probable that taxable income will be available to which the deductible temporary differences, as yet unused tax loss carry-forwards and tax credits may be applied: The following exceptions apply:

- Deferred tax assets may not be recognised for 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, affects neither the profit/loss for the period nor taxable earnings.
- Deferred tax assets from deductible 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 earnings 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 earnings will be available to allow all or part of the deferred tax asset to be utilised. Unreported deferred tax assets are reviewed on every balance sheet date and reported to the extent that it appears likely that future taxable earnings will allow for the realisation of the deferred tax asset in question.

Deferred tax assets and liabilities are measured using the tax rates expected to apply to the reversal of temporary differences; either those in effect or announced on the reporting date. Deferred taxes reflect any uncertainties in income taxes.

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. Changes in deferred tax assets are recognised in or off the profit and loss statement on the basis of a reasonable pro rata allocation (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.

19 Derivative financial instruments and hedging transactions

The Group uses derivative financial instruments to hedge against interest rate risks. These derivative financial instruments are recognised at their fair value at the time of the conclusion of the corresponding agreement. Derivative financial instruments are recognised as financial assets where their fair value is in a positive amount and as financial liabilities where their fair value is in a negative amount. They are subsequently valued at their fair value.

This 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 also takes account of the risk of non-performance (counterparty risk) and the company's own default risk in accordance with IFRS 13.42. et seq.

Deutsche Wohnen reports interest rate swaps it enters into on the balance sheet in accordance with the provisions of IFRS 9 governing hedge accounting, where the conditions for the application of the standard have been met. 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. IFRS 9 also stipulates that if an effective hedging relationship exists, the effective portion of the change in the value of the hedged transaction is to be recognised through other comprehensive income and the non-effective portion through profit or loss. Deutsche Wohnen has tested the effectiveness of the concluded interest hedges on a prospective basis (hypothetical derivative method). 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 or loss statement. The interest rate swaps recognised at their fair value are classified as short- or longterm assets/liabilities depending on the term of the underlying contracts.

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

20 Share-based remuneration

In the period 2014 to 2017 the Management Board of Deutsche Wohnen received share-based remuneration in the form of subscription rights (share options). The share option programme was an option plan settled with equity instruments.

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

The diluting effect of the outstanding share 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 underlying terms and conditions result in a dilution for accounting purposes of the shares of the existing shareholders.

In 2019 a restricted share unit (RSU) programme was introduced for Management Board members that has been categorised as cash-settled share-based remuneration. The assets or services acquired in the course of this remuneration programme and the corresponding liability are recognised at the fair value of the liability. The fair value of the liability is to be remeasured on each reporting date and on the settlement date until it is settled. All changes in fair value are recognised through profit or loss.

D Disclosures on the consolidated balance sheet

1 Investment properties

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

EUR m	Residential and commercial buildings		Nursing facilities		Total	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Opening balance	**22,441.0**	**18,906.9**	**1,340.6**	**721.5**	**23,781.6**	**19,628.4**
Acquisitions	919.9	1,072.2	0.1	618.5	920.0	1,690.7
Additions from company acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Other additions	408.5	395.8	21.6	5.3	430.1	401.1
Disposals	–533.8	–82.1	0.0	0.0	–533.8	–82.1
Fair value adjustments	1,415.7	2,184.0	–9.0	–4.7	1,406.7	2,179.3
Reclassification	–411.4	–35.8	–160.0	0.0	–571.4	–35.8
Closing balance	**24,239.9**	**22,441.0**	**1,193.3**	**1,340.6**	**25,433.2**	**23,781.6**

The reclassification primarily relates to the properties reclassified as non-current assets and held for sale in the current financial year. The transfer of benefits and encumbrances for these properties is expected in late 2020. The additions comprise, among other things, advance payments for acquisitions of investment properties. Other additions particularly comprise capitalised construction work.

The residential and commercial buildings and the nursing facilities were valued on the basis of valuation models in accordance with Level 3 of the valuation hierarchy provided for in IFRS 13 "Fair Value Measurement". The full amount of the valuation of EUR 1,406.7 million was recognised in the consolidated profit and loss statement. This will remain unrealised until the valued properties are disposed of under market conditions.

Residential and commercial buildings

The valuation of the residential and commercial buildings as at 31 December 2019, 30 June 2019 and 31 December 2018 was conducted on the basis of the following principles developed in the context of the internal periodic valuation:

Valuation on the basis of defined clusters:
- Calculation of annual rent increases and target vacancies based on the location and physical characteristics of the properties,
- calculation of discount rates for the detailed budgeting phase,
- calculation of capitalisation rates in perpetuity.

Formulation 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 current gross 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,
- calculation of a fair value based on the administrative unit as at the reporting date.

The discount and capitalisation rates were calculated on the basis of property-specific risk assessments.

Standardised and property-specific approaches for each asset are used to determine maintenance expenses for the purposes of property valuation. The property-specific approach considers the condition of each property, as well as experience of regular maintenance work in the past.

A further review of the valuation by an independent third party took place as at the balance sheet date. The valuation methods used for the internal valuation and for the valuation by third parties are therefore the same. Undeveloped land is valued by external appraisers on the basis of land values or based on a earnings-oriented method.

The following overview shows the valuation parameters used for the individual clusters. 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 an aggregate basis. The stated figures are based on the ranges present within each cluster and the weighted average:

31/12/2019			Core^{+}	Core	Non-Core	Total
	Berlin	Other	Total	Total	Total	Total
Carrying amount (EUR m)	17,684	4,962	22,647	1,136	638	**23,788**
Carrying amount (EUR/sqm)	2,595	2,141	2,480	1,356	6	**2,384**
Share of carrying amount in %	74.3	20.9	95.2	4.8	0.0	**100**
In-place rent (EUR/sqm)	6.96	7.13	7.00	6.01	5.15	**6.92**
Market rent increases p.a. in %	2.43	2.28	2.40	1.96	0.90	**2.4**
Vacancy rate in %	2.4	3.6	2.7	3.5	6.7	**2.8**
Multiple	31.0	24.9	29.5	19.1	11.0	**28.7**
Discount rate in %	4.7	5.2	4.8	5.8	6.9	**4.9**
Capitalisation rate in %	3.4	4.2	3.6	4.7	6.5	**3.6**
Maintenance costs (EUR/sqm/p.a.)	13.62	13.57	13.61	14.15	15.17	**13.66**

31/12/2018			Core^{+}	Core	Non-Core	Total
	Berlin	Other	Total	Total	Total	Total
Carrying amount (EUR m)	16,399	3,822	20,221	1,464	5	**21,690**
Carrying amount (EUR/sqm)	2,416	1,809	2,271	1,216	580	**2,145**
Share of carrying amount in %	75.6	17.6	93.2	6.7	0.0	**100.0**
In-place rent (EUR/sqm)	6.71	6.69	6.70	5.87	5.10	**6.60**
Market rent increases p.a. in %	3.38	2.65	3.20	1.61	0.36	**3.1**
Vacancy rate in %	2.1	3.2	2.4	2.9	4.3	**2.4**
Multiple	30.1	22.4	28.3	17.4	9.7	**27.1**
Discount rate in %	4.4	5.5	4.6	5.7	7.8	**4.7**
Capitalisation rate in %	4.0	4.7	4.2	5.3	7.5	**4.2**
Maintenance costs (EUR/sqm/p.a.)	11.30	11.70	11.40	12.0	12.80	**11.40**

There may be some interplay between non-observable input factors. For example a rise in the vacancy rate due to greater risk exposure may have an effect on the discount factor; a fall in the vacancy rate may potentially result in higher rent increases and higher realisable rents may also trigger an increase in maintenance expenses.

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

31/12/2019			Core+	Core	Total
in %	Berlin	Other	Total	Total	
Market rental growth	–8.20	–5.85	–7.68	–4.80	**–7.55**
Discount rate	–1.44	–0.87	–1.32	–0.26	**–1.27**
Capitalisation rate	–2.78	–1.60	–2.52	–0.63	**–2.43**

31/12/2018			Core+	Core	Total
in %	Berlin	Other	Total	Total	
Market rental growth	–6.20	–4.06	–5.79	–3.21	**–5.62**
Discount rate	–0.82	–0.68	–0.80	–0.75	**–0.79**
Capitalisation rate	–1.77	–1.23	–1.67	–1.23	**–1.64**

There is no need to provide a separate sensitivity analysis for the Berlin cluster for the effects of the Berlin Rent Cap Act, because the effects of the legislation forecast as of the reporting date are already reflected in the fair value of the residential and commercial buildings. Otherwise we refer to our comments in note I.4 Events after the balance sheet date.

Nursing facilities

The nursing facilities were valued as of 31 December 2018 and 31 December 2019 by W&P Immobilienberatung GmbH. The key inputs for the valuation were average market rents, discount rates, capitalization rates and maintenance expenses:

	31/12/2019	31/12/2018
Market rent (EUR/sqm)	9.97	9.33
Discount rate in %	4.73	4.60
Maintenance costs (EUR/sqm/p.a.)	11.32	10.02

Any adjustment of these material input factors (lowering of market rents by 5%; increase in the discount rate of 0.1%; increase in maintenance expenses of 10%) will result in the following non-cumulated fair value adjustments on the basis of the carrying amount of the nursing properties:

in %	31/12/2019	31/12/2018
Market rent	–5.0	–5.0
Discount rate	–2.0	–2.0
Maintenance costs	–1.0	–1.0

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

2 Leases in which the group is a lessor

The rental agreements concluded by Deutsche Wohnen with its tenants generated rental income in the amount of EUR 837.3 million (previous year: EUR 785.5 million). The expenses directly associated with the investment properties amounted to EUR 466.9 million (previous year: EUR 466.7 million).

In 2020, Deutsche Wohnen will receive minimum lease payments totalling approximately EUR 215 million pursuant to existing operating lease agreements concluded with third parties (termination thereof assumed to be subject to the statutory notice period of three months) and in connection with its current property portfolio for the Residential Property segment.

In the context of its Assisted Living and Nursing Services operations, Deutsche Wohnen will receive additional minimum lease payments in the amount of approximately EUR 5.2 million in 2020 (average contractually stipulated period of notice for termination: one month). Deutsche Wohnen is set to realise leasing income from the nursing properties under external management in the amount of approximately EUR 35 million in the financial year 2020.

In addition to the limitations imposed by law, Deutsche Wohnen is also to some extent subject to restrictions with regard to rent increases in the case of tenants with certain prior claims and in connection with grants in the form of subsidised-interest loans or investment subsidies. Additionally, we are required to comply with legal stipulations in the context of the privatisation of residential units.

Leases of certain broadband cable networks were classified as finance leases and gave rise to a lease receivable of EUR 31.0 million as of 31 December 2019 (previous year: EUR 32.9 million) and interest income of EUR 1.5 million (previous year: EUR 1.5 million). The term structure of the receivable is as follows:

EUR m	31/12/2019	31/12/2018
Nominal amount of outstanding lease payments	**39.4**	**42.7**
Of which due within one year	3.8	3.7
Of which due within one to two years	3.8	3.8
Of which due within two to three years	3.7	3.8
Of which due within three to four years	3.5	3.7
Of which due within four to five years	3.6	3.5
Of which due after more than five years	21.0	24.2
Plus non-guaranteed residual values	**0.2**	**0.2**
Less unrealised financial income	**–8.6**	**–10.0**
Net present value of outstanding lease payments	**31.0**	**32.9**

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:

31/12/2019

EUR m	Owner-occupied properties	Technical facilities and machinery	Office furniture and equipment	Total
Cost				
Opening balance	30.4	117.2	41.6	189.2
Additions	14.5	61.4	10.0	85.9
Additions by way of company acquisitions	3.9	2.3	7.1	13.3
Disposals	–1.0	–25.4	–2.6	–29.0
Reclassifications	–0.6	9.1	–8.5	0.0
Closing balance	**47.2**	**164.6**	**47.6**	**259.4**
Cumulative depreciation and amortization				
Opening balance	5.1	22.2	15.4	42.7
Additions	2.4	20.9	7.5	30.8
Disposals	–0.2	–3.0	–2.4	–5.6
Closing balance	**7.3**	**40.1**	**20.5**	**67.9**
Net carrying amounts	**39.9**	**124.5**	**27.1**	**191.5**

31/12/2018

EUR m	Owner-occupied properties	Technical facilities and machinery	Office furniture and equipment	Total
Cost				
Opening balance	18.8	84.4	24.1	127.3
Additions	8.8	46.1	17.7	72.6
Additions by way of company acquisitions	0.0	3.7	0.8	4.5
Disposals	0.0	–17.0	–1.0	–18.0
Reclassifications	2.8	0.0	0.0	2.8
Closing balance	**30.4**	**117.2**	**41.6**	**189.2**
Cumulative depreciation and amortization				
Opening balance	4.4	18.5	12.1	35.0
Additions	0.7	10.7	4.2	15.6
Disposals	0.0	–7.0	–0.9	–7.9
Closing balance	**5.1**	**22.2**	**15.4**	**42.7**
Net carrying amounts	**25.3**	**95.0**	**26.2**	**146.5**

The land and buildings included in property, plant and equipment (EUR 31.5 million, previous year: EUR 25.3 million) are pledged as collateral.

The right-of-use assets included in property, plant and equipment changed as follows in the reporting period:

31/12/2019

EUR m	Heat contracting	Metering technology	Commercial leases for office properties	Vehicle leases	Total
Cost					
Opening balance	100.6	0.0	0.0	0.0	100.6
Additions	24.3	32.1	6.1	1.0	63.5
Additions from company acquisitions	0.0	0.0	3.9	0.3	4.2
Disposals	–23.4	–1.7	–0.5	0.0	–25.6
Reclassifications	0.0	0.0	0.0	0.0	0.0
Closing balance	**101.5**	**30.4**	**9.5**	**1.3**	**142.7**
Cumulative depreciation and amortization					
Opening balance	20.2	0.0	0.0	0.0	20.2
Additions	14.0	4.1	1.3	0.4	19.8
Disposals	–2.4	–0.5	–0.2	0.0	–3.1
Closing balance	**31.8**	**3.6**	**1.1**	**0.4**	**36.9**
Net carrying amounts	**69.7**	**26.8**	**8.4**	**0.9**	**105.8**

Lease payments recognised through profit or loss under the recognition exception for low-value leased items and short-term leases (less than twelve months) came to EUR 0.8 million and EUR 0.3 million respectively in the reporting year. Income from sub-letting right-of-use assets came to EUR 18.9 million.

