DEUTSCHE WOHNEN SE
ANNUAL REPORT 2022

Annual Report 2022

DEUTSCHE WOHNEN

Key Figures

Financial Key Figures in € million	2021	2022	Change in %
Total segment revenue	1,254.9	1,185.0	-5.6
Rental segment revenue	835.1	767.1	-8.1
Income Value-add	29.3	43.1	47.1
Recurring Sales segment revenue	58.5	45.3	-22.6
Development segment revenue	65.1	49.4	-24.1
Care segment revenue	266.9	280.1	4.9
Adjusted EBITDA Total	726.8	701.8	-3.4
Adjusted EBITDA Rental	620.6	579.3	-6.7
Adjusted EBITDA Value-add	14.2	14.1	-0.7
Adjusted EBITDA Recurring Sales	9.9	14.6	47.5
Adjusted EBITDA Development	-3.3	9.2	–
Adjusted EBITDA Care	85.4	84.6	-0.9
Group FFO	594.3	593.6	-0.1
Group FFO per share in EUR	1.50	1.50	-0.1
FFO I*	553.6	517.9	-6.4
Adjusted EBITDA (excluding sales)*	715.9	665.9	-7.0
Income from fair value adjustments of investment properties	1,734.8	-917.5	–
EBT	1,776.4	-635.7	–
Profit for the period	919.0	-445.7	–
Cash flow from operating activities	607.3	364.9	-39.9
Cash flow from investing activities	-688.5	5.2	–
Cash flow from financing activities	174.6	-862.5	–
LTV in %	28.4	28.1	-0.3 pp
Net debt/EBITDA	13.7x	12.7x	-1.0x
ICR	5.0x	8.8x	3.8x

Key Balance Sheet Figures in € million	Dec. 31. 2021	Dec. 31. 2022	
Fair Value of the Real Estate Portfolio	30,637.9	28,356.1	-7.4
NAV	21,563.6	20,361.0	-5.6
NAV per share (€)	54.33	51.30	-5.6

Non-financial Key Figures	2021	2022	
Number of own apartments at end of period	151,163	140,286	-7.2
Monthly in-place rent (€/m²)	7.20	7.48	3.9
Organic rent growth in %**	1.2	3.0	1.8 pp
Vacancy rate in %	1.7	1.9	0.2 pp
Number of units sold	4,719	11,821	>100
thereof Recurring Sales	212	145	-31.6
thereof Non Core/Other	4,507	11,676	>100
Number of newly-built apartments	18	399	>100
thereof for Deutsche Wohnen's own portfolio	18	319	>100
thereof for sale to third parties	–	80	–
Number of employees (as of December 31)	5,103	4,942	-3.2

* Old Deutsche Wohnen performance indicators for 2021.
** 2021 like-for-like rent increases.

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REFERENCES

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NOTE

For computational reasons, rounding differences may occur in tables and in explanations compared to the precise values recorded (euros, percent, etc.).

The Company and Its Shares

Positive development in 2022 in a highly challenging macroeconomic environment, with full occupancy and high satisfaction scores.

Integration to bundle similar activities so as to leverage synergy potential successfully under way.

Corporate governance established in the de facto group.

Dear Shareholders, Dear Employees, Dear Readers,

The year under review was an eventful one. Following the merger with Vonovia SE, we have also become more closely aligned with each other in terms of our organization and processes in recent months. At the same time, our company continued to report successful commercial development. We achieved or outstripped the targets we had set for the 2022 fiscal year while maintaining high levels of tenant satisfaction.

This was achieved in an unexpectedly difficult environment in 2022. Russia's war of aggression on Ukraine once again triggered an influx of refugees. A large number of people fled to and via Berlin. This meant that we were – and indeed still are – called upon to take action. Disrupted supply chains, rising material prices and mounting inflation impacted our plans and calculations, sometimes considerably so. We identified solutions for these issues as well. In 2022, we invested around € 541.7 million in our portfolio and completed more than 300 apartments. The sharp rise in energy prices proved to be a huge challenge. Once again, our regulations for dealing with hardship cases help ensure that the burden on our tenants remains manageable.

In January of last year, the sale of around 10,600 apartments and 230 commercial units to the three federal state-owned companies, HOWOGE, degewo and Berlinovo, which had been agreed back in 2021, was completed with the transfer of ownership. The sale of the Berlin subportfolio is part of the "Future and Social Pact for Housing", an agreement reached with the Berlin State Government in which we are contributing to a socially responsible, sustainable housing industry.

Following the merger with Vonovia SE, we have brought our key performance indicators and our segment allocation into line with the Vonovia system: today, we manage our business based on Group FFO, Adjusted EBITDA Total and NTA per share. Our segments cover five areas: Rental, Value-add, Recurring Sales, Development and Care.

The changes in our portfolio over the past year meant that the portfolio was around 9% smaller year-on-year on the reporting date. Taking this volume effect into account, we can once again look back on a successful year: Adjusted EBITDA Total fell by 3.4% from € 726.8 million to € 701.8 million. At € 593.6 million, Group FFO was on a par with 2021 (€ 594.3 million). NAV per share came to € 51.30 as of December 31, 2022. At 28.1%, our loan-to-value ratio (LTV) was down slightly year-on-year (28.4%).

Our vacancy rate remains exceptionally low at 1.9%. In Berlin – home to almost three-quarters of our portfolio – the rate is as low as 1.2%. In practice, this means that every apartment that becomes vacant is relet as soon as any maintenance work has been completed. With average monthly rent of € 7.48 per square meter (in Berlin € 7.41 per square meter), we continue to offer our customers affordable housing.

The low vacancy rate is testimony to the particularly high demand for housing in Berlin, which is matched by the high levels of public interest in securing affordable housing. The concerns shared by people living in the city are something we take very seriously. We stand by the promise we have made to our tenants to keep rents within affordable limits, even after modernization work. We are also committed to allocating every fourth apartment that is let to tenants with a housing eligibility certificate.

Unfortunately, we are now forced to hold back on starting new construction projects for the time being due to the changes in the overall conditions that have since emerged. Building homes that allow us to offer our customers affordable rents is not possible in the current environment. One

Olaf Weber
CFO

Konstantina Kanellopoulos
Co-CEO

Lars Urbansky
Co-CEO

thing we can promise, however, is that as soon as the conditions are right again, we will be among the first to embark on the implementation process. Until then, we will continue to work reliably on those new construction projects that have already started and bring them to a successful conclusion.

And when it comes to further improving our service: our tenants can now also contact us around the clock to voice their concerns using a digital channel, the new DeuWo digital app. Customers can use the app as a convenient way of viewing all of the key information on their tenancy. Based on the "Mein Vonovia" (My Vonovia) APP, the development sees us bring our corporate processes into line with Vonovia's in terms of customer communication, too.

Dear employees,

We have synchronized our structures and processes with Vonovia's in the space of less than a year. This is an extraordinary achievement – especially given that we managed it without our day-to-day business suffering in the process. This is also confirmed by our latest customer survey: our tenants are very satisfied with our work.

It is now time to gradually move closer into line with our colleagues from Vonovia from a cultural angle, too. We are united by our social mandate on the basis of which we, as a major European real estate company, strive to provide affordable housing that meets the needs of our customers. The newly merged company will also help us to advance internally – because, as we unite behind our shared values, greater development opportunities will emerge for individual employees in this larger context.

We would like to express our particular thanks for the solidarity you have shown with refugees from Ukraine. Your spontaneous commitment helped a lot of people in a time of need and gave them a new source of hope.

Dear Shareholders,

Bolstered by the trust you have placed in us, we took the year under review as an opportunity to continue with our strategy in your interest and also in the interest of society at large. As a real estate company, our aim is to be successful with satisfied tenants. This is why we are committed to affordable housing, high-quality service and ensuring that our properties help protect the climate. In line with our binding climate path, we continue to generate high demand among prospective customers due to the state-of-the-art quality of our portfolio.

As a result, customer satisfaction and climate protection will remain the two focal issues. As explained earlier, we will be limiting our investments to the amount that is absolutely necessary for the time being.

All in all, we expect to see a slight drop in Adjusted EBITDA Total and Group FFO. Both key figures are currently being influenced to a considerable degree by the sales risks on the transaction market.

In addition, we expect the value of our company to increase further in 2023 and predict a slight increase in NAV per share, leaving any further market-related changes in value out of the equation.

Deutsche Wohnen remains very well positioned in both strategic and financial terms.

Berlin, March 2023

Best regards,

Konstantina Kanellopoulos
Co-Chief Executive Officer (Co-CEO)

Lars Urbansky
Co-Chief Executive Officer (Co-CEO)

Olaf Weber
Chief Financial Officer (CFO)

Report of the Supervisory Board

Dear Shareholders,

The Management Board guided Deutsche Wohnen SE through another successful fiscal year in 2022. The company's business model once again proved effective even in a challenging environment, enabling the company to achieve its main operational and financial objectives. The housing policy situation in Berlin's residential property market remained tense. As a result, the Management Board and the Supervisory Board maintained intensive dialogue with policymakers and stakeholders.

Following Vonovia SE's acquisition of a majority stake in the company, the Management Board and the Supervisory Board focused on driving the integration of our operating divisions into the Vonovia Group – in the common interest of Deutsche Wohnen and its majority shareholder. One priority area was also the identification and exploitation of synergy potential.

Procedures and data processes were aligned and governance structures harmonized. Another focal area was the further development of the company's strategy for its nursing care properties and project development.

Cooperation Between the Management Board and the Supervisory Board

In the 2022 fiscal year, the Supervisory Board performed the duties incumbent upon it in accordance with the law, the Articles of Association, the German Corporate Governance Code and the rules of procedure applying the requisite due diligence. It provided the Management Board with advice on its management of the company at regular intervals and monitored its activities on an ongoing basis. The supervisory body was directly involved early on in all decisions that were of fundamental importance to the company.

The Management Board provided the Supervisory Board with information regularly, promptly and comprehensively, both in writing and verbally, of all matters relevant to the company concerning business policy, corporate planning and strategy, the company's position including opportunities and risks, the course of business, risk management and compliance. Any deviations between actual and planned development were explained in detail by the Management Board. The Management Board consulted the Supervisory Board on all major transactions.

The Supervisory Board Chair and other members of the Supervisory Board remained in close contact with the Management Board members even between Supervisory Board and committee meetings. The issues discussed included the company's strategic orientation, economic development and operational decisions in connection with the process of integration into the Vonovia Group. Discussions on how to ensure a solid capital structure in the long run, as well as on flexible cash flow planning, were particularly important.

Supervisory Board Meetings and Resolutions

The Supervisory Board met a total of seven times in the 2022 fiscal year to consult and pass resolutions – twice in face-to-face meetings (March and May), three times by means of video conference (January, June and September) and twice at hybrid events (October and December). The Supervisory Board made decisions in a written procedure on eight occasions (January, twice in February, twice in April, May, July and December). Any individual members absent from the meetings had always been excused.

The participation rate in the total of 15 Supervisory Board meetings and resolutions passed in the fiscal year under review came to 100%. No member of the Supervisory Board took part in less than half of the meetings during their term of office. The same applies to the committees. In preparation for the meetings, the Management Board submitted timely, comprehensive and valid written reports and resolution proposals to us.

Individual Participation in Meetings in the 2022 Fiscal Year

Member	Supervisory Board	Executive and Nomination Committee	Audit Committee	Finance Committee
Helene von Roeder	7/7	2/2	–	3/3
Dr. Fabian Heß	7/7	2/2	5/5	–
Peter Hohlbein	7/7	2/2	–	3/3
Christoph Schauerte	7/7	–	4/5	3/3
Simone Schumacher	7/7	–	5/5	3/3
Dr. Florian Stetter	7/7	1/2	5/5	–

Main Remit

In the fiscal year under review, the Supervisory Board's activities focused on business planning and business development, corporate strategy, the company's integration into the Vonovia Group, the financial and liquidity situation, the review of the internal control and risk management system, and Management Board matters.

Meetings

The Supervisory Board came together for its inaugural meeting on January 2, 2022. The topics covered included the election of the Chair of the Supervisory Board, Helene von Roeder, and her deputy Dr. Florian Stetter, the revision of the rules of procedure for the Supervisory Board and the constitution of the three working committees.

The Supervisory Board appointed Konstantina Kanellopoulos and Olaf Weber as Management Board members, appointed Konstantina Kanellopoulos and Lars Urbansky as co-CEOs and finalized the business allocation plan.

In the interests of ensuring effective Group management and good corporate governance, the Supervisory Board repealed the previous rules of procedure and brought rules of procedure that are consistent with those used by the controlling company, Vonovia SE, into force. The Supervisory Board also passed a resolution on the conclusion of a loan agreement with Vonovia SE in the amount of up to € 2 billion with a term of three years after discussing the conditions in detail. During the intensive discussions, the alternative use of funds was explored and the conclusion of the agreement was confirmed to be in the company's interest. As a material related party transaction with Vonovia SE, the relevant conditions of the loan agreement, such as the interest rate and hedging measures, have been published.

On January 20, 2022, the Supervisory Board decided, on the basis of a resolution passed by circulation, to amend the Articles of Association as follows due to the issue of shares for subscription from conditional capital in the 2021 fiscal year: increase in the share capital by the total amount of all shares issued for subscription in 2021, issue of shares to compensate GSW shareholders (Article 6b (1)), issue of shares to service stock options issued to the Management Board and exercised in 2021 (Article 6c (1)), issue of shares to service the convertible bonds issued in February 2017 (Conditional Capital 2015) (Article 6d (1)); issue of shares to service the convertible bonds (Conditional Capital 2017) (Article 6e (1)).

On February 7, 2022, the Supervisory Board approved the "Portfolio Rohrdamm" sale transaction (640 residential and commercial units in Berlin) as an asset deal by way of a written resolution passed by circulation.