4 Intangible assets

The changes in intangible assets were as follows:

31/12/2019

EUR m	Goodwill	Other	Total
Cost			
Opening balance	22.2	25.8	48.0
Additions	0.0	2.3	2.3
Additions by way of company acquisitions	128.6	38.7	167.3
Disposals	2.7	–0.2	–2.9
Reclassifications	0.0	0.1	0.1
Closing balance	**148.1**	**66.7**	**214.8**
Cumulative depreciation and amortization			
Opening balance	0.7	15.9	16.6
Additions	2.0	10.2	12.2
Disposals	–2.7	–0.2	–2.9
Closing balance	**0.0**	**25.9**	**25.9**
Net carrying amounts	**148.1**	**40.8**	**188.9**

31/12/2018

EUR m	Goodwill	Other	Total
Cost			
Opening balance	11.4	20.1	31.5
Additions	0.0	5.4	5.4
Additions by way of company acquisitions	10.8	0.3	11.1
Disposals	0.0	0.0	0.0
Closing balance	**22.2**	**25.8**	**48.0**
Cumulative depreciation and amortization			
Opening balance	0.0	12.5	12.5
Additions	0.7	3.4	4.1
Disposals	0.0	0.0	0.0
Closing balance	**0.7**	**15.9**	**16.6**
Net carrying amounts	**21.5**	**9.9**	**31.4**

Additional goodwill of EUR 128.6 million stems from the purchase price allocation for the acquisition of PFLEGEN & WOHNEN HAMBURG Group (see chapter B.1). "Basis of consolidation" for further information). Goodwill essentially represents the earnings potential of the business acquired, as well as synergy effects resulting from the integration of the PFLEGEN & WOHNEN HAMBURG Group into the Nursing properties segment. The goodwill has been allocated in full to the operating segment Nursing properties. Goodwill of EUR 11.4 million from the HSD transaction was also allocated to the Nursing properties segment, since it also reflects the synergy potential within the segment. Impairment testing of goodwill of EUR 140 million allocated to the Nursing properties segment was based on the following premises and market-based parameters:

The projected inflows of funds were calculated on the basis of past experience and take account of expected market growth in the specific business areas.

The cash flows after the five-year detailed budgeting phase are extrapolated on the basis of a growth rate of 1.0% which does not exceed the average rate of growth in the market or the industry.

The discount rate is calculated on the basis of average weighted capital costs for the nursing and healthcare sector. The present value is calculated using a discount rate based on the Group's weighted capital cost rate of 5.11% before taxes.

The purchase price allocation for the Getec Media transaction was concluded in the financial year 2019 and the provisional fair values were confirmed upon its first-time consolidation. Goodwill after impairment of EUR 8.1 million reflects the earnings potential of the entities acquired and has been allocated in full to the acquired group of companies. Impairment testing of the goodwill was performed on the basis of the following planning premises and market-based parameters:

The projected inflows of funds were calculated on the basis of past experience and take account of expected market growth in the specific business areas.

The cash flows after the fifteen-year detailed budgeting phase are extrapolated on the basis of a growth rate of 1.2% which does not exceed the average rate of growth in the market or the industry. The period of the detailed planning phase reflects the long-term project cycles of the business.

The discount rate is calculated on the basis of weighted average capital costs. The present value is calculated using a discount rate based on the Group's weighted capital cost rate of 8.81% before taxes.

Goodwill of EUR 2.0 million from the Helvetica Services transaction was written off in full because the acquired operations were discontinued.

5 Land and buildings held for sale

The increase in the land and buildings held for disposal is largely due to the structuring of the property portfolio and the allocation of properties to the Disposals segment. In the financial year 2019, proceeds of EUR 17.5 million (previous year: EUR 27.3 million), were achieved. The proceeds were partly offset by carrying amounts of assets sold of EUR 11.9 million (previous year: EUR 19.5 million).

6 Trade receivables

Receivables are made up as follows:

EUR m	31/12/2019	31/12/2018
Receivables from rental activities	15.4	12.3
Receivables from the disposal of land	3.3	5.9
Other trade receivables	6.3	4.2
	25.0	**22.4**

Receivables from rental activities are interest-free and are always overdue. Impairments are carried out on an age distribution basis and depending on whether the tenants in question are current or former tenants. Loss allowances have been recognised for almost all overdue receivables.

In the financial year 2019, rent receivables of EUR 2.2 million (previous year: EUR 0.9 million) were written down as impaired. The loss allowance on receivables as at 31 December 2019 amounted to EUR 18.4 million (previous year: EUR 21.6 million) and results largely from further loss allowances in the reporting year.

Receivables from the disposal of land are interest-free and are due between 1 and 90 days.

Receivables from the sale of land are not impaired and only overdue to a very minor extent.

Other receivables are interest-free and are generally due within a period of between 1 and 90 days.

7 Derivative financial instruments

Deutsche Wohnen concluded several interest hedging transactions for a nominal amount of EUR 1.2 billion (previous year: EUR 1.3 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 2025 to 2029. The strike rates are between 0.88% and 1.49% (previous year: between –0.20% and 1.49%). The total fair value of these transactions (aggregate of both positive and negative amounts) amounted to EUR –50.8 million as at 31 December 2019 (previous year: EUR –14.6 million).

There are no significant default risks, given that the interest rate swaps were concluded solely with banks with 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.

The fair values and nominal values of all the interest rate hedges are shown below by remaining term to maturity:

EUR m	Fair values		Nominal values	
Maturity	2019	2018	2019	2018
Up to 1 year	0.0	–0.3	35.0	122.0
From 1 to 5 years	–1.2	–1.7	77.0	220.2
From 5 to 10 years	–49.6	–12.6	1,112.7	966.8
	–50.8	**–14.6**	**1,224.7**	**1,309.0**

The negative carrying amount of interest rate hedges presented in hedge accounting is EUR 18.9 million (previous year: EUR 6.0 million) and is shown under liabilities in the balance sheet item "Derivative instruments by maturity". The cash flow hedge reserve developed as follows:

EUR m	2019	2018
Opening balance as of 01/01	–3.4	–2.0
Plus: amount of change in fair value of hedging instruments recognised in other comprehensive income	–14.1	–3.5
Less: amount reclassified from other comprehensive income to interest expenses	1.5	1.7
Less: deferred taxes	3.1	0.4
Final balance as at 31/12	**–12.9**	**–3.4**

EUR 0.3 million was reclassified to interest expenses as ineffective in the reporting year. The following table shows the nominal amounts and the weighted average hedged rate from the hedging relationship:

EUR m	2019	2018
Nominal amount	250.5	298.2
Weighted average hedged rate in the financial year in %	0.93	0.44

8 Cash and cash equivalents

The cash and cash equivalents of EUR 685.6 million (previous year: EUR 332.8 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.

9 Equity

Please refer to the consolidated statement of changes in equity with regard to the development of the Group's equity.

a) Issued share capital

The registered share capital of Deutsche Wohnen SE as at 31 December 2019 amounted to EUR 359,715,653.00 (previous year: EUR 357,014,286.00). It is divided into 359,715,653 no-par value bearer shares each representing a notional share of the registered capital of EUR 1.00 per share. Deutsche Wohnen SE issues bearer shares only. The share capital has been fully paid in.

All shares carry the same rights and obligations. Each share entitles the holder to one vote at the Annual General Meeting and determines the shareholders' shares in the profits of the company. The rights and obligations of the shareholders are outlined in detail in the provisions of the German Stock Corporation Act [Aktiengesetz – AktG], in particular sections 12, 53a et seq., 118 et seq. and 186. There are no shares with special rights conferring powers of control.

The Management Board of Deutsche Wohnen SE is not aware of any restrictions affecting voting rights or any transfer of shares.

In the event of a capital increase, the new shares are issued as bearer shares.

Changes in authorised capital

EUR thousand	
Authorised capital 2018/I	
As at 1 January 2019	110,000
Utilisation	2,617
As at 31 December 2019	**107,383**

By resolution of the Annual General Meeting held on 15 June 2018, which was entered into the commercial register on 16 August 2018, the Management Board has been authorised to increase the company's issued capital, with the consent of the Supervisory Board, by up to EUR 110 million once or several times during the period until 14 June 2023 by means of the issuance of up to 110 million new ordinary bearer shares against cash contributions and/or contributions in kind (authorised capital 2018/I). EUR 2,617,281 of this authorisation was used to issue 2,617,281 new shares in the course of the capital increase for subscription in kind, contributed in the form of pro rata dividend rights. After this partial use there is still EUR 107,382,719.00 of authorised capital 2018/I available for the issue of up to 107,382,719 ordinary bearer shares. As a rule, shareholders must be granted subscription rights when shares are issued from 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.

Changes in contingent capital

EUR thousand	2014/II	2014/III	2015/I	2017/I	2018/I	Total
As at 1 January 2019	**5,873**	**12,791**	**50,000**	**30,000**	**35,000**	**133,664**
Capital increase by issue of shares to settle the SOP 2014		–63				–63
Capital increase by issue of put options (GSW control agreement)[1]	–21	–	–	–	–	–21
As at 31 December 2019	**5,852**	**12,728**	**50,000**	**30,000**	**35,000**	**133,580**

1 The changes in the capital amounts were entered into the commercial register on 5 February 2020.

The issued capital has contingently been increased by a total of up to EUR 133.58 million by means of the issuance of up to approximately 133.58 million new no-par value bearer shares with dividend rights generally from the start of the financial year of their issuance (contingent capital 2014/II, contingent capital 2014/III, contingent capital 2015/I, contingent capital 2017/I and contingent capital 2018/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 15 June 2018 authorised the Management Board, subject to the approval 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) with a nominal value of up to EUR 3.0 billion, and to grant the creditors thereof conversion or option rights for the Company's shares representing a share of the issued capital of up to EUR 35 million. The share issue will only take place insofar as conversion rights arising out of the convertible bonds are exercised, or insofar as conversion obligations arising out of the bonds are fulfilled, and own shares, shares issued out of authorised capital or other benefits are not used to service the obligations.

Acquisition of own shares

The acquisition of own shares is authorised pursuant to article 9 para. 1 c)(ii) SE Regulation in conjunction with section 71 ff. German Stock Corporation Act [Aktiengsetz – AktG] and also, as at the balance sheet date, by the Annual General Meeting held on 15 June 2018. The Management Board is authorised, with the consent of the Supervisory Board and subject to compliance with the principle of equal treatment of shareholders (article 9 para. 1 c)(ii) SE Regulation in conjunction with section 53a German Stock Corporation Act [Aktiengesetz – AktG]) to purchase and use the company's own shares to 14 June 2023 up to a total amount 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 own shares the company has previously acquired and still holds or are attributable to it under section 71a ff. of the 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 purpose of trading in own shares.

On 12 November 2019 the Management Board made use of this authorisation, with the approval of the Supervisory Board, and adopted a share buyback programme for up to 25 million shares and a total purchase price (without incidental costs) of up to EUR 750 million. The buyback began on 15 November 2019 in Xetra trading at Frankfurt Stock Exchange and will end at the latest at the close of 30 October 2020. The own shares are to be used for purposes permitted under the authorisation to purchase own shares adopted at the Annual General Meeting on 15 June 2018. Detailed information in accordance with Art. 5 para. 1 b) and para. 3 Regulation (EU) No. 596/2014 in conjunction with Art. 2 para. 2 and para. 3 Delegated Regulation (EU) No. 2016/1052 is available online from www.deutsche-wohnen.com/share-buy-back.

As of 31 December 2019 the company held 2,628,698 own shares. A share capital of EUR 2,628,698.00 is attributable to these own shares.

b) Capital reserve

The capital reserve increased by EUR 82.2 million due to the in-kind contribution from the share dividend in June 2019, from which EUR 0.4 million incurred for the capital increases and EUR 0.1 million in profit tax effects related to these costs were deducted. In addition, the capital reserve was reduced by EUR 96.8 million for the purchase of own shares. Other immaterial effects on the capital reserve resulted from the share option programme and the in-kind contribution as a result of the control agreement with GSW Immobilien AG.

c) Retained earnings

Retained earnings comprise the revenue reserve of Deutsche Wohnen and the accumulated profit/loss carried forward.

The maintenance of the statutory reserve is mandatory for German public limited companies [Aktiengesellschaften]. An amount equivalent to 5% of the profit for the financial year is to be retained pursuant to section 150 para. 2 of the German Stock Corporation Act [AktG]. The amount of the statutory reserve is subject to a cap of 10% of the issued capital. In accordance with section 272 para. 2 No. 1–3 of the German Commercial Code [Handelsgesetzbuch – HGB], any existing capital reserves are to be taken into account and the provisions required for the statutory reserve 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.

The financial liabilities are hedged at approximately 81.8% (previous year: approximately 84.7%) at a fixed rate and/or through interest rate swaps. The average rate of interest was approximately 1.4% (previous year: approximately 1.5%).

The loan renewal structure based on the current outstanding liability is as follows:

EUR m	Carrying amount	Nominal amount	2019	2020	2021	2022	2023	≥2024
Loan renewal structure 2019	6,327.7	6,375.1	–	46.1	23.2	173.0	749.5	5,383.3
Loan renewal structure 2018	6,184.6	6,247.8	13.0	106.4	121.4	450.5	751.9	4,804.7

The liabilities are almost entirely secured by property as collateral.

11 Corporate bonds and convertible bonds

Deutsche Wohnen issued various registered and bearer bonds in 2019, increasing the outstanding nominal volume of these instruments by some EUR 1,100 million. As of 31 December 2019 commercial paper with a volume of EUR 60 million was repaid and outstanding portions of the corporate bond were redeemed for around EUR 221 million.

The following Deutsche Wohnen bonds were outstanding as at 31 December 2019:

Type	Issuance	Maturity max.	Nominal (EUR m)	Coupon % p.a.	Carrying amount (EUR m)	Conversion price (EUR/share)
Convertible bonds	2017	2024	800.0	0.325	841.9	47.4859
Convertible bonds	2017	2026	800.0	0.600	840.9	49.9189
Total convertible bonds			**1,600.0**		**1,682.8**	
Corporate bond	2015	2020	278.8	1.375	280	–
Registered bonds	2017–2019	2026–2032	475.0	0.9–2.0	476.2	–
Bearer bonds	2018–2019	2020–2036	1,264.5	0.0–2.5	1,258.0	–

12 Employee benefit liabilities

The company's pension scheme consists of defined benefit and defined contribution plans. The average term of the obligations is approx. 18.2 years (previous year: 14.1 years), payments from pension benefit plans for 2020 are expected in the amount of EUR 4.1 million (less payments on plan assets) (previous year: EUR 3.6 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 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 %	31/12/2019	31/12/2018
Discount rate	0.75	1.60
Future salary increases	3.02	2.50
Future pension increases	1.50	1.75
Increase in the contribution assessment ceiling	1.99	2.25
Mortality tables	R 18G	R 18G

The trend in salaries includes expected future salary increases that depend, 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 used a discount rate of 0.65% (previous year: 1.6%).

The following summary shows the financing status of the Group's pension plans, which is at the same time equivalent to the balance sheet amount:

EUR m	31/12/2019	31/12/2018
Present value of employee benefit liabilities	115.0	71.3
Less fair value of the plan assets	–7.8	–7.9
	107.2	**63.4**

The following table shows the development of the present value of the defined benefit liabilities and the fair value of the plan assets:

EUR m	31/12/2019	31/12/2018
Opening balance employee benefit liability	71.3	73.8
Additions by way of company acquisitions	27.8	–
Pension payments	–3.4	–3.5
Interest expense	1.6	1.1
Service cost	2.1	0.6
Reclassified to other provisions	0.7	
Actuarial gains/losses	14.9	–0.7
Closing balance employee benefit liability	**115.0**	**71.3**
Of which pension plans funded by plan assets	11.7	10.7
Of which pension plans not funded by plan assets	103.3	60.6
Opening balance plan assets	7.9	8.1
Interest revenues from plan assets	0.1	0.1
Pension payments from plan assets	0.0	–0.4
Actuarial gains/losses	–0.2	0.1
Closing balance plan assets	**7.8**	**7.9**

The pension expenses comprise the following:

EUR m	2019	2018
Interest expense	–1.5	–1.1
Service cost	–2.1	–0.6
	–3.6	**–1.7**

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 consolidated profit and loss statement, while current pension payments, service expenses and adjustments to current pensions are recognised as “Staff expenses”.

Total expenses of EUR 15.4 million (previous year: EUR 8.8 million) were incurred for defined contribution pensions. Therefore, total expenses for retirement provisions (defined benefit and defined contribution) amounted to EUR 19 million (previous year: EUR 10.5 million). For 2019, based on the current number of employees, the cost will come to EUR 18.2 million.

A drop in the interest rate of 0.25% would result in an increase in pension obligations of 4.24%; an interest rate increase of 0.25% would result in a reduction of pension obligations of 3.98%. A drop in the pension progression of 0.25% would result in an increase in pension obligations of 3.01%; a pension progression increase of 0.25% would result in a reduction of pension obligations of 3.15%.

The sensitivity calculations are based on the average term of the pension liabilities determined as at 31 December 2019. 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 2019 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 that any further changes to the relevant actuarial parameters are likely to occur which could result in material adjustments to the carrying amounts of the employee benefit liabilities over the next few years.

Provisions of EUR 12 thousand (previous year: EUR 12 thousand) have been established for commitments made for the benefit of any members of the Management Board becoming unable to work. These are also recorded under employee benefit liabilities.

13 Liabilities arising out of finance leases

Deutsche Wohnen recognises liabilities of EUR 169.4 million for leases for heat contracting, land leases, commercial property leases and vehicle leases as of year-end (previous year: EUR 146.3 million). They are shown according to their term structure in other financial liabilities. Interest expenses for lease liabilities was EUR 2.8 million in financial year 2019.

The leases give rise to the following financial liabilities:

31/12/2019

EUR m	Due within one year	Due in 1 to 5 years	Due after 5 years
Payments	23.4	73.0	139.5
Interest component	–2.7	–8.7	–55.1
Redemption component	**20.7**	**64.3**	**84.4**

31/12/2018

EUR m	Due within one year	Due in 1 to 5 years	Due after 5 years
Payments	15.4	54.6	152.9
Interest component	–2.3	–8.0	–66.3
Redemption component	**13.1**	**46.6**	**86.6**

14 Other provisions

The other provisions comprise the following:

EUR m	Restructuring	Legal risks	Other	Total
Opening balance	**1.9**	**6.7**	**16.0**	**24.6**
Additions by way of company acquisitions	0.0	0.0	0.8	0.8
Utilisation	–0.1	–0.5	–3.2	–4.7
Reversal	0.0	–0.5	–1.3	–1.8
Additions	2.4	15.1	15.6	33.1
Closing balance	**3.3**	**20.8**	**27.9**	**52.0**
Of which: non-current	1.5	19.7	23.2	44.4
Of which: current	1.8	1.1	4.7	7.6

Other provisions (EUR 27.9 million; previous year: EUR 16.0 million) relate to a large number of third-party liabilities.

The additions include accrued interest on non-current provisions of EUR 0.2 million.

15 Tax liabilities

The amount of tax liabilities (EUR 26.2 million; previous year: EUR 36.0 million) primarily comprises provisions for current taxes and for possible tax-related risks arising in connection with external audits.

16 Deferred taxes

The deferred taxes comprise the following:

EUR m	31/12/2019	Change	31/12/2018
Deferred tax assets			
Properties	1.7	-0.2	1.9
Pensions	14.3	5.4	8.9
Loss carry-forwards	316.9	49.7	267.2
Interest rate hedges	11.6	7.6	4.0
Loans	1.2	0.6	0.5
Convertible bonds	9.5	-4.8	14.3
Other	55.7	13.7	42.0
	410.8	**72.0**	**338.8**
Netting	-410.7	-72.1	-338.7
Carrying amount	0.1	-0.1	0.1
Deferred tax liabilities			
Loans	13.5	-5.5	19.0
Properties	4,061.6	536.1	3,525.5
Other	49.4	10.6	38.9
	4,124.5	**541.2**	**3,583.4**
Netting	-410.7	-72.1	-338.7
Carrying amount	3,713.8	469.1	3,244.7
Deferred taxes (net)	**3,713.7**	**469.0**	**3,244.6**

The changes in deferred taxes in 2019 and 2018 are as follows:

EUR m	2019	2018
Acquisition	-3.3	0.0
Reported directly in other comprehensive income	18.9	-11.6
Recognised in profit/loss	-484.6	-736.7
	-469.0	**-748.3**

The actuarial gains and losses from pensions, changes in the fair value of the effective hedges and the counterparty risk of convertible bonds are recognised directly in other comprehensive income. The resulting deferred taxes are also recognised in other comprehensive income and consist of EUR 3.3 million (previous year: EUR 0.1 million) for actuarial gains and losses, EUR 3.1 million (previous year: EUR 0.4 million) for fair value changes of effective hedges, and EUR 12.5 million (previous year: EUR -12.1 million) for the counterparty risk of convertible bonds.

The increase in the amount of the deferred tax liabilities with regard to properties in the financial year 2019 was largely the result of the revaluation of the investment properties.

In the area of the extended property reduction, an adjustment of the underlying estimates led to a negative effect on earnings of EUR 7.9 million.

The Deutsche Wohnen Group has corporation tax loss carry-forwards in the amount of EUR 1,648.6 million (previous year: EUR 1,542.9 million) and trade tax loss carry-forwards in the amount of EUR 1,394.4 million (previous year: EUR 1,277.9 million). The amounts of corporation and trade tax loss carry forwards for which no deferred tax assets are recognised amount to EUR 545.0 million (previous year: EUR 596.5 million) and EUR 397.9 million (previous year: EUR 447.0 million). In general, loss carry-forwards do not expire. Furthermore, the Deutsche Wohnen Group had not created any deferred tax assets on the total interest carry-forwards in the amount of EUR 67.3 million, since due to the capital structure it cannot be assumed that these can be used in the future.

In the 2019 fiscal year, no deferred tax assets were recognised for temporary differences of EUR 40.1 million (previous year: EUR 37.7 million) because it is unlikely that sufficient taxable income will be generated for these amounts in the near future.

No deferred tax liabilities were recognised for profits of EUR 8,927.7 million accrued at subsidiaries (previous year: EUR 7,490.9 million), because these profits are intended to stay invested for an indefinite period or are not subject to tax. If the subsidiaries make a distribution or are sold, 5% of the distribution or disposal gain is subject to tax, which would generally give rise to an additional tax payment.

E Disclosures on the consolidated income statement

The consolidated profit and loss statement is prepared using the total cost method.

1 Contracted rental income and operating costs

The income from contracted rental income and operating costs is made up as follows:

EUR m	2019	2018
Contractual rent	860.7	807.7
Subsidies	0.9	0.8
	861.6	**808.5**
Vacancy losses	–24.3	–23.0
	837.3	**785.5**
Operating costs	359.4	337.4
	1,196.7	**1,122.9**

2 Expenses from Residential Property Management

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

EUR m	2019	2018
Maintenance costs	102.4	102.9
Operating costs	350.7	347.2
Rental loss	7.1	7.7
Other costs	6.7	8.9
	466.9	**466.7**

3 Earnings from Disposals

The earnings from Disposals include income from sales proceeds, disposal costs 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	2019	2018
Income from nursing	165.7	68.1
Rental and lease income	104.9	67.2
Nursing and corporate expenses	–41.9	–24.5
Staff expenses	–138.2	–54.2
Expenses for leased properties	–2.2	–1.3
	88.3	**55.3**

5 Disclosures on revenue recognition pursuant to IFRS 15 and IFRS 16

In the Group, tenancy agreements are concluded which essentially comprise the net rent exclusive of heating expenses plus operating costs. The contract component "net rent exclusive of heating expenses" is a lease and so falls within the scope of IFRS 16 and IAS 17 Leases, whereas income from operating costs falls within the scope of IFRS 15 Revenue from contracts with customers. Income from operating costs consists of the expenses that are charged to tenants and do not include any margin. In addition, sales revenue is mainly generated from the disposal of property and the provision of nursing services. For the first time in 2019 and for the purposes of this disclosure, income from operating costs for which no performance is owed is divided across the rents and other income from operating costs (land tax and property insurance of EUR 55 million in 2019), weighted by the individual disposal price. The figures for 2018 have not been adjusted.

IFRS 15 disclosures for 2018

Segments	Residential Property Management	Disposals	Nursing Operations and Nursing Assets	Total
Goods/services				
Operating costs	337.4	–	–	337.4
Privatisation	–	68.7	–	68.7
Institutional sale	–	111.6	–	111.6
Nursing care	–	–	68.1	68.1
	337.4	**180.3**	**68.1**	**585.8**
Time of revenue recognition				
Goods or services transferred at a point in time	–	180.3	–	180.3
Goods or services transferred over time	337.4	–	54.5	391.9
	337.4	**180.3**	**54.5**	**572.2**

IFRS 15 and IFRS 15 disclosures for 2019

EUR m	Residential Property Management	Disposals	Nursing Operations	Nursing Assets	Total
IFRS 16 income					
Rents and lease income	837.3	–	59.5	44.0	940.8
Operating costs	55.0	–	–	–	55.0
	892.3	**0.0**	**59.5**	**44.0**	**995.8**
IFRS 15 income					
Operating costs	304.4	–	–	1.4	305.8
Privatisation	–	90.0	–	–	90.0
Institutional sale	–	677.3	–	–	677.3
Nursing care	–	–	165.7	–	165.7
	304.4	**767.3**	**165.7**	**1.4**	**1,238.8**
Time of revenue recognition according to IFRS 15					
Goods or services transferred at a point in time	–	767.3	–	–	767.3
Goods or services transferred over time	304.4	–	165.7	1.4	471.5
	304.4	**767.3**	**165.7**	**1.4**	**1,238.8**

6 Corporate expenses

The corporate expenses comprise the following:

EUR m	2019	2018
Staff expenses	**65.0**	**62.8**
General and administration expenses		
IT costs	10.4	8.8
Building costs	3.1	3.1
Legal, consultancy and audit costs	8.9	5.9
Communication costs	5.4	3.8
Printing and telecommunication costs	2.2	1.9
Travel expenses	1.2	1.2
Insurance policies	1.5	1.0
Other	3.7	5.2
	36.4	**30.9**
	101.4	**93.7**

The number of employees of the Deutsche Wohnen Group allocated to the Residential Property segment in the financial year averaged 1,308 (previous year: 1,165 employees). As at year-end, KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH, in which Deutsche Wohnen SE has a 49% shareholding, and PFLEGEN & WOHNEN HAMBURG Group had an average of 3,906 employees (previous year: 1,987 employees). The year-on-year increase is mainly due to the acquisition of the PFLEGEN & WOHNEN HAMBURG Group in January 2019.

7 Other income

Other income mainly include income from internally generated assets, income from the multimedia business and a non-recurring effect from the ongoing appraisal proceedings about the control agreement signed in 2014 between Deutsche Wohnen SE and GSW Immobilien AG. The increase compared with the previous year is particularly due to the appraisal proceedings.

8 Other expenses

The year-on-year increase in other liabilities is mainly due to the non-recurring effects in the context of the ongoing appraisal proceedings about the control agreement signed in 2014 between Deutsche Wohnen SE and GSW Immobilien AG. The item also includes expenses for the multimedia business and many other non-recurring effects.

9 Share-based remuneration

Restricted Share Units

Certain Management Board members receive virtual shares known as “Restricted Share Units” (RSU). RSU are allocated to the individual Management Board members on 1 January or 1 April of each year in four annual tranches. The number of RSU to be allocated in each financial year is defined in advance in the service contracts for Management Board members.

The agreed value of each RSU corresponds to the reference price of the Deutsche Wohnen SE share at each allocation date, plus a notional dividend. This corresponds to the amount of the company's annual gross dividend per share, which is added in the year of allocation and every year thereafter. Allocations end if the Management Board member receiving them leaves the company for whatever reason.

The RSU are settled in cash, or if the service contract is renewed for a Management Board member who has a vested entitlement to shares, in the year the last tranche is allocated, generally on the date on which the variable short-term remuneration component (STI) is paid for the respective year. On this date the company transfers to the entitled Management Board member the number of company shares corresponding to 60% of the number of RSU acquired by the Management Board member (RSU convertible shares). The Management Board member receives the difference between the value of the RSU convertible shares and the value of the RSU including the notional dividend as a cash payment on the aforementioned date.

In all other cases the virtual shares are settled on 15 April of the first year after the last tranche has been allocated, on condition that the entitled Management Board member has not declined an offer to renew their service contract on the same terms, or has terminated their service contract without a good reason or their contract has been terminated for a good reason.

The RSU convertible shares may not be sold earlier than four years after the date on which the respective tranche was allocated.