On February 15, 2022, the Supervisory Board decided, on the basis of a resolution passed by circulation, to hold the regular 2022 Annual General Meeting of Deutsche Wohnen SE on June 2, 2022 at the company's registered office, Mecklenburgische Strasse 57, 14197 Berlin, as a purely virtual Annual General Meeting without either shareholders or their proxies attending in person.

On March 29, 2022, the Supervisory Board met to adopt the balance sheet. It approved the company's annual and consolidated financial statements as of December 31, 2021, as well as the remuneration report, the dependent company report and the corporate governance declaration. It approved the Audit Committee's proposal for the selection of the auditor for 2022 and adopted the Report of the Supervisory Board.

It discussed, and passed resolutions on, adjustments to the remuneration system for the Management Board and an update of the Declaration of Conformity. The Supervisory Board discussed Management Board matters and the target agreements. It also discussed, and passed resolutions on, the agenda and resolution proposals for the Annual General Meeting. The Supervisory Board obtained information on the status of Deutsche Wohnen's integration into the Vonovia Group and discussed the planned Relationship Agreement between the company and Vonovia SE. Another topic covered at the meeting was the strategy for the Care segment.

On April 6, 2022, the Supervisory Board used a written circular to approve the disbursement of shareholder loans to QUARTERBACK in the amount of € 41 million with a term until December 31, 2022 and bearing interest at a rate of 5.50%, as well as a prolongation of shareholder loans due in 2022 by a maximum of twelve months, after taking a redemption volume of € 140 million into account.

On April 19, 2022, the Supervisory Board used a written circular to approve the amendment of the proposal for the appropriation of profit and the adoption of the convocation notice for the Annual General Meeting.

At its meeting held on May 6, 2022, the Supervisory Board took a detailed look at the committee reports, the economic development, the current housing policy situation in Berlin and the challenges related to the climate path. Together with the Management Board, it discussed the status of the integration process and approved the conclusion of the Relationship Agreement with Vonovia SE that had been presented. It approved the Management Board's decision to subject the Care segment to a strategic review after the Management Board had explained the background to this decision.

On May 19, 2022, the Supervisory Board used a written circular to approve the budget for external costs for conducting vendor due diligence as part of the strategic review of the Care segment ("PLUS project").

On June 2, 2022, the Supervisory Board once again met for an inaugural meeting by video conference following the Annual General Meeting. It elected the Chair, confirmed the Deputy Chair of the Supervisory Board and appointed or confirmed the members of the committees. The Supervisory Board discussed and passed a resolution on the long-term incentive plan for the period from 2022 to 2025. Other topics covered included the results of the Annual General Meeting and the current staff situation at Deutsche Wohnen SE.

On July 7, 2022, the Supervisory Board passed a resolution on the sale of undeveloped land for single-family homes in Worms, Alte Ziegelhütte, via written circular.

At the meeting held on September 12, 2022, the Supervisory Board decided that Deutsche Wohnen SE would be making use of the simplifying provision on CSR reporting in the future, opting not to prepare a Non-financial Declaration in the combined management report. It sought information on additional expenses associated with the audit of the annual financial statements and made a decision on the fee for the 2022 audit. Other topics covered in the discussions and resolutions included the Miquelallee neighborhood development project, the necessary process adjustments to implement a central locking system, the current status of the integration process, the intercompany loan with Vonovia SE, communication with minority shareholders and the sale of two properties in Berlin. The discussions also focused on the schedule for 2023, the status of the strategic review of the Care segment and the new version of the German Corporate Governance Code.

The Supervisory Board used the meeting held on October 20, 2022 for an in-depth discussion of the company's strategic orientation. It discussed the strategic review of the Care segment under the working title PLUS, and passed a resolution to increase the budget for this project. Other topics included the status of the delisting process for GSW Immobilien AG and the schedule for Supervisory Board meetings in 2023.

At the meeting held on December 9, 2022, the Supervisory Board addressed the business plan for 2023 after an in-depth discussion of economic development. It passed resolutions on amendments to the rules of procedure for the Supervisory Board and the Management Board and adopted the Declaration of Conformity with the German Corporate Governance Code. It obtained information on the status of the integration project and passed resolutions on adjustments to the intra-Group agency agreements, as well as amendments to further agreements. With regard to the Annual General Meeting to be held on June 15, 2023, the decision was made to hold the event in the new statutory format as a virtual Annual General Meeting without the opportunity to ask questions in advance. The Supervisory Board acknowledged the annual report on sales to employees and passed resolutions on contractual amendments and remuneration adjustments as part of the discussion of Management Board matters.

On December 30, 2022, the Supervisory Board passed resolutions by written circular regarding the 2023 tranche of the LTI plan, as well as the definition of the variable 2023 targets for the members of the Management Board of Deutsche

Wohnen SE (target and maximum values for the individual performance targets and definition of performance factors).

Work of the Committees

To allow it to perform its duties efficiently, the Supervisory Board has set up committees, whose requirements and activities it evaluated on an ongoing basis during the reporting year. Since the new Supervisory Board was formed and the rules of procedure amended on January 2, 2022, the Supervisory Board committees have comprised four (previously three) members.

There were three committees in the reporting year:

> The Executive and Nomination Committee with Helene von Roeder as Chair of the committee, Dr. Fabian Heß, Peter Hohlbein and Dr. Florian Stetter
> The Audit Committee with Simone Schumacher as Chair, Dr. Fabian Heß, Christoph Schauerte and Dr. Florian Stetter
> The Finance Committee with Christoph Schauerte as Chair, Peter Hohlbein, Simone Schumacher and Helene von Roeder

The remits of the individual committees are presented in detail in the corporate governance declaration.

In general, the committees prepare the resolutions of the Supervisory Board and topics to be addressed at the plenary meetings of the Supervisory Board. To the extent permitted by law, decision-making powers have been transferred to individual committees under the rules of procedure or by way of resolutions passed by the Supervisory Board.

The committee chairs provided regular and comprehensive reports on the content and outcome of committee meetings at the Supervisory Board meetings.

Executive and Nomination Committee

The Executive and Nomination Committee met twice in the reporting year (March 29 and December 5). The content of the meetings, which were held as either face-to-face or hybrid events, included the requirement profile for the Supervisory Board, a corresponding proposal to be made to the Annual General Meeting regarding candidates to be elected as further members of the Supervisory Board, the remuneration system and contractual matters concerning the Management Board.

Audit Committee

The Audit Committee held five meetings in the reporting year (March 2, March 29, May 6, August 4 and November 7). The meetings, which were held as face-to-face or hybrid events, or in the form of video conferences, addressed the relevant aspects of the Supervisory Board's work for this committee. This included the preliminary review of the annual financial statements, the consolidated financial statements and the interim reports of Deutsche Wohnen SE, as well as discussions on the risk management system, compliance and auditing. The committee monitored the activities performed by the auditing firm and discussed the focal points of the audit.

The committee passed a resolution on the call for tenders for the mandate as auditor and, following a selection process, recommended to the Supervisory Board that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Berlin, be selected as the auditor for the fiscal years from 2023 onward.

Other topics covered in the discussions and resolutions included the use of the simplifying provision for exemption from CSR reporting and the preparation of a Non-financial Declaration, the amount to be reported in the balance sheet for the QUARTERBACK Immobilien AG investment, quality assurance in the context of the audit and the audit fee. The members of the Audit Committee have expertise and experience in applying accounting principles and internal control procedures. The Committee Chair has expertise in the field of accounting, and Christoph Schauerte, as a further member of the committee, is also an expert in auditing (Section 100 (5) of the German Stock Corporation Act (AktG)).

Finance Committee

The Finance Committee met three times in the reporting year (February 15, June 13 and June 15). The resolutions passed by written circular related to the buyback of the company's green bonds with a nominal amount of up to € 84.3 million, the early termination of the revolving credit facility (RCF) with UniCredit in the amount of € 200 million and the early termination of the revolving credit facility (RCF) with BNP Paribas SE Niederlassung Deutschland in the amount of € 100 million.

Corporate Governance

The Management Board and Supervisory Board of Deutsche Wohnen SE are committed to the principles of good corporate governance. The members of the Supervisory Board once again looked at the requirements set out in the German Corporate Governance Code in the reporting year. On March 29, 2022, the Supervisory Board adopted an updated version of the Declaration of Conformity. Following corresponding amendments to the requirements set out in the Code and publication in the German federal gazette on June 27, 2022, the Management Board and the Supervisory Board once again adopted a Declaration of Conformity pursuant to

Section 161 AktG on December 9, 2022. Both declarations have been permanently published on the company's website for perusal.

Out of the six members of the Supervisory Board, three were considered independent in the reporting year. Any potential conflicts of interest were disclosed by the members of the Supervisory Board immediately and addressed within the Supervisory Board. This happened once in the fiscal year under review in the context of thegranting of a group loan by Deutsche Wohnen SE to Vonovia SE. The corresponding decisions were made with the members concerned abstaining from the vote. Apart from this case, there were no conflicts between individual interests of Supervisory Board members and the company's interests in the 2022 fiscal year.

The Supervisory Board has looked at the appropriateness of the internal control system that has been set up and has evaluated its effectiveness. Within this context, the Supervisory Board verified, also based on discussions with the Internal Audit department and the auditor, that the technical and organizational safeguards put in place for control purposes are suitable for the purposes of ensuring that the company is protected from damage resulting from financial losses, fraudulent acts or mismanagement in all key matters. Among other things, the standards set out in the German Corporate Governance Code, based on the most recent publications from 2022, serve as the benchmark here. As a result, the Supervisory Board concluded that the internal control system is appropriate and effective in all key aspects.

Audit of the Annual and Consolidated Financial Statements

The annual financial statements of Deutsche Wohnen SE as of December 31, 2022 and the consolidated financial statements, as well as the company's combined management report, as prepared by the Management Board, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, the auditor appointed by the Annual General Meeting held on June 2, 2022 and commissioned by the Supervisory Board. The auditor expressed an unqualified opinion thereon. The auditor responsible for the engagement was Gunnar Brandt, who, together with Dr. Christof Hasenburg, was responsible for the audit of the financial statements of the company and the Group for the very first time.

The annual financial statements of Deutsche Wohnen SE and the consolidated financial statements, the combined management report of Deutsche Wohnen SE and of the Group, as well as the auditor's reports, were made available to all members of the Supervisory Board as soon as they had been drawn up. The auditor attended the meetings of the Audit Committee held to discuss the financial statement documents for the meeting to be held by the Supervisory Board in order to approve the financial statements. He reported on the main findings of his audit, in particular with regard to this year's key audit matters, and provided additional information.

The Chair of the Audit Committee provided a comprehensive report on the annual financial statements and the audit to the Supervisory Board at its meeting held on March 23, 2023. The auditor also explained the key results of his audit and was available to the members of the Supervisory Board to answer additional questions and provide any information required. The Supervisory Board performed a careful review of the annual financial statements, the consolidated financial statements, the combined management report, the proposal for the appropriation of profit and the auditor's reports. It did not raise any objections based on this review. The Supervisory Board then approved the annual and consolidated financial statements as of December 31, 2022 prepared by the Management Board in accordance with the recommendation made by the Audit Committee. This means that the annual financial statements have been adopted.

The adopted annual financial statements report a net profit for the year. The Supervisory Board concurs with the proposal put forward by the Management Board on the appropriation of profit. A proposal will be made to the 2023 Annual General Meeting to distribute a dividend of € 0.04 per bearer share and to carry forward the remaining net profit for the year to the new account.

Vonovia SE has held more than 50% of the share capital and voting rights of Deutsche Wohnen SE since September 30, 2021. As a result, a report pursuant to Section 312 AktG on relationships with affiliated companies (dependent company report) had to be prepared for the period from January 1, 2022 to December 31, 2022. The Supervisory Board also reviewed the report prepared by the Management Board on relationships with affiliated companies of Deutsche Wohnen SE, as well as the corresponding report prepared by the auditor.

No objections were raised. The auditor issued the following unqualified opinion on the report of the Management Board on relationships with affiliated companies pursuant to Section 313 (3) AktG:

"Based on our audit and assessment performed in accordance with our professional duties, we confirm that

1. the factual statements made in the report are correct,
2. in respect of the legal transactions included in the report, the consideration paid by the company was not inappropriately high,

3. in respect of the measures listed in the report, there were no circumstances supporting an assessment significantly different to that made by the Management Board."

We concur with this opinion. Based on our own review, there are no objections to be raised to the declaration made by the Management Board at the end of the report on relationships with affiliated companies.

Personnel

Effective January 1, 2022, Helene von Roeder, Dr. Fabian Heß, Peter Hohlbein, Christoph Schauerte and Simone Schumacher were appointed as members of the Supervisory Board until the end of the company's next Annual General Meeting based on the decision of the Local Court (Amtsgericht) of Charlottenburg of December 3, 2021.

In its inaugural meeting held on January 2, 2022, the Supervisory Board elected Helene von Roeder as Chair and Dr. Florian Stetter as Deputy Chair. The Supervisory Board confirmed this election on June 2, 2022, when the Annual General Meeting held on the same day had previously elected the Supervisory Board members Helene von Roeder, Dr. Fabian Heß, Peter Hohlbein, Christoph Schauerte and Simone Schumacher to the Supervisory Board.

The Supervisory Board appointed Konstantina Kanellopoulos and Olaf Weber as new members of the Management Board with effect from January 2, 2022. Konstantina Kanellopoulos and the previous Management Board member Lars Urbansky have since been leading the company as Co-CEOs.

Philip Grosse resigned as a Management Board member effective March 31, 2022.

Concluding Remarks

On behalf of the Supervisory Board, I would like to thank the members of the Management Board and all employees of Deutsche Wohnen SE and all Group companies for their commitment and achievements over the past year.

Berlin, March 23, 2023
On behalf of the Supervisory Board

Helene von Roeder

Management Board

As of December 31, 2022, the Management Board of Deutsche Wohnen SE comprises three members.