In 2019 a total of 3,125 RSU were granted, each with a fair value of EUR 43.48. Deutsche Wohnen incurred expenses of EUR 0.1 million for the RSU programme in the reporting year.

Share option plan

The share option plan launched in 2014 provides for the possibility of issuing a maximum of 12,879,752 subscription rights to the members of the Management Board of Deutsche Wohnen SE and to selected executives of the Deutsche Wohnen Group under the following conditions:

The subscription rights are issued to beneficiaries in annual tranches until the expiration of four years from the date of the entering of the contingent capital in the commercial register, or at least until the expiration of 16 weeks following the conclusion of the ordinary Annual General Meeting in 2018. The amount of the annual tranches is determined by dividing the intended variable remuneration for each beneficiary by a reference value. The reference value is the arithmetic mean of the closing price for Deutsche Wohnen shares on 30 days before the respective share options are issued.

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 expire upon the expiration of the relevant period.

The subscription rights may only be exercised where 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 (section 626 para. 1 of the German Civil Code [Bürgerliches Gesetzbuch – BGB]) and
- the performance targets "adjusted NAV per share" (40% weighting), "FFO (without disposals) per share" (40% weighting) and "share price" (20% weighting) have been attained.

The performance targets for each individual tranche of the share options relate to the development of the (i) "adjusted NAV per share", (ii) "FFO (without disposals) per share" and (iii) "share price", as compared to the "adjusted EPRA/NAREIT Germany Index", calculated in accordance with the following provisions.

Each of the aforementioned performance targets in turn comprises a minimum target, which must be attained in order for half of the share options allotted to this performance target to be generally exercisable, as well as a maximum target, upon the attainment of which all of the share options allotted to this performance target become exercisable in accordance with the weighting of the performance target in question. The minimum target in each case is set at a degree of target attainment of 75% and the maximum target is set at a degree of target attainment of 150%. The individual minimum and maximum targets are set by the company on the basis of its quarterly projections prior to the issuance of the annual tranche of share options. Subject to any special arrangements which apply upon the termination of the service or employment relationship of the beneficiary prior to the expiration of the waiting period, the number of exercisable share options per tranche is commensurate with the total number of share options in the tranche in question multiplied by the percentage rate produced by the total of the percentage rates resulting from the attainment of one or more 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 the subscription rights eligible for allocation to each beneficiary is calculated on the basis of the degree of attainment of the performance targets. Each beneficiary pays EUR 1 per share upon exercising the allocated subscription rights. The shares acquired following the exercise of the options confer full voting rights and an entitlement to the payment of dividends.

In the past financial year no subscription rights were issued under the SOP-2014 (previous year: none), with the result that 130,960 subscription rights were outstanding at the end of the year (previous year: 193,667). The expenses relating to the share option programme as reported in the consolidated financial statements amounted to EUR 0 million (previous year: EUR 0.3 million).

10 Gains/losses from fair value adjustments to derivative financial instruments and convertible bonds

Gains/losses from fair value adjustments comprise positive fair value adjustments of the convertible bonds of EUR 58.0 million (previous year: negative adjustments of EUR 70.7 million) and negative value adjustments for derivative financial instruments in the amount of EUR 29.5 million (previous year: negative adjustment of EUR 9.6 million).

11 Financial expenses

Finance expenses are made up as follows:

EUR m	2019	2018
Current interest	135.5	106.3
Accrued interest on liabilities and pensions	25.9	15.8
Non-recurring expenses in connection with refinancing	13.1	9.3
	174.5	**131.4**

12 Income taxes

Companies which are domiciled in Germany and structured as a limited liability company are subject to German corporation tax at a rate of 15% and a solidarity surcharge 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 limited 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 2019 for Deutsche Wohnen SE as the parent company of the Group is 30.18% (previous year: 30.18%).

The income tax expense/benefit comprises the following:

EUR m	2019	2018
Current tax expense	**–18.9**	**–27.4**
Tax expense resulting from capital increase-related costs	**–0.1**	**–0.1**
Deferred tax expense		
Properties	–531.3	–747.4
Loss carry-forwards	49.7	0.9
Loans	6.1	3.4
Convertible bonds	–5.3	–6.0
Interest rate hedges	4.6	2.5
Pensions	–0.1	–1.0
Other	–8.4	11.2
	–484.6	**–736.7**
	–503.7	**–764.2**

The reconciliation of tax expense/benefit is provided in the following overview:

EUR m	2019	2018
Group profit before taxes	2,104.6	2,626.8
Applicable tax rate	30.18%	30.18%
Resulting tax expense	–635.1	–792.8
Permanent effects resulting from non-deductible expenses and trade tax corrections as well as tax-exempt income	90.2	12.5
Changes in unrecognised deferred taxes on loss carry-forwards and accrued temporary differences	96.0	0.3
Income tax expenses from other periods	–15.5	2.3
Other effects	–39.3	13.5
	–503.7	**–764.2**

The amount of current income taxes for the financial year 2019 includes income from other periods of EUR –15.5 million (previous year: EUR 2.3 million). EUR 96.0 million of the change in unrecognised deferred taxes on loss carry-forwards and accrued temporary differences in the amount of EUR 1.5 million (previous year: EUR 0.3 million) had the effect of reducing the amount of the ongoing tax expenditure.

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.

Deutsche Wohnen focuses on the following four main segments in the context of its business activities:

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.

Disposals

The Disposals business segment is another pillar of the Deutsche Wohnen Group's operating activities. Privatisation can take the form of either an individual privatisation transaction, i.e. the sale of an individual residential unit (for example, to a tenant), or 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 the 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, etc.) when making privatisation decisions. These restrictions to some extent also prohibit the disposal of the properties in question for a specified period of time.

Nursing home operators

The Nursing home operations consist of the investments in KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG. The range of services provided by the nursing home operators comprises the marketing and management of nursing and residential care homes for the elderly, as well as services relating to the care of the senior citizens residing in those properties.

Nursing properties

Earnings contributions from leases with internal and external operators are presented in the Nursing properties segment.

Inter-company transactions primarily concern agency agreements and leases on arm's length terms for nursing properties which are operated internally.

The segment reporting is attached to the notes to the consolidated financial statements as Appendix 2.

Segment earnings correspond to the respective sub-totals in the consolidated income statement. The following table shows how segment earnings were reconciled with the consolidated income statement:

EUR m	2019	2018
Total segment earnings	1,004.2	754.6
Corporate expenses	–101.4	–93.7
Other expenses	–113.8	–24.4
Other income	84.1	22.6
Interim result (EBITDA before gains/losses from fair value adjustments of investment properties)	**873.1**	**659.1**
Gains/losses from fair value adjustments of investment properties	1,406.7	2,179.3
Depreciation and amortization	–42.9	–10.3
Earnings before interest and taxes (EBIT)	**2,236.9**	**2,828.1**
Financial income	10.9	7.8
Gains/losses from fair value adjustments to derivative financial instruments and convertible bonds	28.5	–80.3
Gains/losses from companies valued at equity	2.8	2.6
Financial expenses	–174.5	–131.4
Earnings before taxes	**2,104.6**	**2,626.8**
Income taxes	–503.7	–764.2
Profit/loss for the period	**1,600.9**	**1,862.6**

G Notes on the cash flow statement

The consolidated statement of cash flows shows how the Group's cash position has 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 (2019: EUR 146.2 million; previous year: EUR 28.0 million). In total, Deutsche Wohnen received EUR 795.2 million (previous year: EUR 177.9 million) from property disposals. Purchase of property, plant and equipment includes payments for modernisation and acquisition of investment properties and land and buildings held for sale.

The Group has funds amounting to EUR 438.6 million (previous year: EUR 449.6 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.

The changes in liabilities arising out of finance leases during the financial year 2019 were as follows:

EUR m			Non-cash changes			
	Opening balance Balance sheet	Cash changes	Change in consolidation basis	Change in fair value	Accruals and deferrals	Closing balance Balance sheet
Financial liabilities	6,184.6	127.6	0.0	0.0	15.5	6,327.7
Convertible bonds	1,697.2	0.0	0.0	–14.4	0.0	1,682.8
Corporate bonds	1,200.4	818.3	0.0	0.0	–4.6	2,014.1
Total	**9,082.2**	**945.9**	**0.0**	**–14.4**	**10.9**	**10,024.6**

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	2019	2018
Group profit/loss to calculate undiluted earnings	1,529.5	1,833.0
Correction: Interest from convertible bonds (after taxes)	5.2	5.2
Correction: Valuation effect resulting from convertible bond (after taxes)	–40.5	49.3
Adjusted Group profit/loss to calculate diluted earnings	**1,494.2**	**1,887.5**

The average number of issued shares (diluted and undiluted) amounts to:

thousand	2019	2018
Shares issued at start of period	357,014	354,666
Addition of issued shares in the relevant financial year	73	2,348
Shares issued at end of period	357,087	357,014
Average number of issued shares, undiluted	**357,087**	**355,704**
Number of diluting shares due to exercise of conversion rights and share option programme	32,899	32,581
Average number of issued shares, diluted	**390,986**	**388,285**

The earnings per share amount to:

EUR	2019	2018
Earnings per share		
Undiluted	4.27	5.15
Diluted	3.82	4.86

In 2019 a dividend was paid out for the financial year 2018 of EUR 310.6 million or EUR 0.87 per share. In addition, 2,617,281 new shares from the share dividend with an equivalent value of some EUR 84.9 million were issued for approx. 101 million dividend entitlements. A cash dividend of EUR 1.00 per share is planned for the financial year 2019. Based on the number of shares outstanding as at 31 December 2019 and assuming that no shareholders vote for a share dividend, this corresponds to a total dividend distribution of EUR 391.0 million.

I Other disclosures

1 Information on financial instruments

Financial risk management

The management of financial risks is an integral part of the risk management system and as such a tool for achieving the company's primary objective of ensuring the profitability of Deutsche Wohnen – which is mainly focussed on the management and development of its own residential holdings – on a sustained basis. Please see the risk and opportunity report in the Group Management Report for a detailed description of the overall risk management system.

The measures relating to financial risk management are described below:

The main financial instruments used by the Group – apart from derivative financial instruments – are bank loans, convertible bonds, a corporate bond, registered bonds, bearer bonds, 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 and floors. 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 future trading in this area.

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

31/12/2019

EUR m	IFRS 9 measurement category	Measured at amortized costs		At fair value	Value recognised in the balance sheet as per IAS 16/IAS 28	Total balance sheet items
		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount
Trade receivables	AC	24.9	24.9	–	–	24.9
Other assets						
Equity instruments	FVOCI	–	–	2.3	–	2.3
Shares in associates and joint ventures	n/a	–	–	–	22.6	22.6
Lending	AC	4.1	4.1	–	–	4.1
Lease receivables	n/a	–	–	–	28.7	28.7
Other financial assets	AC	98.2	98.2	–	–	98.2
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	–	–	1.3	–	1.3
Cash flow hedges (interest rate swaps)	n/a	–	–	–	–	–
Cash and cash equivalents	AC	685.6	685.6	–	–	685.6
Total financial assets		**812.8**	**812.8**	**3.6**	**51.3**	**867.6**
Financial liabilities	AC	6,327.7	6,604.8	–	–	6,327.7
Convertible bonds	FVtPL	–	–	1,682.8	–	1,682.8
Corporate bond	AC	2,014.1	2,117.4	–	–	2,014.1
Trade payables	AC	300.5	300.5	–	–	300.5
Other liabilities						
Lease liabilities	n/a	–	–	–	169.4	169.4
Other financial liabilities	AC	281.3	281.3	–	–	281.3
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	–	–	33.2	–	33.2
Cash flow hedges (interest rate swaps)	n/a	–	–	18.9	–	18.9
Total financial liabilities		**8,923.6**	**9,304.0**	**1,734.9**	**169.4**	**10,827.9**

AC – Financial assets and financial liabilities valued at amortized costs (Amortized Cost)
FVtPL – Measured at fair value through profit and loss (Fair Value through Profit and Loss)
FVOCI – Measured at fair value through equity (Fair Value through Other Comprehensive Income)

31/12/2018

EUR m	IFRS 9 measure-ment category	At amortized cost		At fair value	Value recog-nised in the balance sheet as per IAS 17/IAS 28	Total balance sheet items
		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount
Trade receivables	AC	22.4	22.4	0.0	0.0	22.4
Other assets						
Financial assets	FVOCI	1.8	n/a	0.0	0.0	1.8
Financial assets	n/a	–	n/a	–	72.8	72.8
Lending	AC	4.2	4.2	0.0	0.0	4.2
Lease receivables	n/a	0.0	0.0	0.0	32.9	32.9
Other financial assets	AC	26.2	0.0	0.0	0.0	26.2
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	0.0	0.0	1.0	0.0	1.0
Cash flow hedges (interest rate swaps)	n/a	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents	AC	332.8	332.8	0.0	0.0	332.8
Total financial assets		**387.5**	**359.4**	**1.0**	**105.7**	**494.2**
Financial liabilities	AC	6,184.6	6,359.8	0.0	0.0	6,184.6
Convertible bonds	FVtPL	0.0	0.0	1,697.2	0.0	1,697.2
Corporate bond	AC	1,200.4	1,164.4	0.0	0.0	1,200.4
Trade payables	AC	302.4	302.4	0.0	0.0	302.4
Other liabilities						
Liabilities from finance leases	n/a	0.0	0.0	0.0	146.3	146.3
Other financial liabilities	AC	205.3	205.3	0.0	0.0	205.3
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	0.0	0.0	9.6	0.0	9.6
Cash flow hedges (interest rate swaps)	n/a	0.0	0.0	6.0	0.0	6.0
Total financial liabilities		**7,892.6**	**8,031.8**	**1,712.8**	**146.3**	**9,751.8**

AC – Financial assets and financial liabilities valued at amortized costs (Amortized Cost)
FVtPL – Measured at fair value through profit and loss (Fair Value through Profit and Loss)
FVOCI – Measured at fair value through equity (Fair Value through Other Comprehensive Income)

The determination of the fair value of the financial assets and liabilities for valuation purposes or for the purposes of disclosure in the explanatory Notes was undertaken in all cases except that of liabilities arising in connection with put options of co-partners (Level 3) – on the basis of Level 2 of the fair value hierarchy.

The DCF valuation methodology was applied in the case of derivatives, using observable market parameters, in particular market interest rates. The fair value of the convertible bonds was calculated on the basis of the market listings for the securities. The amounts of the liabilities arising in connection with put options are commensurate with the discounted contractually stipulated purchase prices, which can be calculated on the basis of projectable cash flows.

The following table shows the contractual, non-discounted payments:

31/12/2019

EUR m	Carrying amount				Maturities
		2020	2021	2022	>2023
Original financial liabilities					
Financial liabilities	6,327.7	120.0	100.5	247.8	3,997.5
Convertible bonds	1,682.8	7.4	7.4	7.4	1,624.4
Corporate bond	2,014.1	508.9	26.3	26.3	1,744.7
Trade payables	300.5	300.5	0.0	0.0	0.0
Other liabilities					
Liabilities from finance leases	169.4	23.4	22.8	18.5	171.2
Other financial liabilities	281.3	127.5	0.0	0.0	153.7
Derivative financial liabilities	**52.1**	**8.8**	**10.0**	**8.7**	**25.0**
Total	**10,827.9**	**1,096.6**	**166.9**	**308.8**	**7,716.6**

31/12/2018

EUR m	Carrying amount				Maturities
		2019	2020	2021	>2022
Original financial liabilities					
Financial liabilities	6,184.6	140.5	232.0	237.8	6,343.4
Convertible bonds	1,697.2	7.4	7.4	7.4	1,631.8
Corporate bond	1,200.4	79.2	519.3	12.5	768.4
Trade payables	302.4	302.4	0.0	0.0	0.0
Other liabilities					
Liabilities from finance leases	146.3	15.5	15.3	14.4	177.8
Other financial liabilities	205.3	41.8	0.0	24.0	139.4
Derivative financial liabilities	**15.6**	**8.6**	**7.7**	**5.4**	**–6.0**
Total	**9,751.8**	**595.3**	**781.8**	**301.5**	**9,054.9**

The profits and losses from financial assets and liabilities are as follows:

31/12/2019

EUR m	IFRS 9 measurement category	From interests	From dividends	From subsequent valuations			From disposals	From components of other comprehensive income	Net income
				At fair value	Write-down	Write-back			
Financial assets and financial liabilities at at amortized costs	AC	–148.6	0.0	0.0	–0.3	2.0	–5.3	–2.2	–154.4
At fair value through profit or loss	FVtPL	–22.6	0.0	28.5	0.0	0.0	0.0	0.0	5.9
At fair value through other comprehensive income	FVOCI	0.0	0.0	0.0	–1.5	0.0	–0.3	0.0	–1.8
Total		**–171.2**	**0.0**	**28.5**	**–1.8**	**2.0**	**–5.5**	**–2.2**	**–150.3**

31/12/2018

EUR m	IFRS 9 measurement category	From interests	From dividends	From subsequent valuations			From disposals	From components of other comprehensive income	Net income
				At fair value	Write-down	Write-back			
Financial assets and financial liabilities at at amortized costs	AC	–111.0	0.0	0.0	–1.4	1.3	–1.4	–0.7	–113.3
At fair value through profit or loss	FVtPL	–11.5	0.0	–78.0	0.0	0.0	0.0	0.0	–89.5
At fair value through other comprehensive income	FVOCI	0.0	0.0	39.8	0.0	0.0	0.4	0.0	40.1
Total		**–122.5**	**0.0**	**–38.2**	**–1.4**	**1.3**	**–1.0**	**–0.7**	**–162.6**

AC – Financial assets and financial liabilities valued at amortized costs (Amortized Cost)
AfS – Financial assets available for disposal (Available for Sale)
FVtPL – Measured at fair value through profit and loss (Fair Value through Profit and Loss)
FVOCI – Measured at fair value through equity (Fair Value through Other Comprehensive Income)
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 forward at amortized cost (Financial Liabilities at Cost)
FLHfT – Liabilities assessed at fair value and recognised in profit/loss (Financial Liabilities Held for Trade)

Changes in the fair value of convertible bonds resulting from counterparty risk are recognised in other comprehensive income.

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 obtains collateral. There is no significant concentration of default risk at Deutsche Wohnen, either for a single counterparty or for a group of counterparties 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 approx. 53% (previous year: 52%) and a Loan-to-Value ratio of 35.4% (previous year: 36.0%).

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. In order to make this combination cost-efficient, the Group concludes interest rate swaps at specified intervals in 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. Accordingly, interest rate risk only exists for floating-rate financial liabilities that are not hedged by interest rate swaps. Applied to these financial liabilities, an increase/reduction of 0.5% in the interest rate on the balance sheet date would have resulted in an increase/a reduction in the interest expenses of EUR 5.3 million/EUR –2.5 million (previous year: EUR 5.1 million/EUR –3.4 million). Applied to the derivative financial instruments, an increase/reduction of 0.5% in the interest rate on the balance sheet date would have resulted in an increase/a reduction in the interest expenses of EUR 22.2 million/EUR –23.3 million (previous year: EUR 19.7 million/EUR –17.7 million). Applied to other comprehensive income, an interest adjustment in the same amount would have resulted in an increase/a reduction of EUR 10.4 million/EUR –10.9 million (previous year: EUR 10.4 million/EUR –13.8 million).

Market risks

The financial instruments of Deutsche Wohnen that are not reported at fair value are primarily cash and cash equivalents, trade receivables, lease 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 can arise in connection with fixed-interest and interest-hedged loans where the market interest rate falls below the interest rate for the loans entered into by the Group. In such cases, Deutsche Wohnen will usually initiate negotiations with the banks in question and make adjustments and enter into refinancing arrangements in the interests of avoiding the implications of unfavourable interest rates.

Netting of financial assets and financial liabilities

Financial assets and liabilities will only be netted pursuant to global netting agreements where an enforceable legal offset right 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 offset right. 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 offset right may arise which could result in the futures transactions being reported at 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 356.2 million (previous year: EUR 334.1 million) were offset against instalments on advance payments of operating costs in the amount of EUR 372.4 million (previous year: EUR 357.0 million) on the balance sheet for the financial year 2019. There were no conditional rights to offset derivatives against liabilities from 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 ratio and the leverage ratio

The Group aims to achieve an equity ratio of 40%. Future investments will therefore be made partly on the basis of balanced financing. The equity ratio amounted to 47% as at the reporting date (previous year: 48%).

- Loan-to-Value ratio

The ratio of financial liabilities to the value of the investment properties is defined as the Loan-to-Value ratio.

EUR m	31/12/2019	31/12/2018
Financial liabilities	6,327.7	6,184.6
Convertible bonds	1,682.8	1,697.2
Corporate bonds	2,014.1	1,200.4
	10,024.6	**9,082.2**
Cash and cash equivalents	–685.6	–332.8
Net financial liabilities	**9,339.0**	**8,749.4**
Investment properties	25,433.3	23,781.7
Less right-of-use assets from leases held as investment properties	–62.8	0.0
Non-current assets held for sale	571.2	33.0
Land and buildings held for sale	468.9	477.1
	26,410.6	**24,291.8**
Loan-to-Value ratio in %	**35.4**	**36.0**

3 Events after the balance sheet date

In late January 2020 the parliament of Berlin adopted a law capping rents for housing in Berlin (“rent cap”). It came into effect in February 2020. As the constitutionality of the legislation is in dispute, several applications for judicial review have been announced, also to the Federal Constitutional Court. The courts are expected to accept the applications for review.

The law provides for rents to be frozen for five years, whereby rents agreed in accordance with the German Civil Code [Bürgerliches Gesetzbuch – BGB] up to 18 June 2019 and rents for new lets may not be exceeded until the effective date of the legislation. There are exceptions for properties built after 2014, special-needs accommodation and publicly funded new housing, residential homes and accommodation not suitable for human habitation that is being refurbished. Rent caps have also been established. They range from EUR 3.92 per sqm to EUR 9.80 per sqm per month and are generally based on the figures from the 2013 Berlin rental index. Any higher current rents must also be reduced to the permitted level of 120% of the rent cap, which the landlord is obliged to do within nine months of the law taking effect. Modernisation work, including necessary insulation, may only be charged to tenants at a rate of EUR 1.00 per sqm per month.

There is a risk that future rental income and rental trends will be lower, which depends largely on the judicial review of the rent cap. Conversely, lower return expectations on the part of investors (yield compression) could have an impact on the fair values of residential and commercial buildings. On balance, it is still too early to estimate the effects of the rent cap, but at the moment it has had no measurable impact on purchase prices for residential property in Berlin.

The legislation affects Group properties in Berlin with annualised rental income of some EUR 500 million as of the reporting date. Over the duration of the legislation we estimate the impact on the Group's earnings and financial position at up to approximately EUR 40 million p.a. as a result of potential rent reductions for existing tenants and new lets, which will occur over the years 2020 to 2024, with an average fluctuation of 7% p.a. We cannot rule out adverse effects on property valuations and the Group's assets.

In addition, the Deutsche Wohnen Group acquired the remaining shares in KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH as of 6 February 2020 for a price of EUR 25.5 million, without goodwill.

In February 2020 the Deutsche Wohnen Group also acquired a portfolio of some 1,300 residential and 150 commercial units for a price of nearly EUR 290 million. Risks and rewards are expected to be transferred in stages over the second half of 2020. The portfolio consists primarily of 19th century buildings and is situated in the Core$^+$ locations Dresden and Leipzig.

Deutsche Wohnen acquired the development business from Munich-based Isaria, which previously belonged to the US financial investor Lone Star. Isaria is specialized in converting commercial space into urban and sustainable areas providing contemporary living space. Deutsche Wohnen acquires thirteen project companies with an expected project volume of EUR 1.8 billion for a total consideration of around EUR 600 million. The transfer of benefits and encumbrances is expected for Q2 or Q3 2020.

As a result of the ongoing risk management process, Deutsche Wohnen identified the Corona pandemic as not a material risk for the Group as of the reporting date. This means that Deutsche Wohnen does not assume at this point in time that the pandemic will have a material impact on the Group's net assets, earnings and financial position. Nevertheless, the further consequences of the pandemic on the financial and real estate markets cannot ultimately be assessed due to the current uncertainties.

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

4 Commitments and contingencies

Other financial commitments relating to agency agreements for IT services total EUR 16.2 million (previous year: EUR 12.2 million).

In addition, there are current obligations of EUR 219.0 million (previous year: EUR 522.4 million) resulting from the acquisition of a number of property portfolios. Binding orders and investment commitments are responsible for financial obligations of EUR 168.7 million (previous year: EUR 196.7 million) and EUR 562.5 million (previous year: EUR 394.7 million) respectively.

One Group company (Rhein-Pfalz Wohnen GmbH) has been certified as a refurbishment and development agency (sections 158 and 167 of the German Federal Building Code (Baugesetzbuch – BauGB). Rhein-Pfalz Wohnen GmbH performs the duties incumbent upon it as the trustee of the local authorities.

The GSW subgroup has made entries in the land register in relation to land charges arising in connection with building obligations in the total amount of EUR 10.6 million (previous year: EUR 10.6 million).

5 Auditor's services

The auditor of Deutsche Wohnen SE and the Group is KPMG AG Wirtschaftsprüfungsgesellschaft. The following expenses (net) were incurred in the year under review:

EUR thousand	2019	2018
Audit services	1,298	1,111
Other certification services	86	72
Other services	18	10
	1,401	**1,193**

6 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 in determining the extent of the significant influence that the Deutsche Wohnen Group's related parties (individuals and companies) 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

Related parties are the members of the Management Board and the Supervisory Board and their close relatives.

Members of the Management Board of Deutsche Wohnen SE

The Management Board composes as follows:

Name	Occupation	Memberships of supervisory boards and other supervisory bodies within the meaning of section 125 para. 1, sentence 5, German Stock Corporation Act [Aktiengesetz – AktG]
Michael Zahn Chairman of the Management Board	Chief Executive Officer, CEO	• IOLITE IQ GmbH, Berlin (Member of the Supervisory Board since 05/12/2019) • TLG IMMOBILIEN AG, Berlin (Chairman of the Supervisory Board until 21/05/2019) • Scout 24 AG, Munich (Member of the Supervisory Board until 30/06/2019) • G+D Gesellschaft für Energiemanagement mbH[1], Magdeburg (Chairman of the Advisory Board) • Funk Schadensmanagement GmbH[1], Berlin (Chairman of the Advisory Board) • DZ Bank AG, Frankfurt/Main (Member of the Advisory Board) • Füchse Berlin Handball GmbH, Berlin (Member of the Advisory Board) • GETEC Wärme & Effizienz GmbH, Magdeburg (Member of the Real Estate Advisory Board)
Philip Grosse	Chief Financial Officer, CFO	• GSW Immobilien AG[1], Berlin (Chairman of the Supervisory Board) • GEHAG GmbH[1], Berlin (Deputy Chair of the Supervisory Board) • Eisenbahn-Siedlungs-Gesellschaft Berlin mbH[1], Berlin (Chairman of the Supervisory Board since 11/12/2019, Member of the Supervisory Board since 01/09/2019) • Commerzbank AG, Frankfurt/Main (Member of Regional Advisory Council East since 01/01/2019)
Henrik Thomsen	Chief Development Officer, CDO (since 01/10/2019)	None
Lars Urbansky	Chief Operating Officer, COO (since 01/04/2019)	• GEHAG GmbH[1], Berlin (Chairman of the Supervisory Board) • Eisenbahn-Siedlungs-Gesellschaft Berlin mbH[1], Berlin (Member of the Supervisory Board) • GEHAG Vierte Beteiligung SE[1], Berlin (Member of the Supervisory Board)
Retired member of the Management Board:		
Lars Wittan	Chief Operating Officer, COO (until 30/09/2019)	• Eisenbahn-Siedlungs-Gesellschaft Berlin mbH[1], Berlin (Chairman of Supervisory Board until 30/09/2019)

1 Company of the Deutsche Wohnen Group

Members of the Supervisory Board of Deutsche Wohnen SE

The Supervisory Board composes as follows:

Name	Occupation	Memberships of supervisory boards and other supervisory bodies within the meaning of section 125 para. 1, sentence 5, German Stock Corporation Act [Aktiengesetz – AktG]
Matthias Hünlein Chairman	Managing Director Tishman Speyer Properties Deutschland GmbH, Frankfurt/Main	• Tishman Speyer Investment Management GmbH, Frankfurt/Main (Deputy Chairman of the Supervisory Board)
Dr Andreas Kretschmer Deputy Chairman	Management consultant, Düsseldorf	None
Jürgen Fenk	Managing Director and member of the Group Executive Board of Signa Holding GmbH, Vienna, Austria	• SIGNA Development Selection AG, Innsbruck, Austria (Member of the Supervisory Board) • GALERIA Karstadt Kaufhof GmbH, Essen (Member of the Supervisory Board since 01/10/2019)
Arwed Fischer (since 18/06/2019)	Member of various Supervisory Boards	• 6B47 Real Estate Investors AG, Vienna, Austria (Chairman of the Supervisory Board) • LOGISTRIAL Real Estate AG, Hamburg (Deputy Chairman of the Supervisory Board from 14/08/2019 until 17/12/2019) • SUMMIQ AG, Munich (Chairman of the Supervisory Board)
Tina Kleingarn	Partner of Westend Corporate Finance, Frankfurt/Main	None
Dr Florian Stetter	Chief Executive Officer, Rockhedge Asset Management AG, Krefeld	• C&P Immobilien AG, Graz, Austria (Member of the Supervisory Board) • CalCon Deutschland AG, Munich (Member of the Supervisory Board until 27/09/2019) • Noratis AG, Eschborn (Chairman of the Supervisory Board) • Historie & Wert Aktiengesellschaft, Wuppertal (Chairman of the Supervisory Board) • Intelliway Services AD, Sofia, Bulgaria (Member of the Administrative Board since 01/10/2019)
Retired member of the Supervisory Board:		
Claus Wisser (until 18/06/2019)	Managing Director of Claus Wisser Vermögensverwaltung GmbH, Frankfurt/Main	• AVECO Holding AG, Frankfurt/Main (Member of the Supervisory Board)

Transactions with related parties

No transactions were entered into with related parties in the financial year 2019.