Konstantina Kanellopoulos
Co-CEO

Konstantina Kanellopoulos was appointed Co-Chief Executive Officer effective January 1, 2022. In this role, she is responsible for the strategic orientation of the Deutsche Wohnen Group and the areas of Technical Infrastructure, IT, New Construction and Portfolio Investments, Legal and Compliance, Sustainability and Public Affairs.

Konstantina Kanellopoulos graduated with a degree in business administration from the University of Münster in 2006. Even before graduation, she worked at Avarto AG where she was responsible for project and customer management. She was then a member of the management responsible for customer service. Konstantina Kanellopoulos has been Head of Product Management and the Technical Service at Vonovia SE since 2013. As chief representative, she has been responsible for the management and strategic orientation of the Vonovia Group's Value-add segment since 2019.

Lars Urbansky
Co-CEO

Lars Urbansky was appointed as member of the Management Board of Deutsche Wohnen SE effective April 1, 2019 and served as Chief Operating Officer until the end of 2021. He was appointed Co-CEO effective January 1, 2022. He is responsible for Property Management, Customer Communications and Strategy, Human Resources, Investment Management, Integration and Care.

Lars Urbansky graduated with a degree in real estate management awarded by the University of Applied Sciences in Gelsenkirchen in 2006. He spent the years from 1996 to 2008 working at GEHAG GmbH in Berlin, and also headed up the Controlling division there. He has held various leadership positions for the Deutsche Wohnen Group since 2008. He served as Head of Portfolio Management from 2008 to 2013. In the period between 2009 and 2012, this also included responsibility for acquisitions and sales. He has also been managing director of Deutsche Wohnen Immobilien Management GmbH since 2014, where he is responsible for the Deutsche Wohnen Group's nationwide service network. This encompasses the entire rental process, as well as commercial and technical neighborhood service.

Olaf Weber
CFO

Olaf Weber was appointed as member of the Management Board of Deutsche Wohnen on January 1, 2022. In his role as Chief Financial Officer, he is responsible for Finance, Accounting and Tax, Controlling and Investor Relations.

After completing vocational training as a bank clerk, Olaf Weber studied at the Frankfurt School of Finance, where he graduated with a degree in banking in 2002. He held the position of Vice President in Capital Market Sales at Deutsche Bank AG from 1998 to 2007. In 2007, Olaf Weber moved to the OBI Group, specifically to Holding Group Treasury, before assuming the role of Head of Treasury and Risk Controlling at EDE GmbH from 2011 to 2013. He has held various leadership positions within Finance at Vonovia SE since 2013 and has been Head of Finance and Treasury since 2017.

Supervisory Board

The current Supervisory Board consists of six members.

Helene von Roeder
Chairwoman
Member of the Management Board responsible for Digitalization and Innovation, Vonovia SE

Dr. Florian Stetter
Deputy Chairman
Chairman of the Supervisory Board, RockHedge Asset Management AG

Dr. Fabian Heß
General Counsel/Head of Legal, Vonovia SE

Peter Hohlbein
Managing Partner, Hohlbein & Cie. Consulting

Christoph Schauerte
Head of Accounting, Vonovia SE

Simone Schumacher
Expert Structured Finance, BMW AG

Supervisory Board Committees

Executive and Nomination Committee
Helene von Roeder, Chairwoman
Dr. Fabian Heß
Peter Hohlbein
Dr. Florian Stetter

Audit Committee
Simone Schumacher, Chairwoman
Fabian Heß
Christoph Schauerte
Dr. Florian Stetter

Finance Committee
Christoph Schauerte, Chairman
Peter Hohlbein
Simone Schumacher
Helene von Roeder

Corporate Governance

In the corporate governance declaration (also known as the Corporate Governance Report), we report on the principles of management and corporate governance for the last fiscal year in accordance with Sections 289f and 315d of the German Commercial Code (HGB) and Principle 23 of the German Corporate Governance Code (GCGC, in the current version published on April 28, 2022).

The declaration contains the Declaration of Conformity, information on corporate governance practices, a description of how the Management Board and Supervisory Board work and key corporate governance structures. The declaration is also available to the public on our **website**. Pursuant to Section 317 (2) (6) HGB, the disclosures pursuant to Sections 289f and 315d HGB are not included in the audit performed by the auditor of the annual financial statements.

Fundamental Information

Fundamental Understanding

In order for a company to be successful, its business model has to be accepted by all relevant stakeholder groups, from its customers through to civil society and the public, investors or business partners. Managing with integrity, the sustainability of business models and the extent to which a company is perceived as living up to its social responsibilities are playing an increasingly important role. This applies no less to the real estate sector.

Any misconduct by a company's management also tends to result in the corporate governance regulations being tightened up, as was recently the case with the Financial Market Integrity Strengthening Act (FISG) The government's stated aim is to use the FISG to ensure that confidence in the German financial market is strengthened. This objective is to be achieved, among other things, by the statutory obligation to establish an appropriate and effective internal control system (ICS) as well as a corresponding risk management system (RMS) for listed stock corporations and by mandating the establishment of an audit committee for public interest entities. The aim is also to strengthen the impartiality of the auditor, to tighten up the rules governing the auditor's liability and to considerably expand the auditing powers granted to the Federal Financial Supervisory Authority (BaFin).

This is why, here at Deutsche Wohnen, we see corporate governance as the responsible management and supervision of a company. The Management Board and the Supervisory Board have made a comprehensive commitment to the principles of corporate governance as set out in the German Corporate Governance Code.

Standards of Corporate Governance

These principles are the basis for the sustainable success of the company and therefore serve as guidelines for conduct in the company's daily management and business. Good corporate governance strengthens the trust of our shareholders, business associates, customers, employees and the general public in Deutsche Wohnen SE. It increases the company's transparency and strengthens the credibility of our group of undertakings. With balanced corporate governance, the Management Board and the Supervisory Board wish to safeguard Deutsche Wohnen SE's competitiveness, strengthen the trust of the capital market and the general public in the company and sustainably increase the company's value. Corporate governance, acting in accordance with the principles of responsible management aimed at increasing the value of the business on a sustainable basis, is an essential requirement for the Deutsche Wohnen Group, embracing all areas of the business.

As a major real estate company, we are aware of the particular significance of our entrepreneurial actions for society at large. Our corporate culture is founded on transparent reporting and corporate communications, on corporate governance aimed at the interests of all stakeholders, on fair and open dealings between the Management Board, the Supervisory Board and employees as well as on compliance with the law.

A Code of Conduct provides the ethical and legal framework within which we act and want to ensure our commercial success. The focus is on dealing fairly with each other but also in particular on dealing fairly with our customers, business partners and investors. The Code of Conduct specifies how we assume our ethical and legal responsibility as a company and is the expression of our company values.

Information on the Company's Governing Constitution

Deutsche Wohnen comprises Deutsche Wohnen SE and its group companies. Deutsche Wohnen is a European company (SE) in accordance with the German Stock Corporation Act (AktG), the SE Act and the SE Regulation. Its registered headquarters are in Berlin. It has three governing bodies: the Annual General Meeting, the Supervisory Board and the Management Board. The duties and authority of those bodies derive from the SE Regulation (SE-VO), the German Stock Corporation Act (AktG) and the Articles of Association. Shareholders, as the owners of the company, exercise their rights at the Annual General Meeting.

According to the two-tier governance system, Deutsche Wohnen SE has a Management Board and a Supervisory Board. In the two-tier governance system, the management of business and the monitoring of business are strictly separated from each other, meaning that individuals cannot be members of both bodies at the same time. The duties and responsibilities of these two bodies are clearly specified by law in the German Stock Corporation Act. In accordance with the governing laws, in particular the SE Regulation and the German SE Employee Participation Act (SEBG), the Supervisory Board is only made up of representatives of the shareholders. Employee interests are represented by the works councils set up by law within Deutsche Wohnen and will be supplemented to include the responsibility of the Group works council for the Vonovia Group as of 2023.

The Management Board and Supervisory Board of a company listed in Germany are obliged by law (Section 161 AktG) to report once a year on whether the officially published and relevant recommendations issued by the government commission German Corporate Governance Code, as valid at the date of the declaration, have been, and are being, complied with. Companies affected are also required to state which of the recommendations of the Code have not been, or will not be, applied and, if not, why. The most recent Declaration of Conformity is valid for at least the next five years and the Declarations of Conformity that are no longer valid can be found on the company's website.

The Management Board reports in its declaration, also on behalf of the Supervisory Board, on important aspects of corporate governance pursuant to Section 289f of the German Commercial Code (HGB) and Principle 23 of the German Corporate Governance Code (GCGC) 2022.

Declaration of Conformity to the GCGC Pursuant to Section 161 AktG

The Management Board and the Supervisory Board of Deutsche Wohnen SE carefully assessed compliance with the standards set out in the German Corporate Governance Code (the "Code") and issued the following Declaration of Conformity in December 2022 pursuant to Section 161 (1) AktG:

Since the last Declaration of Conformity issued in March 2022, the company has complied with the recommendations set out in the Code as amended on December 16, 2019 and published in the federal gazette on March 20, 2020 with the exception set out below, and will comply with the recommendations set out in the Code as amended on April 28, 2022 and published in the federal gazette on June 27, 2022 with the exception set out below.

Recommendation G.10 has not been, and will not be, complied with. Pursuant to the recommendation in G.10 sentence 1, variable remuneration amounts of Management Board members are to be invested predominantly in company shares by the respective Management Board member, or are to be granted by the company as share-based remuneration, taking the respective tax burden into consideration. In accordance with the remuneration system approved by the Annual General Meeting held on June 2, 2022, the Management Board members receive their remuneration entirely in cash.

Shareholders and Annual General Meeting

Shareholder Information: Shareholders can obtain full and timely information about our company on our website and can access current as well as historical company data. Among other information on its website, Deutsche Wohnen regularly posts all financial reports, important information on the company's governing bodies (including current resumes), its corporate governance documentation (declaration of conformity and governance-related guidelines and voluntary commitments), information requiring ad hoc disclosure and press releases.

Directors' Dealings: Information on directors' dealings/managers' transactions notifiable pursuant to Article 19 of the Market Abuse Regulation is published by Deutsche Wohnen without delay in accordance with the Regulation and is made available on the company's website.

Financial Calendar: Shareholders and interested members of the financial community can use the regularly updated financial calendar on the website to obtain information on publication and information dates, roadshows and the timing of the Annual General Meeting early on.

Annual General Meeting and Voting: The Annual General Meeting decides in particular on the appropriation of profit, the ratification of the acts of the members of the Management Board and of the Supervisory Board, the appointment of the external auditor, amendments to the Articles of Association as well as specific capital measures and individually elects the shareholders' representatives to the Supervisory Board.

Our shareholders can exercise their voting rights at the meeting or instruct a proxy of their choice or one of the proxies provided for that purpose by the company. Our shareholders are also able to submit a postal vote. The details regarding the postal voting procedure are in the respective shareholder's invitation to the Annual General Meeting.

The entire documentation for the Annual General Meeting and opportunities to authorize, and issue instructions to, the company's proxies as well as to submit a postal vote are available to shareholders at all times on the Vonovia website.

Due to the coronavirus pandemic, the 2022 Annual General Meeting was held as a virtual event, as was the case in 2021. Deutsche Wohnen believes that this concept has proven to be very successful. In the spirit of digitalization and sustainability, this Annual General Meeting format is considered to have future potential.

Remuneration Paid to Executive Bodies: In line with the German Stock Corporation Act and the GCGC, the Supervisory Board presented the amended remuneration system it had adopted for the Management Board members to the 2022 Annual General Meeting for approval, which was granted with 96.8% of the votes cast.

The Management Board also presented the remuneration report required under the Act Implementing the Second Shareholders' Rights Directive (ARUG II) at the 2022 Annual General Meeting for the first time. The remuneration report for the 2021 fiscal year, which was audited by the auditor, was approved by 92.9% of the votes cast before being published on Deutsche Wohnen SE's website.

The remuneration system of the Supervisory Board of Deutsche Wohnen SE is governed by the Articles of Association. It was confirmed by a 99.3% majority by the 2021 Annual General Meeting in accordance with ARUG II. The Annual General Meeting held in the reporting year approved an amendment to the Articles of Association to adjust the remuneration for the Audit Committee, which had remained unchanged since 2017.

The Supervisory Board

Duties and Responsibilities

The Supervisory Board appoints, supervises and advises the Management Board and is directly involved in decisions of fundamental importance to the company. The Supervisory Board performs its work in accordance with the legal provisions, the Articles of Association, its rules of procedure and its resolutions. It consists of six members, five of whom were selected by the 2022 Annual General Meeting. The terms of office range from one to three years.

The Supervisory Board examines and adopts the annual financial statements and the combined management report, including the Non-financial Group Declaration. It assesses and confirms the proposal for the appropriation of profit as well as the consolidated financial statements and the combined management report on the basis of the report prepared by the Audit Committee. The Supervisory Board reports in writing to the shareholders at the Annual General Meeting on the result of its examination.

Given Deutsche Wohnen SE's status as a dependent company pursuant to Section 17 AktG, the Supervisory Board considers it appropriate for at least half of the members of the Supervisory Board to now be independent. The newly appointed Supervisory Board meets this requirement, as Peter Hohlbein, Simone Schumacher and Dr. Florian Stetter are to be considered independent. The same applies to the chairs of the committees which the Supervisory Board has set up.

The Chair of the Supervisory Board chairs the meetings and coordinates communications. The members of the Supervisory Board generally have the same rights and obligations. Supervisory Board resolutions are above all passed in the Supervisory Board meetings but also, if necessary, using the written procedure or by other communication means. At least two meetings are held every six months. In addition, if necessary and on the basis of the rules of procedure of the Supervisory Board, a meeting of the Supervisory Board or its committees can be convened at any time at the request of a member or the Management Board.

The Supervisory Board is composed in such a way that its members as a group have the knowledge, ability and specialist experience, also in those sustainability matters that are significant to the company, required to properly complete its tasks. All of them are familiar with the real estate sector as the segment in which the company operates. At least one member of the Supervisory Board has expertise in the field of accounting and another member has expertise in the field of auditing.

Each Supervisory Board member shall ensure that he or she has enough time to carry out his or her mandate.

At the time at which this declaration was prepared, no Supervisory Board members exercised directorships or advisory tasks for important competitors of the company (see → **Avoidance of Conflicts of Interest)**.

Since 2020, a standard process for related party transactions has been firmly established within the company. This includes reporting them a regular basis to the Annual General Meeting as part of the Supervisory Board report. As Deutsche Wohnen SE has been majority-owned by Vonovia SE since September 30, 2021, a system for assessing related party transactions has been established in parallel with the process for recording legal transactions and measures with affiliated companies, information that is to be presented in the dependent company report. Members of the Supervisory Board, for their part, immediately report any transactions that they or parties related to them conclude with the company. The relevant data is also collected at the end of the fiscal year. The Supervisory Board will make a decision itself on any transaction requiring approval or will delegate the decision to one of its committees in line with the statutory requirements. For example, the Supervisory Board of Deutsche Wohnen SE approved the granting of a loan to Vonovia SE and published this transaction. For an overview of transactions between related parties and the Deutsche Wohnen Group, please refer to → **[F43] Related Party Transactions**.

Supervisory Board Self-Assessment

The Supervisory Board is committed to conducting regular efficiency reviews in line with the recommendation set out in the GCGC. A self-evaluation was most recently conducted using a written survey of its members in 2019. The Supervisory Board, which was largely reconstituted at the beginning of 2022, will perform this evaluation of its activities within a period that is considered appropriate (see → **Report of the Supervisory Board**).

Supervisory Board Committees

The Supervisory Board sets up an Executive and Nomination Committee, an Audit Committee and a Finance Committee from among its members. Further committees are formed as required. Committees are made up of at least three members of the Supervisory Board (see → **Report of the Supervisory Board**). The committees prepare subjects which are to be discussed and/or resolved by the Supervisory Board. In addition, they pass resolutions on behalf of the entire Supervisory Board. The basis for committee work was the transfer of tasks and responsibilities within the scope of the legal provisions.

The **Executive and Nomination Committee** is made up of the Chair of the Supervisory Board and at least two other members to be elected by the Supervisory Board. The Chair of the Supervisory Board is the Chair of the Executive and Nomination Committee. The tasks of this committee are, in particular, to prepare the appointment of Management Board members and propose candidates for election as Supervisory Board members, to advise on the remuneration system, to assign responsibilities and to decide in cases of legal and loan transactions with members of the Management Board and conflicts of interest.

The Supervisory Board appoints one of the members of the **Audit Committee** as the Chair of the Audit Committee. When electing the committee members, the Supervisory Board shall ensure that the Chair of the Audit Committee has specialist knowledge and experience in the application of accounting principles and internal control and risk management systems and/or in audits. The Committee Chair should be independent and not be a former member of the company's Management Board whose appointment ended less than two years before their appointment as Chair of the Audit Committee. The Supervisory Board Chair should not be the Chair of the Audit Committee. As a result of the FISG provisions, one committee member must have experience in accounting and the other in auditing. With Simone Schumacher, who boasts long-standing experience in accounting and finance in global multinational companies, and Christoph Schauerte, who, as Head of Accounting at listed companies, has fundamental and in-depth practical knowledge of auditing, the Audit Committee's members include experts in the field of accounting and auditing (see table → Supervisory Board Qualifications Profile). The Audit Committee handles, in particular, the monitoring of the accounting process, the effectiveness of the internal control system, risk management system and internal audit system, the audit of the annual financial statements and – unless another committee is entrusted therewith – compliance. Accounting and auditing also include the sustainability report and the auditing of this report. Each member of the Audit Committee can obtain information directly from the heads of those central departments that are relevant to the Audit Committee via the Committee's Chair.

The Audit Committee prepares the resolutions of the Supervisory Board on the annual financial statements (and, if applicable, the consolidated financial statements), and, in place of the Supervisory Board, reaches the agreements with the auditor (in particular the issuing of the audit mandate to the auditor, the determination of strategic audit objectives and the fee agreement). The Audit Committee takes suitable action to assess and monitor the independence of the auditor and the audit quality and is responsible for discussing the assessment of the audit risk, audit strategy, planning and results with the auditor. The Audit Committee also makes decisions on behalf of the Supervisory Board on the approval of contracts with auditors for non-assurance services.

The **Finance Committee** consists of the Supervisory Board Chair or the latter's Deputy Chair and at least two other members. The Finance Committee prepares the resolutions of the Supervisory Board on the following matters:

> Financing and investment principles, including the capital structure of the Group companies and dividend payments
> Principles of the acquisition and disposal policies, including the acquisition and disposal of individual shareholdings of strategic importance.

In place of the Supervisory Board, the Finance Committee adopts resolutions in particular on general guidelines and principles for the implementation of this financial strategy, including the handling of currency risks, interest, liquidity and other financial risks, the handling of credit risks and the implementation of external financing principles, and also on important transactions regarding the acquisition and disposal of properties and shares in companies as well as corporate financing.

The Management Board

Duties and Responsibilities

The Management Board members are jointly accountable for independently managing the company in the company's best interests while complying with the applicable laws and regulations, the Articles of Association and the rules of procedure. In doing so, they must take the interests of the shareholders, the employees and other stakeholders into account.

The Management Board is monitored and advised by the Supervisory Board. It has adopted the rules of procedure in consultation with the Supervisory Board. The Management Board has two chairs who coordinate the work of the Management Board and represent it in dealings with the Supervisory Board.

The Management Board informs the Supervisory Board regularly, in due time and comprehensively in line with the principles of diligent and faithful accounting in accordance with the law and the reporting duties specified by the Supervisory Board.

The Management Board develops the company's strategy, coordinates it with the Supervisory Board and implements it. It ensures that all statutory provisions and the company's internal policies are complied with. The Management Board also ensures appropriate risk management and risk controlling in the company. The Co-Chief Executive Officer is responsible for the social and environmental factors to be taken into account in this process, as well as for the associated risks, opportunities and impacts.

The Management Board submits the corporate planning for the coming fiscal year to the Supervisory Board as well as the midterm and strategic planning, which also includes sustainability targets. The Co-Chairs of the Management Board inform the Supervisory Board Chair without delay of important events that are essential for the assessment of the situation and the development of the company or for the management of the company as well as of any shortcomings that occur in the monitoring systems.

The Management Board requires the approval of the Supervisory Board for certain important transactions. Transactions and measures that require Supervisory Board approval are submitted in good time to the Supervisory Board, or to one of its committees where particular powers are delegated to them. The Management Board members are obliged to disclose any conflicts of interest to the Supervisory Board without delay and to inform the other Management Board members accordingly.

The Management Board members are subject to a comprehensive non-competition obligation. Management Board members may only take up sideline activities, in particular positions on supervisory boards in companies outside the Group, with the approval of the Supervisory Board.

Important transactions between the company, on the one hand, and the Management Board members as well as persons they are close to or companies they have a personal association with, on the other, require the approval of the Supervisory Board. The internal procedure put in place by the Supervisory Board to evaluate these transactions is set out in the section entitled → **The Supervisory Board**.

Recruitment of Members of Executive Bodies

In accordance with the German Corporate Governance Code, the Supervisory Board and the Management Board must be composed in such a way that these bodies/their members as a group have the knowledge, ability and specialist experience required to properly complete their tasks. The requirements were extended and set out by law with the entry into force of the CSR Directive Implementation Act. The Supervisory Board has adopted the following criteria and objectives for recruiting individuals to the Management and Supervisory Boards, taking the above-mentioned requirements into account:

Recruitment of Members of the Supervisory Board

Composition: As a listed company that is not subject to codetermination, the Supervisory Board of Deutsche Wohnen SE is to include six members, an appropriate number of whom are to be independent within the meaning of the Code. All members should have sufficient time available to perform the duties associated with their mandate with due regularity and care.

When proposing candidates to fill new Supervisory Board positions to the Annual General Meeting, the Supervisory Board should have performed an extensive review to ensure that the candidates standing for election meet the corresponding professional and personal requirements (see below) and must disclose the candidates' personal and business-related relationships with the company, the governing bodies of the company and any shareholders with a material interest in the company. Shareholders are deemed to hold a material interest if they hold more than 10% of the voting shares in the company, either directly or indirectly. The proposals are not based on the candidate's affiliation to any particular party that is interested in the company.

Other general criteria, and criteria defined in the GCGC that applied in the fiscal year under review, governing composition include:

- No more than two former members of the Management Board shall be members of the Supervisory Board.
- Supervisory Board members shall not exercise directorships or similar positions or advisory tasks for important competitors of the company.
- If a (designated) member belongs to the management board of a listed company, this member shall not accept more than a total of two supervisory board mandates in non-Group listed companies or on supervisory bodies of non-Group entities that make similar requirements.
- The age limit has been set at 75 at the time of appointment to the Supervisory Board.

Skills profile: The Supervisory Board of Deutsche Wohnen SE should be composed so as to ensure qualified supervision of, and provision of advice to, the Management Board. The candidates nominated for election to the Supervisory Board should be able, on the basis of their knowledge, skills and professional experience, to perform the duties of a Supervisory Board member of a listed real estate company that is active on the international capital market. In terms of their personality, the candidates nominated for election should show integrity, professionalism and commitment. The aim is to ensure that the Supervisory Board as a whole offers all of the knowledge and experience that the Group considers to be important for ensuring Deutsche Wohnen's operational and financial further development.

Independence: Given Deutsche Wohnen SE's status as a dependent company pursuant to Section 17 AktG, the Supervisory Board considers it appropriate for at least half of the members of the Supervisory Board to now be independent. Material conflicts of interest that are not merely of a temporary nature, e.g., arising from functions on executive bodies or advisory roles performed at the company's major competitors, should be avoided. A Supervisory Board member is, in particular, not to be considered independent if he or she has personal or business relations with the company, its bodies, a controlling shareholder or a company associated with such a shareholder that may cause a substantial and not merely temporary conflict of interest.

Diversity: When nominating candidates for election, the Supervisory Board should also take diversity into account. In accordance with the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in Privatwirtschaft und im öffentlichen Dienst), the Supervisory Board should comprise at least 30% women and 30% men. Deutsche Wohnen intends for the Nomination Committee to continue to have at least one female member. Deutsche Wohnen's Supervisory Board should meet both criteria in the current target period. When assessing potential candidates for reelection or to fill a Supervisory Board position that has become vacant, qualified women are to be included in the selection process and given appropriate consideration when the nominations are made.

Target achievement: The objectives regarding the composition of the Supervisory Board set out above have been met. There are two female members of the Supervisory Board (33%). Helene von Roeder is a member of the Executive and Nomination Committee. Three out of six members of the Supervisory Board are considered by the latter to be independent within the meaning of C. 6 and C. 7 of the GCGC. No member of the Supervisory Board was a member of the company's Management Board or has a personal relationship with a significant competitor of the company as defined by C. 12 of the GCGC. The Chair of the Audit Committee is an expert in the field of accounting. The main knowledge, skills and professional experience of the Supervisory Board members are summarized in the table below.

Supervisory Board Qualifications Profile

					Key skills & areas of experience*							
Name	Independence	Year of birth	Year of appointment	Nationality	Accounting, finance	Real estate	Strategy	Legal	Internat. management, M&A, capital market	Investment experience	Digitalization	Sustainability
Helene von Roeder (Chair)	no**	1970	2022	German	x		x		x		x	
Dr. Fabian Heß	no**	1974	2022	German		x	x	x	x			x
Peter Hohlbein	yes	1959	2022	German		x	x	x		x		x
Christoph Schauerte	no**	1962	2022	German	x		x		x		x	x
Simone Schumacher	yes	1983	2022	German	x				x	x	x	x
Dr. Florian Stetter (Deputy Chair)	yes	1964	2006	German and Austrian	x	x	x			x		x

* The members of the Supervisory Board can specify up to 5 areas of expertise.
** Independent of the company and Management Board, not independent of a controlling shareholder.

Recruitment of Members of the Management Board

Composition: In accordance with the Articles of Association, the Management Board of Deutsche Wohnen SE consists of at least two members. The Supervisory Board appoints the Management Board members in accordance with the Articles of Association and the law. The Supervisory Board can appoint a Chair of the Management Board and a Deputy Chair of the Management Board. The decisions made by the Supervisory Board on the composition of the Management Board should be based on a careful analysis of the existing and future challenges facing the company. The Management Board of Deutsche Wohnen SE should be composed so as to ensure that, as the management body, it can perform the duties set out above reliably and in full. When taken as a whole, it should combine all of the knowledge and experience required to ensure that the Group can pursue its operational and financial objectives in an effective and sustainable manner in the interests of the shareholders and other stakeholders. While membership of the Management Board is not limited to a certain period of time, the contract of employment of a Management Board member ends when the member turns 67 at the latest.

Skills profile: Newly appointed Management Board members should be able, on the basis of their knowledge, skills and professional experience, to reliably perform the duties assigned to them in a listed real estate company that is active on the international capital market. In addition to having good professional and fundamental general qualifications, they should also show integrity, professionalism and commitment.

Independence: The Management Board should perform its management duties in a manner that is free of any conflicts of interest. Functions on executive bodies or advisory roles performed at major competitors of the company should be avoided.