7 Remuneration of the Management Board and Supervisory Board

The remuneration paid to the members of the Management Board and the Supervisory Board in accordance with their service contracts was as follows:

EUR m	2019	2018
Payments made to members of the Management Board		
Non-performance-based remuneration	2.2	2.0
Performance-based remuneration	3.0	2.4
Total	**5.2**	**4.4**
Payments made to members of the Supervisory Board		
Fixed remuneration components	0.7	0.8
Total	**0.7**	**0.8**

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 and long-term basis, and long-term incentives.

The members of the Supervisory Board receive a fixed amount of remuneration only.

There are no pension provisions 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.

8 Corporate Governance

The Management Boards and the Supervisory Boards of Deutsche Wohnen SE and GSW Immobilien AG have issued a declaration of conformity with the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act [Aktiengesetz – AktG] and made it permanently available to the shareholders online at www.deutsche-wohnen.com and www.gsw.de.

Berlin, 19 March 2020

Michael Zahn
Chairman of the Management Board

Philip Grosse
Management Board

Lars Urbansky
Management Board

Henrik Thomsen
Management Board

Appendix 1 to the Notes to the consolidated financial statements

SHAREHOLDINGS[3]

as at 31 December 2019

Company and registered office	Agre of capital	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
Subsidiaries, fully consolidated				
AGG Auguste-Viktoria-Allee Grundstücks GmbH, Berlin	100.00[1]	25.0	0.0	2019
Algarobo Holding B.V., Baarn, Netherlands	100.00	23,670.4	9,055.7	2019
Alpha Asset Invest GmbH & Co. KG, Berlin	70.00[2]	502.8	224.5	2019
Amber Dritte VV GmbH, Berlin	94.90[1]	–7,316.8	0.0	2019
Amber Erste VV GmbH, Berlin	94.90[1]	–11,050.4	0.0	2019
Amber Zweite VV GmbH, Berlin	94.90[1]	–12,113.5	0.0	2019
Aragon 13. VV GmbH, Berlin	94.90[1]	–6,660.3	180.4	2019
Aragon 14. VV GmbH, Berlin	94.90[1]	–11,292.9	30.8	2019
Aragon 15. VV GmbH, Berlin	94.90[1]	–6,553.2	75.3	2019
Aragon 16. VV GmbH, Berlin	94.90[1]	–9,637.6	0.0	2019
Aufbau-Gesellschaft der GEHAG mit beschränkter Haftung, Berlin	100.00	8,034.2	71.6	2019
BauBeCon BIO GmbH, Berlin	100.00[1]	8,626.5	0.0	2019
BauBeCon Immobilien GmbH, Berlin	100.00[1]	478,033.7	24,945.2	2019
BauBeCon Wohnwert GmbH, Berlin	100.00[1]	26,710.2	0.0	2019
Beragon VV GmbH, Berlin	94.90[1]	–10,781.4	173.7	2019
C. A. & Co. Catering KG, Wolkenstein	100.00	0.2	15.6	2019
Ceragon VV GmbH, Berlin	94.90[1]	–8,088.3	0.0	2019
Communication Concept Gesellschaft für Kommunikationstechnik mbH, Leipzig	100.00	3,333.8	712.3	2018
DELTA VIVUM Berlin I GmbH, Berlin	94.90[1]	10,761.5	1,458.7	2019
DELTA VIVUM Berlin II GmbH, Berlin	94.90[1]	–1,894.8	227.4	2019
Deutsche Wohnen Asset Immobilien GmbH, Frankfurt/Main	100.00[1]	25.0	0.0	2019
Deutsche Wohnen Berlin 5 GmbH, Berlin	94.90[1]	3,415.6	0.0	2019
Deutsche Wohnen Berlin 6 GmbH, Berlin	94.90[1]	506.9	0.0	2019
Deutsche Wohnen Berlin 7 GmbH, Berlin	94.90[1]	2,738.0	0.0	2019
Deutsche Wohnen Berlin I GmbH, Berlin	94.00[1]	1,488.1	0.0	2019
Deutsche Wohnen Berlin II GmbH, Berlin	94.90[1]	4,809.5	0.0	2019
Deutsche Wohnen Berlin III GmbH, Berlin	94.90[1]	24,705.1	0.0	2019
Deutsche Wohnen Berlin X GmbH, Berlin	94.80[1]	7,691.7	0.0	2019
Deutsche Wohnen Berlin XI GmbH, Berlin	94.80[1]	7,504.6	0.0	2019
Deutsche Wohnen Berlin XII GmbH, Berlin	94.80[1]	1,761.1	0.0	2019
Deutsche Wohnen Berlin XIII GmbH, Berlin	94.80[1]	6,858.4	0.0	2019
Deutsche Wohnen Berlin XIV GmbH, Berlin	94.80[1]	10,666.3	0.0	2019
Deutsche Wohnen Berlin XV GmbH, Berlin	94.80[1]	12,102.0	0.0	2019
Deutsche Wohnen Berlin XVI GmbH, Berlin	94.80[1]	6,596.9	0.0	2019
Deutsche Wohnen Berlin XVII GmbH, Berlin	94.80[1]	5,914.2	0.0	2019
Deutsche Wohnen Berlin XVIII GmbH, Berlin	94.80[1]	3,256.7	0.0	2019

1 Exersise of exemption provisions according to section 264 para. 3 German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements
2 Exersise of exemption provisions according to section 264b German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements
3 In addition, there is an indirect participation in a joint venture.

Company and registered office	Agre of capital	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
Deutsche Wohnen Beschaffung und Beteiligung GmbH, Berlin	100.00[1]	25.0	0.0	2019
Deutsche Wohnen Beteiligungen Immobilien GmbH, Frankfurt/Main	100.00[1]	1,025.0	0.0	2019
Deutsche Wohnen Beteiligungsverwaltungs GmbH & Co. KG, Berlin	100.00[2]	983.6	–0.1	2019
Deutsche Wohnen Construction and Facilities GmbH, Berlin	100.00[1]	275.0	0.0	2019
Deutsche Wohnen Corporate Real Estate GmbH, Berlin	100.00[1]	25.0	0.0	2019
Deutsche Wohnen Direkt Immobilien GmbH, Frankfurt/Main	100.00	1,956,650.8	–25.6	2019
Deutsche Wohnen Dresden I GmbH, Berlin	100.00[1]	5,087.3	0.0	2019
Deutsche Wohnen Dresden II GmbH, Berlin	100.00[1]	3,762.4	0.0	2019
Deutsche Wohnen Fondsbeteiligungs GmbH, Berlin	100.00[1]	17,825.0	0.0	2019
Deutsche Wohnen Immobilien Management GmbH, Berlin	100.00[1]	1,610.0	0.0	2019
Deutsche Wohnen Kundenservice GmbH, Berlin	100.00[1]	25.7	0.0	2019
Deutsche Wohnen Management GmbH, Berlin	100.00[1]	325.0	0.0	2019
Deutsche Wohnen Management- und Servicegesellschaft mbH, Frankfurt/Main	100.00[1]	325.6	0.0	2019
Deutsche Wohnen Multimedia Netz GmbH, Berlin	100.00[1]	638.0	0.0	2019
Deutsche Wohnen Reisholz GmbH, Berlin	100.00[1]	3,563.5	0.0	2019
Deutsche Wohnen Service Center GmbH, Berlin	100.00[1]	596.0	95.8	2019
Deutsche Wohnen Zweite Fondsbeteiligungs GmbH, Berlin	100.00[1]	64,025.2	0.0	2019
DW Pflegeheim Dresden Grundstücks GmbH, Munich	100.00	2,820.8	–244.6	2019
DW Pflegeheim Eschweiler Grundstücks GmbH, Munich	100.00	4,413.0	74.5	2019
DW Pflegeheim Frankfurt/Main Grundstücks GmbH, Munich	100.00	6,083.9	276.4	2019
DW Pflegeheim Friesenheim Grundstücks GmbH, Munich	100.00	2,621.2	61.4	2019
DW Pflegeheim Glienicke Grundstücks GmbH, Munich	100.00	4,565.4	73.9	2019
DW Pflegeheim Konz Grundstücks GmbH, Munich	100.00	10,337.6	372.2	2019
DW Pflegeheim Meckenheim Grundstücks GmbH, Munich	100.00	3,526.5	94.0	2019
DW Pflegeheim Potsdam Grundstücks GmbH, Munich	100.00	2,335.4	–239.3	2019
DW Pflegeheim Siegen Grundstücks GmbH, Munich	100.00	2,824.6	36.7	2019
DW Pflegeheim Weiden Grundstücks GmbH, Munich	100.00	4,456.4	107.3	2019
DW Pflegeheim Würselen Grundstücks GmbH, Munich	100.00	3,790.3	74.6	2019
DW Pflegeresidenzen Grundstücks GmbH, Munich	100.00	28,258.5	376.0	2019
DW Property Invest GmbH, Berlin (formerly: Deutsche Wohnen Service Merseburg GmbH, Merseburg)	100.00[1]	328.5	0.0	2019
DWRE Alpha GmbH, Berlin	100.00[1]	343.8	0.0	2019
DWRE Braunschweig GmbH, Berlin	100.00[1]	16,325.2	0.0	2019
DWRE Dresden GmbH, Berlin	100.00[1]	25.0	0.0	2019
DWRE Halle GmbH, Berlin	100.00[1]	25.0	0.0	2019

1 Exersise of exemption provisions according to section 264 para. 3 German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements
2 Exersise of exemption provisions according to section 264b German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements

Company and registered office	Agre of capital	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
DWRE Hennigsdorf GmbH, Berlin	100.00[1]	1,085.3	0.0	2019
DWRE Leipzig GmbH, Berlin	100.00[1]	25.0	0.0	2019
Eisenbahn-Siedlungs-Gesellschaft Berlin mit beschränkter Haftung, Berlin	94.90	11,889.8	0.0	2019
EMD Energie Management Deutschland GmbH, Berlin	100.00[1]	30,022.8	0.0	2019
Eragon VV GmbH, Berlin	94.90[1]	–9,170.2	0.0	2019
FACILITA Berlin GmbH, Berlin	100.00	5,243.7	382.4	2019
Faragon V V GmbH, Berlin	94.90[1]	–7,620.7	0.0	2019
Fortimo GmbH, Berlin	100.00[1]	6,127.2	0.0	2019
Gehag Acquisition Co. GmbH, Berlin	100.00	1,555,780.9	12,664.2	2019
GEHAG Beteiligungs GmbH & Co. KG, Berlin	100.00[2]	21,912.1	5,373.1	2019
GEHAG Dritte Beteiligungs GmbH, Berlin	100.00[1]	378.8	0.0	2019
GEHAG Erste Beteiligungs GmbH, Berlin	100.00[1]	45.0	0.0	2019
GEHAG Erwerbs GmbH & Co. KG, Berlin	99.99[2]	45,904.8	2,752.9	2019
GEHAG GmbH, Berlin	100.00	2,469,813.8	338,788.6	2019
GEHAG Grundbesitz I GmbH, Berlin	100.00[1]	26.0	0.0	2019
GEHAG Grundbesitz II GmbH, Berlin	100.00[1]	25.0	0.0	2019
GEHAG Grundbesitz III GmbH, Berlin	100.00[1]	25.0	0.0	2019
GEHAG Vierte Beteiligung SE, Berlin	100.00[1]	20,220.5	0.0	2019
GEHAG Zweite Beteiligungs GmbH, Berlin	100.00[1]	16,625.0	0.0	2019
Geragon VV GmbH, Berlin	94.90[1]	–8,494.6	0.0	2019
GGR Wohnparks Alte Hellersdorfer Straße GmbH, Berlin	100.00[1]	7,721.1	0.0	2019
GGR Wohnparks Kastanienallee GmbH, Berlin	100.00[1]	38,945.2	5,066.2	2019
GGR Wohnparks Nord Leipziger Tor GmbH, Berlin	100.00[1]	6,680.3	0.0	2019
GGR Wohnparks Süd Leipziger Tor GmbH, Berlin	100.00[1]	3,390.2	0.0	2019
Grundstücksgesellschaft Karower Damm mbH, Berlin	100.00[1]	1,099.3	0.0	2019
GSW Acquisition 3 GmbH, Berlin	100.00[1]	80,441.2	2,073.1	2019
GSW Corona GmbH, Berlin	100.00[1]	3,777.3	0.0	2019
GSW-Fonds Weinmeisterhornweg 170-178 GbR, Berlin	78.19	–5,275.4	248.2	2019
GSW Gesellschaft für Stadterneuerung mbH, Berlin	100.00	1,449.2	126.7	2019
GSW Grundvermögens- und Vertriebsgesellschaft mbH, Berlin	100.00[1]	15,255.7	0.0	2019
GSW Immobilien AG, Berlin	93.92	1,175,368.8	87,333.1	2019
GSW Immobilien GmbH & Co. Leonberger Ring KG, Berlin	94.00[2]	443.3	20.6	2019
GSW Pegasus GmbH, Berlin	100.00[1]	30,702.3	6,692.6	2019
GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Zweite Beteiligungs KG, Berlin	93.44[2]	–9,028.7	644.0	2019
Hamburger Ambulante Pflege- und Physiotherapie "HAPP" GmbH, Hamburg	100.00	–657.4	–314.7	2019
Hamburger Senioren Domizile GmbH, Hamburg	100.00	2,123.4	115.2	2019
Haragon VV GmbH, Berlin	94.90[1]	–5,619.5	387.1	2019
Haus und Heim Wohnungsbau-GmbH, Berlin	100.00[1]	2,798.7	0.0	2019
Helvetica Services GmbH, Berlin	100.00[1]	669.8	0.0	2019
HESIONE Vermögensverwaltungsgesellschaft mbH, Frankfurt/Main	100.00	131.0	–12.2	2019