Diversity: When looking for candidates to fill a Management Board position that has become vacant, the Supervisory Board should include qualified women in the selection process and give them appropriate consideration. Gender should be irrelevant when it comes to filling Management Board positions. The Supervisory Board has adopted a target of at least 20% women on the Management Board for the current period, which is set to run until June 30, 2025. For the first level of management below the Management Board, the target for the proportion of women to be achieved by June 30, 2025 is 20%, with a target of 40% for the second level of management below the Management Board.

Target achievement: The objectives regarding the composition of the Management Board set out above have been met in full. The Management Board consists of one female and two male members who are able to manage the Group appropriately on the basis of their experience and skills. At the time at which this declaration was made, the first two levels of management below Deutsche Wohnen's Management Board comprises 22% women at the first level and 13% at the second. Achieving the targets for the proportion of women at the second management level will continue to require even more systematic succession planning and recruitment efforts in order to actively support women and open up opportunities for them to assume leadership positions, not only in commercial roles, but also in technical and trades-related roles.

Succession planning: The Management Board and the Supervisory Board address long-term succession planning for the Management Board on an ongoing basis. Last year, the Supervisory Board once again discussed positions to be filled in the Management Board and long-term workforce planning, taking the ideas explored by the Management Board into account.

Cooperation Between the Management Board and the Supervisory Board

The Management and Supervisory Boards vote on the strategic direction of the company and discuss the current status of implementation of the corporate strategy, which also includes sustainability topics (see → **Strategy**) at regular intervals. Furthermore, the Management Board regularly informs the Supervisory Board in written or verbal reports of topics including the development of business and the situation of the company.

In this way, the Supervisory Board receives detailed documents from the Management Board regularly and in a timely manner on the economic development and the company's current situation as well as a risk management and compliance report that deals with the most important risks for the business as well as compliance management at Deutsche Wohnen SE. On the basis of these reports, the Supervisory Board monitors the company's management by the Management Board as well as via its committees where particular powers are delegated to these committees. The Supervisory Board meets on a regular basis without the Management Board if personnel matters relating to the Management Board are to be discussed. For information on the remuneration agreements that reflect this cooperation, please refer to the **Remuneration Report**.

Avoidance of Conflicts of Interest

In the reporting year, there were no conflicts of interest of Management Board or Supervisory Board members, which are to be reported immediately to the Supervisory Board. In matters giving rise to concerns as to the partiality of individual Supervisory Board members, these members always abstained from voting. There was a need to discuss and make decisions on legal matters, in particular lending transactions with members of executive bodies or individuals related to them, in the case of the loan to Vonovia SE that was published in accordance with Section 111c AktG.

Accounting and Audits

The Annual General Meeting selected KPMG AG Wirtschaftsprüfungsgesellschaft as auditor for the annual financial statements and consolidated financial statements

We prepare the annual financial statements of Deutsche Wohnen SE in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) to be applied in the EU. In addition, we prepare a combined management report as required by the German Commercial Code and the German Stock Corporation Act (AktG). The Management Board is responsible for financial accounting. The Supervisory Board examines and adopts or approves the annual financial statements, the consolidated financial statements and the combined management report.

In addition to our annual financial statements, we also prepare interim statements for the first and third quarters as well as an interim financial report for the first half-year in accordance with the German Securities Trading Act.

Both the interim statements and the interim financial report are presented to, and discussed with, the Audit Committee of the Supervisory Board. The interim financial report is then published.

Under German stock corporation and commercial law, there are special requirements for internal risk management that apply to Deutsche Wohnen. Therefore, our risk management system covers risk inventory, analysis, handling and limitation. In accordance with Section 317 (4) of the German Commercial Code (HGB) applicable to listed companies, KPMG assesses in its audit the risk early warning system as part of the risk management system. Furthermore, we maintain standard documentation of all our internal control mechanisms throughout the Group and continually evaluate their effectiveness.

In the combined management report, we provide comprehensive information on the main features of the internal control and risk management system with regard to the accounting process and the Group accounting process in accordance with our reporting duties pursuant to Sections 289 (4) and 315 (4) HGB.

The company is obliged to prepare a report pursuant to Section 312 AktG on relationships with affiliated companies (dependent company report) and to have it reviewed by the auditor (see → **Report of the Supervisory Board** and → **Report on Economic Position**).

Deutsche Wohnen SE on the Capital Market

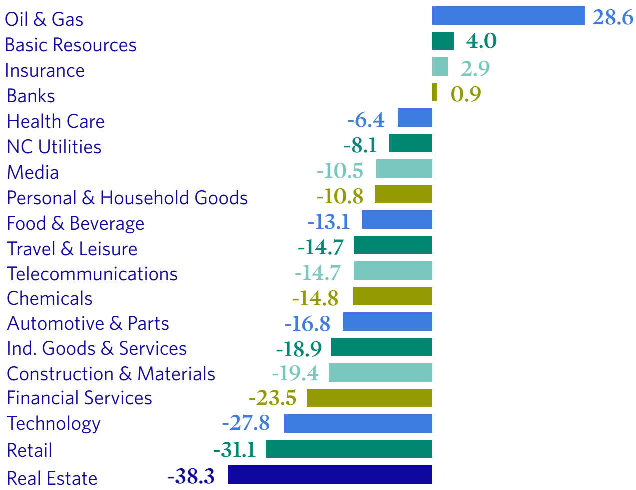
Capital Market Development and Shares in Deutsche Wohnen

The past year on the capital markets was dominated in particular by high inflation, rising interest rates and concerns about a recession. In this environment, it came as little surprise to see negative performance in almost all sectors, as well as in the major benchmark indices: SDAX -27.3%; EPRA Europe -38.9%.

The real estate sector was hit harder than most, largely due to the capital-intensive nature of the business. Rising bond yields also made real estate shares less attractive in relative terms. In this environment, at least the short-term outlook for shares in German residential real estate was particularly pessimistic, not least against the backdrop of the recovery in value seen in recent years, and resulted in underperformance in an environment that was already challenging. Shares in Deutsche Wohnen lost 46.2% in the course of the year, closing 2022 at € 19.89. This was once again due to the marked negative correlation with government bond yields.

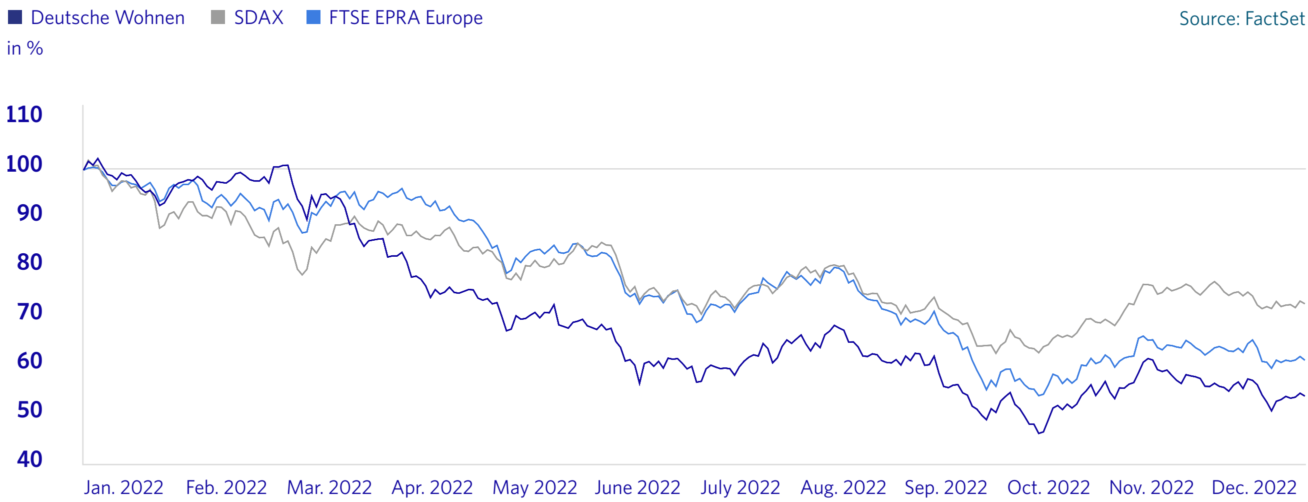
Sector Development

in %



This means that we are still observing an ever-wider gap between what remain pessimistic capital market expectations on the one hand, and the sustained robust development on the residential real estate market on the other. While the capital market appears to be pricing in a large-

Share Price Development



scale correction for real estate assets, the residential property markets in which we operate remain relatively stable. This is due, in particular, to the favorable relationship, from an owner's point of view, between supply and demand in urban regions, what have conventionally been long-term financing arrangements, tax aspects as well as the structural momentum on the revenue side.

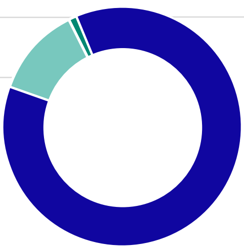
Even though Deutsche Wohnen's share price declined in 2022, we still believe that our shares can reflect the positive operating development and ultimately the success of our business model as a whole, at least in the medium to long term. Our responses to key long-term megatrends – climate change, urbanization and demographic change – remain the dominant factors driving our business. We are optimistic as we look ahead to the future and are confident that we will remain financially successful.

The market capitalization of Deutsche Wohnen's free float came to approximately € 978 million as of December 31, 2022.

Shareholder Structure

The chart displayed below shows the voting rights pursuant to Sections 33 and 34 of the German Securities Trading Act (WpHG) as notified by the shareholders in relation to the current share capital. It is important to note that the number of voting rights reported could have changed within the respective thresholds without triggering an obligation to notify the company.

Major Shareholders (as of December 31, 2022)



Vonovia SE holds 86.87% of the shares in Deutsche Wohnen as of December 31, 2022. Based on the German stock exchange's definition of free float, 12.3% of Deutsche Wohnen's shares were in free float as of December 31, 2022. The proportion of own shares held by Deutsche Wohnen came to 0.84%. The underlying voting rights notificationsand corresponding financial instruments reported by shareholders or other instruments pursuant to Sections 38 and 39 WpHG can be found **online**.

2022 Annual General Meeting

All of the items on the agenda of the Annual General Meeting held on Thursday, June 2, 2022 were carried by a large majority of Deutsche Wohnen SE's shareholders. Around 94% of the company's share capital carry voting rights was represented at the Annual General Meeting, which was once again held as a virtual event due to the coronavirus pandemic. The main shareholder, with a stake of 86.87%, is Vonovia SE. Detailed voting results are published at **www.deutsche-wohnen.com/hv**
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Share Information (as of December 31, 2022)

Total number of shares	400,296,988
Thereof own shares	3,362,003
Share capital	€ 400,296,988
ISIN	DE000A0HN5C6
WKN	A0HN5C
Ticker symbol	DWNI
Share class	Bearer shares
Official market	General Standard, Frankfurt Stock Exchange, Xetra
Indices	SDAX, EPRA/NAREIT, STOXX® Europe 600, GPR 250

Combined Management Report

Social megatrends remain the solid foundation on which our business model is based.

Harmonization of the control system and alignment of structures to enable the joint realization of synergy potential with Vonovia.

Positive operating development in 2022, EPS hit by impairment losses.

Fundamental Information About the Group

Societal Megatrends Defining Overall Conditions on the Residential Real Estate Market

In February 2022, Russia invaded Ukraine and economies in Europe that had already been hit hard by the coronavirus pandemic came under additional strain.

The war in Ukraine triggered an additional shortage of raw materials and primary products in global supply and value chains, which had already been disrupted by the coronavirus pandemic, pushing prices up considerably and, as a result, driving inflation rates up across the globe. In particular, fears of energy shortages sent energy prices soaring.

In this environment, central banks abandoned their low interest rate policy entirely, and lifted key interest rates significantly. The financial markets reacted to the new macroeconomic conditions with hefty price losses overall.

In a changing interest rate landscape, stakeholders are reevaluating the business model in terms of its profitability, level of debt and assets. This contributed to a very considerable drop in the price of the company's shares.

Nevertheless, it is important to note that, putting the increased interest rates aside, there has been no fundamental change in the overall conditions for the Deutsche Wohnen Group. The megatrends driving our business model remain unchanged. The Deutsche Wohnen Group's portfolio is virtually fully occupied, guaranteeing secure and stable future cash flows.

The shortage of housing in large metropolitan areas means that there is continued strong demand for apartments, particularly given that the political targets for new construction in Germany currently appear to be out of reach. This creates an extremely solid foundation for the company's operating business.

The management is focusing on the increased prices for raw materials, energy and primary products, together with interest rates, to ensure profitability in the changed macroeconomic environment described above.

The megatrends that have been at work for some time now, **urbanization and the shortage of housing, climate protection and reducing CO_2**, **digitalization** and **demographic change**, are being continually reassessed in terms of their economic, political and social implications for the company's strategy and business model in light of the experience gleaned from the coronavirus pandemic, recent developments as a result of the war in Ukraine and the higher interest rates.

As part of its sustainability strategy, Deutsche Wohnen has made a clear and explicit commitment to climate protection targets, in particular to a virtually climate-neutral building stock by 2045, as well as to reliable and transparent corporate governance.

2022 was also characterized by measures to step up our cooperation with Vonovia. Similar activities were bundled in an integrated process and system landscape with the aim of generating synergy potential for both companies through corresponding harmonization effects and economies of scale.

Within this context, the requirements for good corporate governance in the de facto group were met at all times, with appropriate overall contractual conditions being put in place to ensure this. This is also reflected in the declaration on the dependent company report in this management report.

The Company

Deutsche Wohnen's **business model** is based on the rental of good-quality, modern and, most importantly, affordable living space, as well as the provision of housing-related services. We also make targeted use of external service providers or strategic investments in this regard.

The business model proved to be robust and largely **resilient** in times dominated by the coronavirus pandemic. The high level of **digitalization** meant that business processes were maintained practically without any disruption – also thanks to the options for working from home for back office functions. There were no interruptions to speak of affecting operating processes.

The business model is designed to be **future-fit in the long run**. It can use sustainable new construction and refurbishment approaches, CO_2 reduction in the real estate portfolio and innovations relating to emissions reduction, renewable energies and construction materials to contribute to solutions for climate protection objectives.

Aspects of sustainability at Deutsche Wohnen

E Environmental	S Social	G Governance
Contribution to climate protection and reducing CO_2 in both the housing stock and new construction.	Responsibility towards tenants and society through fair prices, housing that meets people's needs and future-fit neighborhood development. Attractive and fair working environment for our diverse workforce.	Sustainable corporate governance and responsible business practices with reliable compliance.

Deutsche Wohnen's roots go back to 1863, with the real estate held by the pension fund of the company Hoechst. Via the non-profit company GEHAG, which was established in 1924, Deutsche Wohnen has properties that are exceptional examples of architectural history from the Bauhaus and expressionist movements. These included new housing concepts that helped to shape the idea of a neighborhood and were even listed as UNESCO world heritage sites. Examples include the "Hufeisensiedlung", "Wohnstadt Carl Legien", "Weiße Stadt" and "Ringsiedlung Siemensstadt" developments.

Our **neighborhoods, the main areas of action** for creating a socially responsible housing industry, are to provide housing that responds to tenants' needs as part of a process aimed at tenant participation so as to boost customer satisfaction and also contribute to the integration of our increasingly diverse society.

Deutsche Wohnen aims to be an attractive employer for its **employees**, ensuring equal opportunities and supporting staff members in their personal and professional development. Trustworthy, reliable and transparent corporate governance will lay the foundation for this.

The real estate portfolio, which has a fair value of around € 28.4 billion, comprises approximately 140,000 residential and commercial units.

We invest primarily in residential properties in urban and large metropolitan areas in Germany. Economic growth, positive net immigration and insufficient new construction activity in these regions form the basis for the further development in the value of our portfolio.

Corporate Structure

Deutsche Wohnen SE, the parent company of the Deutsche Wohnen Group, is organized in the legal form of a dualistic European company (SE). Deutsche Wohnen SE is directed by a Management Board, which is responsible for conducting business and defining the Group's strategy. The strategy is implemented in close coordination with the Supervisory Board, which is regularly briefed by the Management Board regarding the development of business, strategy and potential opportunities and risks. The Supervisory Board oversees the activities of the Management Board.

Deutsche Wohnen SE has its **registered headquarters** in Germany. Its registered office is located in Berlin. The head office (principal place of business) is located at Mecklenburgische Strasse 57, 14197 Berlin.

As of December 31, 2022, 160 legal entities/companies (of which 158 in Germany) formed part of the Group. A detailed list of Deutsche Wohnen SE shareholdings is appended to the Notes to the consolidated financial statements.

Deutsche Wohnen SE's structure matches that of a conventional holding company. From an organizational standpoint, a distinction is made between management and asset companies operating in the following core business areas:

Residential Property Management

Out portfolio is managed primarily by group companies. Their activities include the development of the portfolio, the management of lease agreements, customer service and technical maintenance of the properties in the portfolio. Infrastructure-related facility management services include quality management on location, which is handled by our own staff and, most importantly, conventional caretaker services.

Care and Assisted Living

Retirement and care homes are operated under the brands KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG. These facilities provide full residential care, the aim being to maintain an active lifestyle and residents' independence to the greatest possible extent. Senior citizen-friendly services are also provided within the context of assisted living.

Sale/Acquisitions

As part of our privatization business in strategic core and growth regions, we are freeing up capital so as to give us a stronger liquidity position for strategic investment decisions. Given the current market environment, we also make block sales as and when opportunities present themselves. At the same time, we review suitable acquisition opportunities for real estate portfolios and land in urban and large metropolitan areas on an ongoing basis.

New Construction

Together with our subsidiaries and our 40% stake in QUARTERBACK, we are creating new homes in our strategic core and growth regions as part of targeted project development measures. Selected properties are also developed for sale. The range of services includes purchasing land, obtaining the necessary building rights and preparing project concepts, as well as construction support and warranty monitoring. From the 2023 fiscal year onward, our new construction activities will be performed via Vonovia's development activities and the BUWOG brand on the basis of an agency agreement.

Strategic Investments

Over and above our core business areas, we offer property-related services via subsidiaries and strategic investments to intensify our contact with our customers and ensure the quality of the services offered. This allows us to ensure customer-oriented portfolio management and offer property-related services. At the same time, this approach allows us to expand our value chain and secure access to innovative technologies. These fields of business include the energy-efficiency management of our properties, the multimedia business and technical facility management.

The Management Board of Deutsche Wohnen has decided that the merger with Vonovia will result in measures to harmonize the management structure in order to leverage synergy potential, and that Deutsche Wohnen's business will be managed, from 2023 onward, in the segments Rental for residential property management, Value-add for housing-related services, Recurring Sales for sales, Development for new construction and Care.

Scalable Organizational Model: Strong Regional Presence and Efficient Central Shared Services

Central	Regional	Shared Services
Portfolio Management > Investment management > Rent calculation > Rent performance management	**Asset Management** > Strategic development of local portfolio > Stakeholder management	> Purchasing > Finance/tax > Accounting > Controlling > Legal > IT > HR > Corporate Communications
Central Property Management > 24/7 Customer service > Rental contract management > Field service disposition > Property-related accounting services	**Property Management** > Field services > Caretaker organization > Letting organization	
	Value-add Management > Technical service > Modernization > Residential environment	
	Development > Integrated development platform > Development to sell/to hold	

The management system and, as a result, the performance assessment will be adjusted accordingly and is already being presented in this structure for 2022. This involves the strategic approaches of portfolio management, property management, financing and the Value-add strategy, which are rounded off by the acquisition and internationalization strategy.

In order to be able to leverage synergy potential that has been identified for Deutsche Wohnen in the context of the merger, Deutsche Wohnen will, where necessary, employ dedicated agency agreements, in line with the arm's length principle and, as a result, good corporate governance, to make use of Vonovia's processes and systems.

As far as the development business is concerned, activities will in future be concentrated in Vonovia's Development segment, which operates under the BUWOG brand name, under an agency agreement. Opportunistic development activities will also be handled by the participating interest QUARTERBACK Immobilien AG – or QBI for short. This will allow Deutsche Wohnen to benefit from the platform economies of scale and platform expertise available.

Strategy

Deutsche Wohnen has a sustainable strategy that is viable in the long term.

The corporate strategy that Deutsche Wohnen has been pursuing for years now has proven effective and is both highly mature and highly flexible.

The strategies pursued by Deutsche Wohnen and Vonovia evidently complemented each other very well, which served as the basis for the merger of the two groups. In the Business Combination Agreement, the fundamental agreement on the merger, the companies agreed to harmonize their two complementary strategies in order to allow both groups to tap into synergy potential and create value added by striving for sustainable action together.

The latest requirements for a sustainable business model that is aligned with the European ESG objectives have already been implemented in the strategy in a solution-oriented manner at both groups. Customer satisfaction, however, remains the most important factor guiding our actions.

Not only the increasingly dynamic development of **megatrends**, but also the ever louder calls made by various stakeholder groups for a **sustainable business model** mean that the focal points of the company's strategy have to be reviewed on an ongoing basis and, in particular, the **sustainability aspects** of this strategy, which has proven so successful to date, have to be given even greater attention and be enhanced in a targeted manner to ensure the **future viability of the company's strategy** and business model. With this in mind, Deutsche Wohnen and Vonovia have agreed to harmonize their strategic approaches in order to address the requirements that a future-fit and sustainable corporate strategy has to meet and to develop solutions together.

The strategy also specifically addresses the UN's Sustainable Development Goals (SDGs) as well as the specific ESG targets set by European and national standard setters.

Solutions for climate protection in the housing industry using innovations and new technologies will be largely implemented in **neighborhoods** in a cost-effective manner to allow us to continue to design urban, environmentally friendly and affordable housing in a socially responsible manner.

Trustworthy, reliable and transparent **governance** is supplemented by ESG risk management that takes the opportunities and risks derived from the action areas and the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) into account.

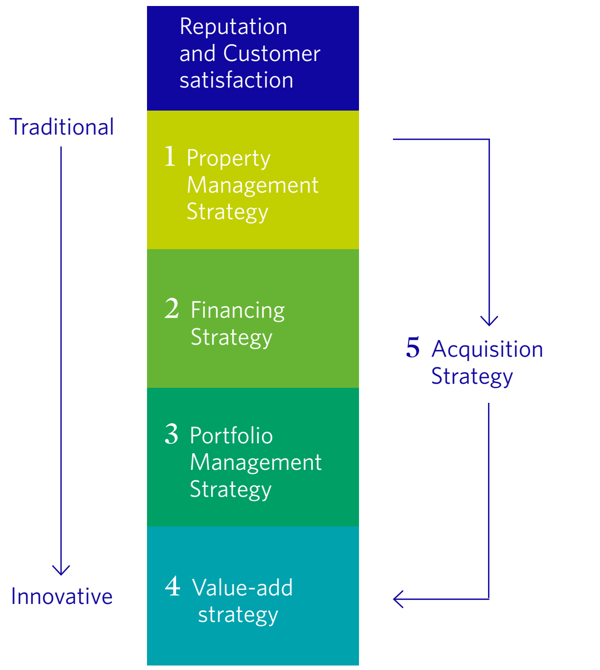
Greater attention is also being paid to effects on sustainability-related impacts.

Highly Developed 4+1 Pillar Strategy

The future strategy, which has been harmonized with Vonovia, pursues the strategic approaches set out below:

The **property management strategy** is based on the sophisticated **management platform**, which allows for the efficient management of the portfolio and the successful scaling of the property management business. In this respect, Deutsche Wohnen makes use of a mix of regional and local services and the Group-wide bundling of services in central service centers. The property management strategy is being enhanced, in particular, by digitalization measures in the underlying business processes and at the customer interface.

4+1 Pillar Strategy



1 Management platform/Austrian client/digitalization
2 LTV/financing strategy/financial risk management
3 Portfolio management/recurring sales and non-core disposals/investment strategy/development and new construction
4 Housing and property-related services/business development/digitalization
5 Opportunistic acquisition strategy Germany

The **financing strategy** has essentially been implemented in full. Debt, measured in terms of the loan-to-value (LTV) ratio, is stable within the target range of up to 40%. Deutsche Wohnen has access to very good financing options by virtue of its investment grade ratings. As a result, as well as managing current issues related to the increased interest rates, our focus is on maintaining these investment grade ratings and optimizing the financing structure and maturity profile as well as financial risk management.

The **portfolio management strategy** focuses on **optimizing the portfolio**. The portfolio is refined in a targeted manner using privatization measures and the sale of non-strategic properties. On the other hand, tactical acquisitions, modernization, new construction and development measures are used to increase the value of the portfolio in a targeted manner. Deutsche Wohnen will continue to invest in its strategic holdings in urban neighborhoods and urban clusters, especially in line with its climate path to promote sustainability. We want to create new homes in our portfolio in the future as part of our densification strategy, using a combination of vertical expansion and new construction on existing land.

The **Value-add strategy** supplements our core business to include **customer-oriented services**, e.g., services that are closely related to or influence the rental business. As part of this strategy, we continually evaluate additional innovative service ideas and business models to boost customer satisfaction and add the corresponding activities to our offering. Those areas of the Value-add strategy that have already been established successfully largely include multimedia services, energy services and metering services, and insurance services. The capability of having the Group's own craftsmen's and residential environment organization on hand as a complementary option to cover the entire portfolio, in particular the maintenance and modernization services, allows us to make the residential units more attractive in general and help to boost customer satisfaction.

Deutsche Wohnen pursues **acquisitions** as and when opportunities present themselves; they have to be expected to increase value. Such increases in value are generally assessed in terms of strategic suitability, increases in EBITDA and a neutral impact on the NAV per share; these are funded by 50% equity and 50% debt. Furthermore, an acquisition must not pose any risk to the company's credit rating.

Portfolio Structure

Portfolio in the Property Management Business

As part of the merger with Vonovia, the real estate portfolio was reviewed and also compared with Vonovia's portfolio to tap into synergy potential resulting from the coordinated management of the two portfolios. This process involved bringing the portfolio structure into line with Vonovia's.

As of December 31, 2022, the Group had a total real estate portfolio comprising 140,286 residential units (2021: 151,163), 25,718 garages and parking spaces (2021: 28,562) and 2,572 commercial units (2021: 2,795), distributed over 65 towns/cities and municipalities across Germany. The total living area amounted to 8,333,407 sqm, with the average apartment size coming in at around 59 sqm. With a vacancy rate of 1.9%, an average monthly in-place rent of € 7.48 per sqm² was generated. The annualized in-place rent for the residential portfolio as of December 31, 2022, came to € 734 million for apartments.

In terms of fair value, most of the properties (around 75%) are located in the regional market of Berlin. Most of the properties in the Group's portfolio are multifamily residences.

Changes in the Portfolio

While there were no major acquisitions in the course of 2022, the benefits and encumbrances relating to the apartments from the "Future and Social Pact for Housing" were transferred to municipal housing companies berlinovo, degewo and HOWOGE. Properties from the portfolio earmarked for sale were also disposed of in several transactions as part of the implementation of the portfolio management strategy. At the time of each transfer of possession, benefits and encumbrances, the statistics for the portfolios sold were as follows:

				In-place rent	
	Residential units	Living area (in thou. m²)	Vacancy (in %)	Residential (p.a. in € million)	Residential (in €/m²)
Disposal portfolio in 2022	11,443	770.3	0.9	58.9	6.42

In addition to the sale of larger housing stocks, Deutsche Wohnen's portfolio changed in 2022 as a result of additions arising from tactical acquisitions, the construction of new apartments and attic extensions on the one hand, and disposals of condominiums and multifamily residences from the portfolio earmarked for sale on the other.