1 Exersise of exemption provisions according to section 264 para. 3 German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements
2 Exersise of exemption provisions according to section 264b German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements

Company and registered office	Agre of capital	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
Holzmindener Straße/Tempelhofer Weg Grundstücks GmbH, Berlin	100.00[1]	25.0	0.0	2019
HSI Hamburger Senioren Immobilien GmbH & Co. KG, Hamburg	100.00[2]	7,076.0	6,017.2	2019
HSI Hamburger Senioren Immobilien Management GmbH, Hamburg	100.00	2,345.4	14.4	2019
Iragon VV GmbH, Berlin	94.90[1]	−6,737.4	27.9	2019
Karagon VV GmbH, Berlin	94.90[1]	−5,766.2	0.0	2019
KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin	49.00	7,556.4	5,606.4	2019
KATHARINENHOF Service GmbH, Berlin	100.00	25.0	0.0	2019
Laragon VV GmbH, Berlin	94.90[1]	−10,089.9	0.0	2019
Larry I Targetco (Berlin) GmbH, Berlin	100.00[1]	193,057.2	0.0	2019
Larry II Targetco (Berlin) GmbH, Berlin	100.00[1]	520,878.6	0.0	2019
LebensWerk GmbH, Berlin	100.00	457.1	0.0	2019
Long Islands Investments S.A., Luxemburg	100.00	610.6	−386.3	2019
Main-Taunus Wohnen GmbH & Co. KG, Eschborn	99.99[2]	9,158.5	4,812.4	2019
Maragon VV GmbH, Berlin	94.90[1]	−2,528.3	0.0	2019
Omega Asset Invest GmbH, Berlin	50.00	37.7	24.8	2019
PFLEGEN & WOHNEN HAMBURG GmbH, Hamburg	100.00	8,359.1	0.0	2019
PFLEGEN & WOHNEN Service GmbH, Hamburg	100.00	188.0	−15.9	2019
PFLEGEN & WOHNEN Textil GmbH, Hamburg	100.00	352.9	108.8	2019
PUW AcquiCo GmbH, Hamburg	100.00	52,213.8	−488.2	2019
PUW OpCo GmbH, Hamburg	100.00	−739.1	−1,653.9	2019
PUW PFLEGENUNDWOHNEN Beteiligungs GmbH, Hamburg	100.00	64,404.5	4,903.8	2019
Rhein-Main Wohnen GmbH, Frankfurt/Main	100.00[1]	1,793,087.6	15,542.6	2019
Rhein-Mosel Wohnen GmbH, Mainz	100.00[1]	930,941.4	1,654.1	2019
Rhein-Pfalz Wohnen GmbH, Mainz	100.00[1]	1,381,918.3	1,185.7	2019
RMW Projekt GmbH, Frankfurt/Main	100.00[1]	16,238.3	0.0	2019
RPW Immobilien GmbH & Co. KG, Berlin	94.00	37,864.6	6,193.4	2019
Seniorenresidenz "Am Lunapark" GmbH, Leipzig	100.00	102.3	0.0	2019
SGG Scharnweberstraße Grundstücks GmbH, Berlin	100.00[1]	25.0	0.0	2019
Sophienstraße Aachen Vermögensverwaltungs-gesellschaft mbH, Berlin	100.00[1]	2,193.0	0.0	2019
Stadtentwicklungsgesellschaft Buch mbH, Berlin	100.00	3,986.4	1,296.5	2019
SYNVIA media GmbH, Magdeburg (vormals: GETEC media GmbH, Magdeburg)	100.00	2,298.1	−606.1	2018
TELE AG, Leipzig	100.00	1,024.1	804.1	2018
WIK Wohnen in Krampnitz GmbH, Berlin	100.00[1]	2,263.5	0.0	2019
Wohn- und Pflegewelt Lahnblick GmbH, Bad Ems	100.00	368.3	1.0	2019
Wohnanlage Leonberger Ring GmbH, Berlin	100.00[1]	850.9	0.0	2019
Zisa Grundstücksbeteiligungs GmbH & Co. KG, Berlin	94.90[2]	1.0	339.8	2019
Zisa Verwaltungs GmbH, Berlin	100.00	89.9	−24.7	2019
Zweite GSW Verwaltungs- und Betriebsgesellschaft mbH, Berlin	100.00	92.6	−23.3	2019

1 Exersise of exemption provisions according to section 264 para. 3 German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements
2 Exersise of exemption provisions according to section 264b German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements

Company and registered office	Agre of capital	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
Joint ventures, consolidated at equity				
B & O Service Berlin GmbH, Berlin	24.94	5,626.2	0.0	30/06/2019
Deutsche KIWI.KI GmbH, Berlin	49.00	410.2	–107.8	2018
Funk Schadensmanagement GmbH, Berlin	49.00	156.8	56.8	2018
G+D Gesellschaft für Energiemanagement mbH, Magdeburg	49.00	17,351.2	5,050.2	2018
GSZ Gebäudeservice und Sicherheitszentrale GmbH, Berlin	33.33	395.4	150.6	2018
IOLITE IQ GmbH, Berlin	33.33	n/a	n/a	n/a
Siwoge 1992 Siedlungsplanung und Wohnbauten Gesellschaft mbH, Berlin	50.00	9,174.7	1,361.9	2018
Telekabel Riesa GmbH, Riesa	26.00	111.4	134.6	2018
WB Wärme Berlin GmbH, Schönefeld	49.00	n/a	n/a	n/a
Associated companies, consolidated at equity				
Comgy GmbH, Berlin	14.61	797.8	–1,432.2	2018
KIWI.KI GmbH, Berlin	10.93	3,465.8	–2,990.4	2018
Zisa Beteiligungs GmbH, Berlin	49.00	24.8	–2.6	2018
Shareholdings, not consolidated				
AVUS Immobilien-Treuhand GmbH & Co. KG, Berlin	100.00	340.5	–10.0	2018
GbR Fernheizung Gropiusstadt, Berlin	45.59	588.8	–62.8	2019
STRABAG Residential Property Services GmbH, Berlin	0.49	246.7	0.0	2018
VRnow GmbH, Berlin	10.00	78.0	–186.1	2017
WirMag GmbH, Bad Dürkheim	14.85	–115.2	–99.3	2018

Appendix 2 to the Notes to the consolidated financial statements

GROUP SEGMENT REPORTING

for the financial year 2019

EUR m	External revenue		Internal revenue		Total revenue		Segment earnings	
	2019	2018	2019	2018	2019	2018	2019	2018
Segments								
Residential Property Management	1,196.7	1,122.9	31.8	28.2	1,228.5	1,151.1	729.8	656.2
Disposals	767.3	180.3	7.9	12.5	775.2	192.8	186.1	43.1
Nursing Operations	225.2	98.8[1]	0.0	0.0	225.2	98.8[1]	45.3	21.7[1]
Nursing Assets	45.4	36.5[1]	26.8	15.2[1]	72.2	51.7[1]	43.0	33.6[1]
Reconciliation with the consolidated financial statements								
Central function and other operating activities	0.3	0.3	128.7	124.8	129.0	125.1	–131.1	–95.5
Consolidations and other reconciliation	0.0	0.0	–195.2	–180.7	–195.2	–180.7	0.0	0.0
	2,234.9	**1,438.8**	**0.0**	**0.0**	**2,234.9**	**1,438.8**	**873.1**	**659.1**

1 Previous year's figure amended

INDEPENDENT AUDITOR'S REPORT

To Deutsche Wohnen SE, Berlin

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of Deutsche Wohnen SE, Berlin, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of December 31, 2019, the consolidated profit and loss statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2019, to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report (hereinafter: "group management report") of Deutsche Wohnen SE and the Group for the financial year from January 1, 2019, to December 31, 2019. In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,
- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2019, and of its financial performance for the financial year from January 1, 2019 to December 31, 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2019, to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Valuation of residential and commercial investment property as well as care facilities held for investment

For the valuation (measurement) of property held for investment, please refer to the details provided in the notes to the consolidated financial statements in Sections A.4, C.1, C.2 and D.1.

FINANCIAL STATEMENT RISK

Investment property (largely consisting of residential and commercial property as well as care facilities) is reported in the consolidated financial statements of Deutsche Wohnen as of December 31, 2019 at a value of EUR 25.4 billion. Deutsche Wohnen measures investment property at fair value. In the year under review, income from positive changes in fair value of EUR 1.4 billion were recognized in the consolidated profit and loss statement.

Deutsche Wohnen determines the fair value of residential and commercial investment property in-house using a discounted cash flow model. In addition, Jones Lang LaSalle SE (hereinafter referred to as JLL) provides an appraisal which is used by Deutsche Wohnen to verify the in-house valuation (measurement) of residential and commercial property. Care facilities are valued (measured) exclusively by W&P Immobilienberatung GmbH (hereinafter referred to as W&P) using a discounted cash flow model.

In-house valuation and valuations (measurements) of JLL and W&P are carried out as of the measurement date (December 31, 2019).

Numerous assumptions relevant to measurement are made when assessing the value of investment property, which are complex and subject to considerable estimation uncertainties and judgments. Even minor changes in the assumptions relevant to measurement may have a material effect on the resulting fair value. The key assumptions for measuring the value of residential and commercial property as of the measurement date were annual rental growth as well as the discount and capitalization rates. The key assumptions for measuring the value of care facilities as of the measurement date were market rents, discount rates and maintenance expenses.

Due to existing estimation uncertainties and judgments, there is the risk for the financial statements that the measurement of investment property is inappropriate.

Moreover, there is the risk for the financial statements that the disclosures on property held for investment required in the notes pursuant to IAS 40 and IFRS 13 are incomplete and inadequate.

OUR AUDIT APPROACH

Our audit procedures in particular included an assessment of the internal valuation method used with a view to compliance with IAS 40 in conjunction with IFRS 13, the accuracy and completeness of data used for real estate portfolios, as well as appropriateness of assumptions for measurement, such as annual rental growth and discount/capitalization rates used. We conducted our audit with the involvement of our valuation experts.

We assessed the internal valuation methods in terms of the valuation model's suitability as well as (financial) mathematical accuracy, and verified that the data and assumptions relevant for measurement were appropriate as of the measurement date.

We compared the target rents processed in the in-house valuation model with the target rents stored in the ERP system. Prior to that, we confirmed the appropriateness and functionality of the controls implemented in the rental process to ensure that the target rents stored in the ERP system are in agreement with the contractual rents.

Subsequently, we assessed the appropriateness of the assumptions made for measurement based on a partially representative and partially risk-oriented deliberate selection of real estate. For this purpose, we assessed the appropriateness of the assumptions made for determining property-specific annual rental growth and discount/capitalization rates by comparing these to market and industry-specific benchmarks, taking into account the type and location of properties selected. We carried out on-site inspections for deliberately selected properties to verify the respective property's condition.

We were satisfied with the qualification and objectivity of JLL, engaged by Deutsche Wohnen to value its residential and commercial property, assessed the valuation method used for their appraisal with regard to compliance with IAS 40 in conjunction with IFRS 13 and compared the external appraisal with the internal measurements (valuation).

Furthermore, we compared the fair values of the residential and commercial property determined by Deutsche Wohnen with observable multipliers provided by recognized external providers.

We were satisfied with W&P's qualification and objectivity with respect to the care facilities and assessed the valuation method used as well as the completeness and accuracy of figures and amounts. We evaluated the appraisal with regard to key assumptions for measurement for a risk-based deliberate selection of real estate. We carried out on-site inspections for deliberately selected properties to verify the respective property's condition.

We also assessed the completeness and adequacy of disclosures on investment property required in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13.

OUR OBSERVATIONS

The assumptions and parameters for measurement of the residential and commercial investment property as well as care facilities held for investment are appropriate.

The disclosures on investment property in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13 are complete and appropriate.

Recognition and measurement of deferred tax assets and liabilities

Please refer to Sections A.4, C.18 and D.16 of the notes to the consolidated financial statements.

FINANCIAL STATEMENT RISK

Deferred tax assets in the amount of EUR 0.0 billion and deferred tax liabilities in the amount of EUR 3.7 billion are reported in the consolidated financial statements of Deutsche Wohnen as of December 31, 2019. Before netting, deferred tax assets for unused tax loss carryforwards were recognized in the amount of EUR 0.4 billion. Deferred tax expenses in the amount of EUR 0.5 billion are reported in the consolidated profit and loss statement.

The recognition and measurement of deferred tax assets and liabilities at Deutsche Wohnen SE are complex. The main reasons are calculation and extrapolation of the assessment basis used in connection with non-recognition of deferred tax liabilities for transactions that affect neither accounting profit nor taxable profit/loss (initial recognition exemption within the meaning of IAS 12.15(b)) as well as assumptions with regard to the use of tax relief, such as the extended trade tax exemption, which affect the applicable tax rates. In addition, the recognition and measurement of deferred tax assets require judgments and numerous forward-looking estimates of future tax earnings, the timing of reversal of temporary differences and the usability of loss and interest carryforwards.

There is a risk for the financial statements that the recognition and/or measurement of deferred tax assets and liabilities are inaccurate.

There is also the risk of incomplete disclosure of deferred tax assets and liabilities in the notes.

OUR AUDIT APPROACH

During our audit, we investigated in particular whether the assumptions for recognition and measurement were properly derived and determined in accordance with IAS 12.

First, we conducted a risk assessment in order to gain an understanding of the Group and its environment with regard to tax laws and regulations. We assessed the structure of the process for the recognition and measurement of deferred tax assets and liabilities. In applying a risk-based approach, we also performed the following substantive audit procedures with the assistance of our tax experts. We assessed the appropriateness of assumptions used by significant entities, particularly with regard to continuation of the initial recognition exemption and applicable tax rates as well as taking into account forward-looking estimates of future tax earnings, the timing of reversal of temporary differences and the usability of loss and interest carryforwards in relation to tax planning. We reconciled the tax planning of these entities to the respective budgets. We also assessed the complex calculation relating to the initial recognition exemption.