Deutsche Wohnen invests in its strategic holdings in particular in line with its climate path to promote sustainability and in line with its innovation strategy. We act on behalf of neighborhoods with the (new) development of our urban portfolios. The lion's share of the portfolio consists of neighborhoods that we have classified as urban quarters. The remaining existing buildings largely comprise smaller clusters of buildings and solitary properties that we have grouped together as urban clusters. Even though, unlike urban quarters, urban clusters do not relate to entire neighborhoods, they are also managed using the same long-term asset and property management strategies based on our operating platform. The latest portfolio analysis led to the creation of the additional Multifamily Residence Sales portfolio alongside the sales portfolio for non-strategic holdings (Non-core) and Recurring Sales within the strategic cluster. This portfolio involves the sale of multifamily residences largely located outside of our urban clusters. The corresponding income is to be used primarily for internal financing.

Following the implementation of the annual structured reassessment of all potential, as of December 31, 2022, Deutsche Wohnen's portfolio is as follows:

Portfolio and Fair Value by Strategy

	Portfolio			Fair value*	
	Residential units	Living area (in thou. m²)	Vacancy (in %)	(in € million)	(in €/sqm)
Strategic	124,520	7,336	1.7	22,332.2	2,966
Urban Quarters	113,198	6,624	1.6	20,524.4	3,030
Urban Clusters	11,322	712	3.2	1,807.8	2,389
Recurring Sales	2,867	195	4.5	634.2	2,991
Multifamily Residence Sales	8,747	557	2.5	2,307.0	3,819
Non-core	4,152	246	3.9	735.7	1,960
Total	**140,286**	**8,333**	**1.9**	**26,009.2**	**2,982**

* Fair value of the developed land excluding undeveloped land and inheritable building rights granted, assets under construction, development, care and assisted living, and other.

Rent and Rental Growth by Strategy

	In-place rent			Rent increase
	Total (p. a. in € million)	Residential (p. a. in € million)	Residential (in €/sqm)	Organic (in %)
Strategic	668	644	7.44	2.9
Urban Quarters	602	582	7.44	2.8
Urban Clusters	66	61	7.40	3.2
Recurring Sales	18	16	7.10	2.6
Multifamily Residence Sales	63	56	8.61	4.7
Non-core	35	19	6.67	4.0
Total	**784**	**734**	**7.48**	**3.0**

In order to boost transparency in portfolio presentation, we also break our portfolio in Germany down into **seven regional markets**. The regional market classification is orientated toward the residential real estate market regions in Germany. These markets are core towns/cities and their surroundings, mainly urban areas. Our decision to focus on the regional markets that are particularly relevant to Deutsche Wohnen is our way of looking ahead to the future and provides an overview of our strategic core portfolio in Germany.

In relation to the fair value, 98% of our portfolio is located in seven regional markets. Only a small part of our strategic portfolios is located outside of these seven markets. We have referred to this group as "Other Strategic Locations" (around 1% of the total fair value). Our stocks earmarked for sale from the "Recurring Sales"; "Multifamily Residence Sales" and "Non-core" subportfolios in locations that do not include any strategic stocks are shown as "Non-Strategic Locations".

As of December 31, 2022, the portfolio is as follows, broken down into regional markets:

Portfolio and Fair Value by Regional Market

	Portfolio			Fair value*		
	Residential units	Living area (in thou. m²)	Vacancy (in %)	(in € million)	(in €/sqm)	In-place rent multiplier
Berlin	102,365	5,979	1.2	19,623.0	3,178	35.5
Rhine Main area	9,879	592	5.5	2,012.8	3,240	29.6
Dresden	6,897	434	3.7	1,168.0	2,430	29.1
Leipzig	5,460	369	2.5	919.0	2,257	29.2
Rhineland	3,917	234	3.3	771.2	3,170	29.4
Hanover	5,758	357	3.4	742.3	1,916	23.2
Munich	943	54	0.2	271.1	4,327	36.2
Other strategic locations	3,443	210	4.9	303.9	1,401	20.8
Total strategic locations	**138,662**	**8,230**	**1.9**	**25,811.4**	**3,003**	**33.4**
Non-strategic locations	1,624	104	2.0	197.8	1,550	17.7
Total	**140,286**	**8,333**	**1.9**	**26,009.2**	**2,982**	**33.2**

* Fair value of the developed land excluding undeveloped land and inheritable building rights granted, assets under construction, development, care and assisted living, and other.

Rent and Rental Growth by Regional Market

	In-place rent			Rent increase	
	Total (p. a. in € million)	Residential (p. a. in € million)	Residential (in €/m²)	Organic (in %)	Market rent forecast valuation (in % p. a.)
Berlin	552	526	7.41	2.5	2.0
Rhine Main area	68	64	9.50	5.4	1.9
Dresden	40	35	6.94	3.7	1.8
Leipzig	32	28	6.41	3.1	1.7
Rhineland	26	25	9.12	4.5	1.8
Hanover	32	28	6.90	5.1	1.7
Munich	7	7	11.09	2.8	1.9
Other strategic locations	15	14	5.81	4.0	1.4
Total strategic locations	**772**	**727**	**7.50**	**3.0**	**2.0**
Non-strategic locations	11	7	6.06	4.0	1.4
Total	**784**	**734**	**7.48**	**3.0**	**2.0**

Real Estate Development Activities

Deutsche Wohnen's real estate development activities are generally conducted with the intention of adding completed projects to the company's own portfolio.

In a quest to strengthen its real estate development capabilities, Deutsche Wohnen acquired the real estate developer Isaria back in 2020 and entered into a 40% stake in QUARTERBACK Immobilien AG. Following the integration of the two development platforms, Deutsche Wohnen's development projects had been handled via the QUARTERBACK Immobilien AG platform up until 2022.

Its acquisition of a majority stake in the Deutsche Wohnen Group allowed Vonovia to add a highly attractive development pipeline to its existing BUWOG project pipeline. As a result, the pipeline's regional distribution covers the core regions of Berlin, the Rhine-Main region, Dresden/Leipzig, Hamburg, Stuttgart and Munich, expanding the development business to cover the whole of Germany.

In the 2022 fiscal year, Deutsche Wohnen's development activities were integrated into BUWOG's structures on the basis of an agency agreement, the aim being to benefit from BUWOG's development platform and expertise in particular, as well as leveraging harmonization effects and economies of scale. With the skills of the two companies now bundled and the options available for exploiting synergy potential on both sides, the challenges facing the residential real estate market in terms of real estate development projects can be addressed more quickly and efficiently and with greater focus.

BUWOG provides Vonovia with an end-to-end development platform spanning the entire value chain – from the purchase of land to its development, project planning, construction and sale. With its substantial product pipeline of residential construction projects that are currently being built, planned or prepared, Vonovia, with the BUWOG brand, ranks among Germany's leading building contractors and is the most active private building contractor in Austria.

The disruption to global economies and the supply and value chains that connect them, triggered in particular by the war in Ukraine, meant that the Development business area faced particular challenges in 2022 with regard to sale prices, cost prices and profitability. Development projects previously intended for the company's own use have since been designated for sale following changes in profitability criteria and in a quest to strengthen the company's internal financing power.

This redesignation affects a total of 38 projects comprising 8,003 units and a project volume of € 3,458.2 million.

A total of 368 residential units were completed in 2022.

Care and Assisted Living

Care Segment

We are currently responding to the megatrend of demographic change and, in particular, our aging society by offering care and assisted living facilities for older people. As part of this quest, we manage corresponding nursing care properties and offer care and assisted living services.

Similar to in the rental business, our activities in the care segment focus on cities and regions with positive development forecasts, as these are the areas with a particularly high demand for nursing and other care services (full inpatient care, as well as assisted living combined with outpatient and day patient care). We place particular emphasis on high-quality properties, as well as high-quality care, support and service. Within this context, we will be stepping up our investments in new construction projects, as well as making selective acquisitions in our strategic target regions.

In the 2022 fiscal year, the Management Board of Deutsche Wohnen launched a review of the Care segment with regard to its future strategic importance within the Group. This process involves answering questions, for example, as to whether the segment can be expanded further, or whether it should, and can, be sold given the lack of uniform regulations in the care sector, the requirements that apply to, and the availability of, staff and the expected profitability development. As part of this strategic review process, the Management Board of Deutsche Wohnen also subjected the care segment to a market test. The final results and decisions were not yet available at the time the financial statements were prepared.

Nursing Care Businesses

Retirement and care homes are operated under the brands KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG. These facilities provide full residential care, the aim being to maintain an active lifestyle and residents' independence to the greatest possible extent. Senior citizen-friendly services are also provided within the context of assisted living.

Nursing Care Properties

The Care and Assisted Living business area encompasses 72 nursing care properties with a total of around 9,540 nursing places, 71 of which are owned by Deutsche Wohnen. This makes us one of the biggest holders of nursing care properties in Germany.

We operate our care business in two different models:

39 care facilities (approx. 5,240 places) are managed by Group-owned KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH together with its subsidiaries, Hamburger Senioren Domizile GmbH (HSD) and PFLEGEN & WOHNEN HAMBURG GmbH.

A further 33 facilities (approx. 4,300 places) are managed by various non-Group operators on a long-term basis.

Management System

Management Model

Our management system is based on our corporate strategy.

In the 2022 fiscal year, Deutsche Wohnen initially continued with the 2021 management system until the fourth quarter of 2022. Details can be found in the chapter Management System of the **Annual Report 2021**.

At the end of the fourth quarter of 2022, Deutsche Wohnen switched to Vonovia's management system as part of measures to harmonize the management systems of Deutsche Wohnen and Vonovia. The assessment of business performance for the 2022 fiscal year was based entirely on the new management system.

At Group level, Group FFO, Adjusted EBITDA Total and NAV per share have now been introduced as the main performance indicators.

FFO I, previously used as the primary performance indicator, has been replaced by Group FFO. Adjusted EBITDA Total has been implemented as a key performance indicator for the sustainable performance of the operating business. The content of NAV (net asset value) per share was harmonized with the EPRA NTA per share reported by Vonovia. While we still report our LTV, this is no longer the most significant performance indicator within the meaning of German Accounting Standard (DRS) 20.

The previous segments, Residential Property Management, Sales, Nursing Care Businesses and Nursing Care Properties as well as the result that is not allocated to any particular segment were transitioned to the new segments, **Rental, Value-add, Recurring Sales, Development** and **Care**, and Deutsche Wohnen also adopted Vonovia's management approach. Further details can be found in the section on → **Segment Reporting**.

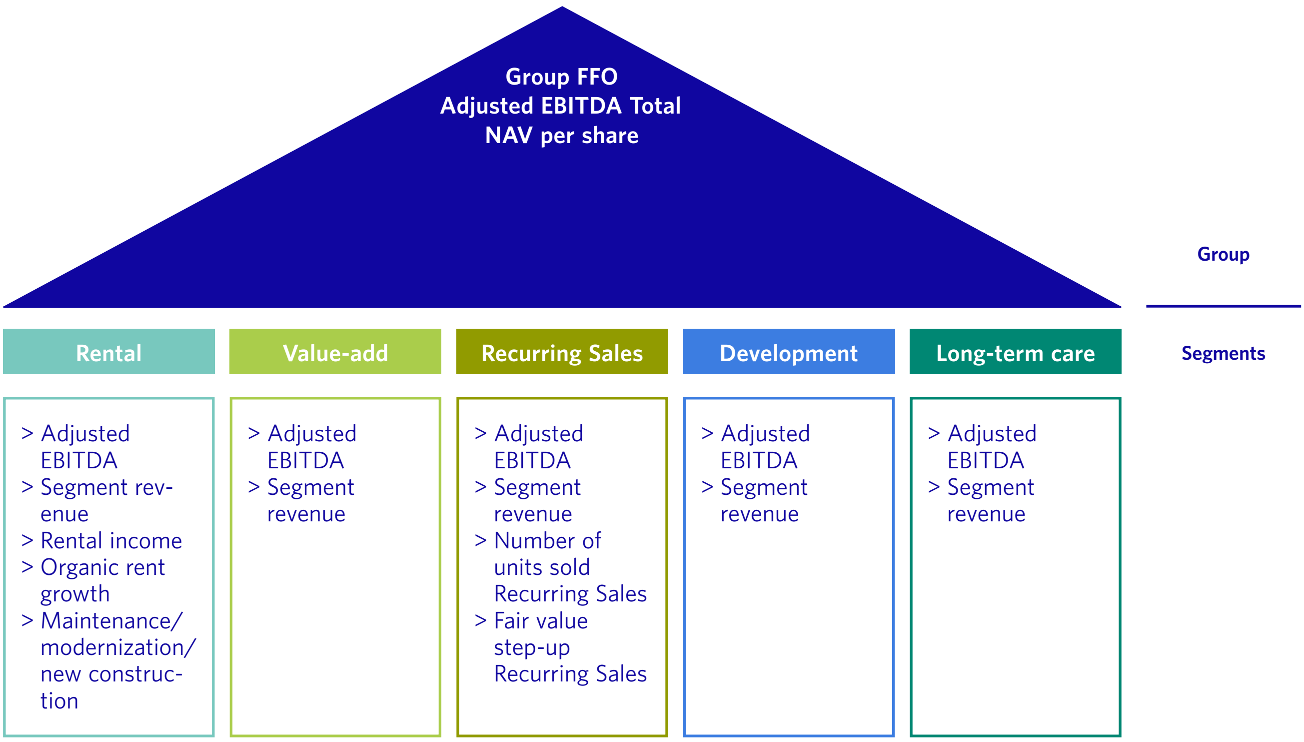
The **Rental segment** combines all of the business activities that are aimed at the value-enhancing management of our own residential real estate.

The **Value-add segment** bundles all of the housing-related services that we have expanded our core rental business to include. These services mainly include our multimedia services and energy supply.