Finally, we assessed whether the disclosures on deferred tax assets and liabilities in the notes to the consolidated financial statements were complete.

OUR OBSERVATIONS

The approach taken as well as assumptions made for measurement of deferred tax assets and liabilities are appropriate. The disclosures on deferred tax assets and liabilities in the notes to the consolidated financial statements are complete.

Other Information

Management and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the group management report, whose content was not audited:

- the combined non-financial statement for the Company and the Group, which is contained in Section 9 of the group management report,
- the combined corporate governance statement for the Company and the Group referred to in Section 8 of the group management report.

The other information also includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

In accordance with our engagement letter, we conducted a separate assurance engagement of the Group's non-financial statement. Please refer to our assurance report dated March 19, 2020, for information on the nature, scope and findings of this assurance engagement.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if

such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 18, 2019. We were engaged by the supervisory board on November 5, 2019. We have been the group auditor of Deutsche Wohnen SE without interruption since the financial year 2016.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the group management report:

Assurance review of the Group's non-financial statement and other contractually agreed assurance services as well as other services.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is René Drotleff.

Berlin, March 19, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

gez. Schmidt
[German Public Auditor]

gez. Drotleff
[German Public Auditor]

RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable accounting standards, the consolidated financial statements 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."

Berlin, 19 March 2020
Deutsche Wohnen SE

Michael Zahn
Chairman of the
Management Board

Philip Grosse
Management Board

Lars Urbansky
Management Board

Henrik Thomsen
Management Board

GLOSSARY

Core^{+}, Core, Non-Core
Clustering of property markets in order to assess appeal and future prospects from Deutsche Wohnen's perspective. Core^{+} locations (metropolitan regions) are seen as particularly dynamic and fast-growing. Core locations show stable growth. Non-Core locations are seen as slow-growing and are therefore earmarked for disposal.

Cost ratio
Staff and general expenses (corporate expenses) in relation to contracted rental income. The staff and general expenses (corporate expenses) of the disposal segment are not included.

EBIT
Earnings before Interest and Taxes

EBITDA
Earnings before Interest, Taxes, Depreciation and Amortization. EBITDA is calculated by subtracting corporate expenses and other expenses and revenues from the total segment results from Residential Property Management, Disposals and, Nursing Operations and Nursing Assets.

EBITDA (adjusted)
EBITDA plus one-off expenses and minus one-off revenues arising in conjunction with one-off projects (e.g. restructuring or acquisitions).

EBITDAR
EBITDAR is used to describe the result of the segments Nursing operations and Nursing assets. EBITDAR is the EBITDA from the operating business of the nursing facilities before internal rent and lease expenses for the facilities. External rental and lease expenses are not included in the EBITDA calculation in accordance with IFRS 16 Leasing Accounting and are therefore not eliminated in the EBITDAR.

EBT
Earnings before Taxes. The Group also calculates this key figure as adjusted Earnings before Taxes (adjusted EBT). EBT (as reported) is adjusted for the gains/losses from fair value adjustments of investment properties, gains/losses from fair value adjustments of derivative financial instruments and convertible bonds and other one-off effects.

EPRA
EPRA, or the European Public Real Estate Association, is a public industry association representing the interests of listed European property companies. Its work includes developing guidelines and standards for transparency in the listed property sector.

EPRA Cost Ratio
The EPRA Cost Ratio is a key figure measuring cost efficiency. Operating expenses are considered in relation to rental income.

EPRA Earnings
When calculating EPRA Earnings, which represent the recurring earnings from the core operating business, the Group result is adjusted for, in particular, valuation effects, deferred taxes and earnings from Disposals.

EPRA NAV
The EPRA Net Asset Value indicates the asset value or intrinsic value of a property company. The value is calculated based on consolidated equity (before minority interests) adjusted for the effects of the exercise of options, convertible bonds and other rights to equity and adjusted for the fair values of derivative financial instruments and deferred taxes, i.e. adjusted for items which do not impact on the long-term development of the Group.

EPRA Net Initial Yield (NIY)
The EPRA Net Initial Yield is the annualised contracted rental income in relation to the fair value of the completed property portfolio plus an investor's estimated additional purchase costs.

EPRA Triple Net Asset Value (NNNAV)
The EPRA NNNAV is calculated based on the EPRA NAV, taking into account the fair value of financial liabilities, derivative financial instruments and corporate bonds as well as deferred taxes.

EPRA Vacancy Rate
The EPRA Vacancy Rate is calculated based on the estimated annualised market rent for vacant areas in relation to the market rent of the entire portfolio.

Fair value
The fair value is the amount at which an asset could be exchanged between knowledgeable, willing and independent business partners.

FFO
FFO is, from the company's perspective, a benchmark, liquidity-oriented indicator for property companies which is derived from the Group profit and loss account and is the basis for the dividend pay-out. Based on EBITDA (adjusted), adjustments are made for any one-off items, non-cash finance expenses/revenues and non-cash tax expenses/revenues. FFO I (without Disposals) is adjusted for the earnings from Disposals. Since the 2019 financial year, personnel and material expenses (corporate expenses) for the Disposal segment have no longer been included in FFO I. FFO II (including Disposals) includes the earnings from Disposals as well as personnel and material expenses (corporate expenses) for the Disposal segment.

Financial covenants
Financial covenants are agreements included in some financing contracts in which the borrower undertakes to comply with certain financial indicators set out in subsidiary agreements for the duration of the credit agreement.

Hedging ratio
The ratio of financial liabilities with fixed or hedged interest rates, convertible bonds and corporate bonds to the total nominal value of financial liabilities, convertible bonds and corporate bonds.

In-place rent
The in-place rent (contracted rent) is the sum of the contractually agreed net cold rent payments for the area let in the relevant properties for the relevant period or as at the relevant reporting date.

In-place rent per square metre
The in-place rent per square metre is the contractually owed net cold rent for the residential units let divided by the lettable area.

Institutional disposal
Disposal of buildings (block sales)

Like-for-like rental growth
Like-for-like rental growth describes the operating rental growth of the residential holdings which were managed continuously throughout the comparison period. Unless otherwise indicated, the in-place rent per square metre at the beginning of the comparison period is compared in the calculation with the corresponding value at the end of the period. Changes to rent which occur as a result of acquisitions and disposals in the comparison period are adjusted accordingly.

LTV ratio
The Loan-to-Value ratio describes the ratio of the total net financial liabilities to the value of investment properties plus non-current assets held for sale and land and buildings held for sale.

Maintenance
Maintenance expenditures are measures for maintaining the functional condition of the property. These include, for instance, repairs and the replacement of building components. Larger and complex maintenance expenditures are reported under the item refurbishment activities.

Multiple in-place rent
The multiple in-place rent is calculated from the fair value divided by the annualised rental income on the relevant reporting date.

Multiple market rent
The multiple market rent is calculated from the fair value divided by the annualised market rent on the relevant reporting date. The new letting rents achieved in the current year are used as the market rent.

New letting rent
Deutsche Wohnen determines the new letting rent based on the average agreed monthly net cold rent payments per square metre on the basis of the newly agreed rental contracts in the non-rent restricted units for the respective properties during the financial year. The new letting rent is used as the market rent for the valuation of the management portfolio.

NOI
The Net Operating Income is the operating earnings from Residential Property Management minus the staff, general and administration expenses (corporate expenses) arising in this context. It is comparable to the net rental income or the EBITDA from letting.

Potential gross rental income
The rent potential is the sum of in-place rents and vacancy losses.

Privatisation
Disposal of residential units

Refurbishment activities
Refurbishment activities include all measures for the sustainable improvement of the technical condition of the property and for bringing the units up to modern standards. In addition to complex modernisation and maintenance measures, this also includes renovations of apartments when there is a change of tenant. Typical refurbishment measures involve improving the energy efficiency of the building by, for example, installing insulating windows or other forms of insulation, and also include the replacement of pipes and windows and the renovation of bathrooms. Only part of the refurbishment costs are modernisation measures within the meaning of section 555 b of the German Civil Code [Bürgerliches Gesetzbuch – BGB] that entitle the landlord to increase the rent in accordance with section 559 of the German Civil Code [Bürgerliches Gesetzbuch – BGB].

Rent potential
Difference between the market rent and the in-place rent

Vacancy loss
Vacancy loss is the sum of the latest contractually agreed net cold rent payments for those areas of the relevant properties which are not rented out during the relevant period or as at the relevant reporting date but which are lettable.

Vacancy rate
The vacancy rate describes the ratio of the vacancy loss to the anticipated rent as at the relevant reporting date.

QUARTERLY OVERVIEW
for the financial year 2019[1]

Profit and loss statement		Q1	Q2	Q3	Q4	2019
Earnings from Residential Property Management	EUR m	183.7	181.4	184.5	180.2	729.8
Earnings from Disposals	EUR m	19.9	3.7	1.2	161.3	186.1
Earnings from Nursing and Assisted Living	EUR m	21.3	22.6	21.5	22.9	88.3
Corporate expenses	EUR m	–23.2	–24.2	–25.1	–28.9	–101.4
EBITDA	EUR m	201.5	180.4	178.7	312.5	873.1
EBT (adjusted)	EUR m	159.3	143.5	123.3	277.4	703.5
EBT (as reported)	EUR m	134.3	657.3	61.5	1,251.5	2,104.6
Earnings after taxes	EUR m	111.0	492.1	31.6	966.2	1,600.9
Earnings after taxes	EUR per share	0.30	1.35	0.08	2.54	4.27
FFO I	EUR m	144.2	139.2	132.9	121.8	538.1
FFO I[1]	EUR per share	0.40	0.39	0.37	0.34	1.50
FFO II	EUR m	163.3	142.1	133.3	282.0	720.7
FFO II[1]	EUR per share	0.46	0.40	0.37	0.78	2.01

Balance sheet		31/03/2019	30/06/2019	30/09/2019	31/12/2019	31/12/2019
Investment properties	EUR m	23,894.3	24,523.0	24,688.3	25,433.3	25,433.3
Current assets	EUR m	1,148.0	1,644.1	1,506.7	1,975.0	1,975.0
Equity	EUR m	11,980.6	12,129.2	12,241.8	13,107.3	13,107.3
Net financial liabilities	EUR m	8,900.1	9,364.1	9,712.5	9,339.0	9,339.0
Loan-to-Value ratio (LTV)	in %	36.6	36.9	38.0	35.4	35.4
Total assets	EUR m	25,489.4	26,615.0	26,639.1	27,851.7	27,851.7

Net Asset Value (NAV)		31/03/2019	30/06/2019	30/09/2019	31/12/2019	31/12/2019
EPRA NAV (undiluted)	EUR m	15,186.8	15,504.6	15,654.4	16,791.3	16,791.3
EPRA NAV (undiluted)	EUR per share	42.54	43.43	43.52	47.02	47.02
EPRA NAV (diluted)	EUR per share	42.53	43.41	43.52	47.02	47.02

Fair values		31/03/2019	30/06/2019	30/09/2019	31/12/2019	31/12/2019
Fair value real estate properties[2]	EUR m	22,233	23,040	23,415	24,237	24,237
Fair value per sqm living and usable space[2]	EUR per sqm	2,160	2,222	2,241	2,394	2,394

1 Based on an average of approximately 358.09 million issued shares in 2019
2 Only includes residential and commercial buildings, without Nursing and Assisted Living and without rights of use from leases, which are valued in accordance with IFRS 16

MULTI-YEAR OVERVIEW

for the financial years 2017–2019

Profit and loss statement		2017	2018	2019
Earnings from Residential Property Management	EUR m	612.8	656.2	729.8
Earnings from Disposals	EUR m	50.3	43.1	186.1
Earnings from Nursing and Assisted Living	EUR m	48.0	55.3	88.3
Corporate expenses	EUR m	–81.3	–93.7	–101.4
EBITDA	EUR m	600.8	659.1	873.1
EBT (adjusted)	EUR m	501.7	539.5	703.5
EBT (as reported)	EUR m	2,598.2	2,626.8	2,104.6
Earnings after taxes	EUR m	1,763.3	1,862.6	1,600.9
Earnings after taxes	EUR per share	4.88	5.15	4.27
FFO I	EUR m	432.3	482.5[2]	538.1
FFO I[1]	EUR per share	1.23	1.36[2]	1.50
FFO II	EUR m	482.6	522.5	720.7
FFO II[1]	EUR per share	1.37	1.47	2.01

Balance sheet		31/12/2017	31/12/2018	31/12/2019
Investment properties	EUR m	19,628.4	23,781.7	25,433.3
Current assets	EUR m	772.9	984.0	1,975.0
Equity	EUR m	10,211.0	11,908.1	13.107,3
Net financial liabilities	EUR m	6,883.6	8,749.4	9,339.0
Loan-to-Value ratio (LTV)	in %	34.5	36.0	35.4
Total assets	EUR m	20,539.4	25,057.9	27,851.7

Net Asset Value (NAV)		31/12/2017	31/12/2018	31/12/2019
EPRA NAV (undiluted)	EUR m	12,676.8	15,087.8	16,791.3
EPRA NAV (undiluted)	EUR per share	35.74	42.26	47.02
EPRA NAV (diluted)	EUR per share	35.74	42.26	47.02

Fair values		31/12/2017	31/12/2018	31/12/2019
Fair value real estate properties[3]	EUR m	18,864	22,190	24,237
Fair value per sqm living and usable space[3]	EUR per sqm	1,886	2,157	2,394

1 Based on an average of approximately 358.09 million issued shares in 2019 and approximately 355.70 million in 2018
2 Calculation method changed: Personnel and material costs for sales are no longer included in FFO I. The previous year's figures have been changed accordingly.
3 Only includes residential and commercial buildings, without Nursing and Assisted Living and without rights of use from leases, which are valued in accordance with IFRS 16

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FINANCIAL CALENDAR 2020

25/03/2020	Publication of Consolidated / Annual Financial Statements 2019 – Annual Report 2019
13/05/2020	Publication of Interim Statement as of 31 March 2020 / 1st Quarter
05/06/2020	Annual General Meeting 2020, Frankfurt / Main
13/08/2020	Publication of Interim Report as of 30 June 2020 / Half-year results
13/11/2020	Publication of Interim Statement as of 30 September 2020 / 1st-3rd Quarters

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