The **Recurring Sales segment** includes the regular and sustainable disposals of individual condominiums and single-family houses from our portfolio. It does not include the sale of entire buildings or land (Multifamily Residence Sales/Non-core). These properties are only sold as and when the right opportunities present themselves, meaning that the sales do not form part of the Recurring Sales segment. We report these opportunistic sales in the Other column of the segment report.

The **Development segment** includes project development to build new homes. This covers the value chain starting with the purchase of land without any development plan/dedicated purpose and ending with the completion of new buildings and new construction measures on our own properties. These properties are either incorporated into our own portfolio or sold to third parties. The Development segment deals with projects in selected attractive locations. The value creation from the valuation of the properties at market prices will be allocated to the Development segment when these residential properties are incorporated into our own portfolio.

The **Care segment** includes all activities relating to the management of the Group's own nursing care businesses and the leasing of nursing care properties.



Performance Indicators

The management system has a modular structure and makes a distinction between performance indicators at Group level (most meaningful performance indicators within the meaning of DRS 20) and those at segment level.

All of the key financial figures shown here are known as "non-GAAP" measures or **alternative performance measures (APMs)**, i.e., key figures which cannot be taken directly from the figures in the consolidated financial statements according to IFRS. The financial performance indicators can, however, all be reconciled to the closest-possible key figure in the consolidated financial statements.

We make a distinction between **financial** and **non-financial performance indicators**.

We have an integrated Group-wide planning and controlling system in place that is based on central performance indicators. Based on the medium-term plans derived from our strategy, which are subject to an annual review and are updated during the year in the event of significant transactions, we prepare a budget for all areas of the Group. In the course of the fiscal year, current economic developments are compared with these targets and the current forecasts on a regular basis for all key figures that are relevant to control. The business is then steered accordingly in a targeted manner, with any necessary countermeasures being initiated and tracked.

At **Group level, Group FFO**, the **Adjusted EBITDA Total**, the **NAV per share**are our most meaningful performance indicators.

At the **segment level**, we look not only at the **Adjusted EBITDA**, but also at the **segment revenue** in order to measure not only rental income in the Rental segment but also performance in the Value-add, Recurring Sales, Development and Care segments. The segment revenues generated by all of the segments make up the total segment revenue. Its development over time serves as an additional growth indicator for Deutsche Wohnen.

The management system includes the following key figures:

Financial Performance Indicators

Group FFO is key for managing the sustained operational earnings power of our business. It is calculated as follows:

Calculation Group FFO

	Rental segment revenue
(-)	Maintenance expenses
(-)	Operating expenses Rental
=	Adjusted EBITDA Rental
	Value-add segment revenue
	thereof external revenue
	thereof internal revenue
(-)	Operating expenses Value-add
=	Adjusted EBITDA Value-add
	Recurring Sales segment revenue
(-)	Fair value of properties sold adjusted to reflect effects not relating to the period from assets held for Recurring Sales
=	Adjusted profit from disposal of Recurring Sales
(-)	Selling costs Recurring Sales
=	Adjusted EBITDA Recurring Sales
	Income from disposal of development properties to sell
(-)	Construction costs Development to sell
=	Net profit Development to sell
	Fair value Development to hold
(-)	Construction costs Development to hold
=	Gross profit Development to hold
(+)	Rental income Development
(-)	Operating expenses Development
=	Adjusted EBITDA Development
	Care segment revenue
(-)	Maintenance expenses
(-)	Operating expenses Care
=	Adjusted EBITDA Care
Σ	**Adjusted EBITDA Total**
(-)	Interest expense FFO
(-)	Current income taxes FFO
(-)	Consolidation
=	**Group FFO**

The individual EBITDA figures, after adjustments to reflect effects that do not relate to the period, recur irregularly or are atypical for business operation, form the basis for the operational management of the five segments.

The Adjusted EBITDA Rental reflects the operating profit from residential property management. It can be broken down into three central components: Rental segment revenue, expenses for maintenance and operating expenses in the Rental segment. The latter include all expenses and income that do not relate to expenses for maintenance or rental income in the Rental segment.

In addition to the expenses for maintenance, we invest in our real estate portfolios by way of modernization and new construction measures.

We manage business activities in the Value-add segment using segment revenue and the Adjusted EBITDA Value-add.

We measure the success of the Recurring Sales segment using Adjusted EBITDA Recurring Sales. The Adjusted EBITDA Recurring Sales compares the proceeds generated with the fair values of properties sold and the related costs of sale. In order to disclose profit and revenue in the period in which they are incurred and to report a sales margin, the fair value of properties sold, valued in accordance with IFRS 5, has to be adjusted to reflect realized/unrealized changes in value.

The Development segment is managed via the Adjusted EBITDA Development. In addition to the revenue from the sale of residential properties built in the reporting year to third parties and the associated costs, we also record the fair value that newly constructed properties create for our own portfolio, as well as the associated costs, as a means of measuring the success of the Development segment.

The Care segment includes all activities relating to the management of the Group's own fully inpatient nursing care facilities and the leasing of nursing care properties to third parties. We manage business activities in the Care segment using segment revenue and the Adjusted EBITDA Care.

The Adjusted EBITDA Total is calculated as the sum total of the Adjusted EBITDA figures for our five segments. It expresses the overall performance of our sustainable operating business before interest, taxes, depreciation and amortization.

As financing is a fundamental component for the success of our business activities, we deduct the current interest expense, adjusted for special circumstances (FFO interest expense), from the Adjusted EBITDA Total. Taking current income taxes and consolidation effects into account, this allows us to calculate Group FFO, the key figure for the sustained earnings power of our business.

When it comes to managing the growth of our company, we also focus on total segment revenue. Total segment revenue includes all income generated by the five segments that contributes to value creation, i.e., that covers costs and makes an earnings contribution.

Calculation of total segment revenue

	Group rental income
(+)	Other revenue from property management if not offset in operating expenses in the Rental segment
(+)	Other income from property management from the Care segment
(+)	Income from disposal of properties insofar as it relates to Recurring Sales
(+)	Internal Value-add income
(+)	Income from the disposal of real estate inventories
(+)	Fair value Development to hold
=	**Total segment revenue**

In addition to our operational earnings power, the value of our property assets and our modernization and new construction measures are decisive for the further development of our company.

The **NAV per share** is used to manage the company's value.

Calculation of NAV per share

	Equity attributable to Deutsche Wohnen's shareholders
(+)	Deferred taxes on investment properties*
(-)	Fair value of derivative financial instruments
(-)	Goodwill
(-)	Intangible assets
=	**NAV**
(/)	No. of shares as of the reporting date
=	**NAV per share**

* Proportion of hold portfolio.

Other non-operating financial key figures include the **loan-to-value (LTV) ratio**, which is used for monitoring the degree to which debt is covered by the value of the properties, the **net debt/EBITDA ratio**, which is used for monitoring the degree to which debt is covered by our sustained operating result and the **interest coverage ratio (ICR)**, which expresses the extent to which interest is covered by our sustained operating result.

Non-financial Performance Indicators

We also focus on non-financial operating performance indicators as drivers for our key financial figures.

The **organic rent increase** refers to the increase in the monthly in-place rent for the residential portfolio that was already held by Deutsche Wohnen twelve months previously and rented as of the reporting date, plus the increase in rent resulting from the construction of new apartments and the addition of stories to existing properties. The monthly in-place rent per m^2 gives information on the average rental income from the portfolio as of the relevant reporting date.

The **vacancy rate** also shows the proportion of units in our own portfolio that are not rented and therefore generate no rental income. It can serve as an early-warning indicator, e.g., to identify non-marketable apartments. The vacancy rate and the average rent are key drivers for the development of our key figures related to the management of rental income. They serve as essential **early warning indicators**.

The **number of units sold** from **Recurring Sales** shows our ongoing efforts in the privatization business. In addition to this, we report the Non-core Disposals/Other.

The **fair value step-up Recurring Sales** represents the difference between the income from the sale of a privatized residential unit and its last recognized fair value. It shows the percentage increase in value for the company on the sale of a unit before further costs of sale.

In addition to the non-financial performance criteria described above, the ESG objective of reducing **CO_2 intensity** in the portfolio is relevant for Deutsche Wohnen as of 2023. Taking ESG objectives into account allows us to include input factors for sustainable corporate development. In 2022, the non-financial performance criteria of customer satisfaction and improving energy efficiency were relevant for Deutsche Wohnen.

Report on Economic Position

Key Events During the Reporting Period

The overall conditions on the market, which have undergone lasting changes, in particular rising interest and inflation rates coupled with heightened uncertainty in the commodity markets and supply chains that remain disrupted, create a highly complex environment for corporate management.

In this environment, the operating business was successful overall, with moderate effects resulting from the Ukraine war and the coronavirus pandemic in some areas. These effects related primarily to the procurement of raw materials and to energy costs.

As of December 31, 2022, Deutsche Wohnen's portfolio was virtually fully occupied with a vacancy rate of 1.9% (2021: 1.7%). The low vacancy rate and high customer satisfaction scores provide a solid foundation for our operating business. They translate into stable cash flows and, as a result, a stable basis for the income from our residential properties.

We remain convinced that the megatrends affecting the housing industry can best be solved by thinking and acting in terms of neighborhoods. As part of the merger with Vonovia, the real estate portfolio was reviewed and also compared with Vonovia's portfolio to tap into synergy potential resulting from the coordinated management of the two portfolios. This process involved bringing the portfolio structure into line with Vonovia's.

2022 was also dominated by the integration work to enable the use of Vonovia's processes and systems, as well as to leverage synergy potential and create shared legal conditions for cooperation. This cooperation aims to use Vonovia's management and development platform to leverage benefits for Deutsche Wohnen through harmonization and standardization effects and economies of scale.

The cooperation with Vonovia has always been based on contractual principles that are in line with standard market practice and fundamental framework agency agreements. Within this context, protecting minority interests under company law and the corporate governance regulations impose the very highest standards on this cooperation.

On January 4, 2022, Deutsche Wohnen extended a loan to Vonovia SE in the amount of € 1,450 million in line with the arm's length principle. It had a value of € 870 million as of December 31, 2022.

By way of a decision adopted on December 1, 2022, the Frankfurt Stock Exchange revoked GSW Immobilien AG's admission to the regulated market in response to the application previously submitted by the Management Board of GSW Immobilien AG, meaning that the shares are no longer listed.

With regard to the care business, the Management Board of Deutsche Wohnen conducted a review of the strategic classification of the business within the Group in 2022, including a market test.

Development of the Economy and the Industry

The macroeconomic situation in Germany last year was dominated by the consequences of Russia's war of aggression against Ukraine. While the lifting of almost all protective measures imposed in response to the COVID-19 pandemic contributed to a German economic recovery in spring 2022, the German Federal Statistical Office (Destatis) reports that the Russian invasion of Ukraine and the resulting sharp rise in energy prices slammed the brakes on this upswing. The economic recovery was also hampered by more acute material and supply bottlenecks, hefty price increases for other goods as well as the shortage of skilled labor and the ongoing, albeit gradually subsiding, COVID-19 pandemic. The dramatic increase in consumer prices reduced the purchasing power of private households. Despite the challenging underlying conditions, Destatis estimates that the German economy grew by 1.9% in terms of gross domestic product (GDP) compared to the previous year. Nonetheless, the energy crisis continues to have a severe adverse effect on the German economy according to the Kiel Institute for the World Economy. For 2023, the Kiel Institute for the World Economy forecasts GDP growth of 0.3% for Germany. According to Investitionsbank Berlin (IBB), GDP in Berlin could have increased by an estimated 2.5% in 2022. In the first half of 2022, the economy was still growing at an above-average rate, although Berlin will be unable to escape the increasingly gloomier external conditions unscathed.

Overall, the labor market is stable. On average, unemployment and underemployment fell significantly in Germany in 2022, according to the Federal Employment Agency, although these declines are attributable to the favorable trend seen in the previous year and the first half of 2022. Starting midway through the year, the documentation of Ukrainian refugees resulted in a further rise. According to the German Federal Employment Agency (Bundesagentur für Arbeit), the unemployment rate based on the total civilian labor force in June 2022 fell by 0.4 percentage points year-on-year to 5.3%. In Berlin, the unemployment rate came in at 8.8%, around 1.0 percentage points less than in the previous year, marking the most pronounced drop among Germany's federal states. In light of the challenges facing the economy, it is expected that the situation on the labor market will temporarily deteriorate in 2023. The average unemployment rate is then expected to come to 5.5% for Germany (IfW Kiel).

In 2022, the pressure associated with the prices of energy and food in particular led to a palpable increase in inflation. Measured against the Consumer Price Index (CPI) and based on figures supplied by the Federal Statistical Office, average inflation amounted to 7.9% in Germany. It is expected that the price spikes will tail off in 2023 and that inflation will be slightly lower at 5.4% (IfW Kiel). According to IBB, consumer prices in Berlin are likely to have risen by around 8% in 2022 on average and are expected to increase by approximately 5% in 2023.

On account of high inflation, the European Central Bank (ECB) gradually increased the benchmark interest rate from 0% in July 2022 to the level of 2.5% at year-end 2022, doing so in four steps. The ECB ceased to purchase bonds as of July 1, 2022. Further key rate hikes are on the cards for 2023. The ECB, for example, lifted its key interest rate to 3.0% on February 8, 2023. In this environment, significant year-on-year rises in construction interest rates were observed in Germany in 2022.

These interest rate rises are adversely affecting real estate markets. The residential property ownership market cooled during the course of the year, with the days of sharp price increases likely consigned to the past. According to Savills, the fundamental conditions for landlords in Germany remain favorable. Demand for rental apartments has noticeably increased, partly due to rapid population growth and because many households are currently unable to afford to buy their own homes and therefore continue to rent. Quoted rents continued to increase across Germany; empirica reports that they were 6.6% higher on average over all years of construction in the fourth quarter of 2022 (new construction 6.3%) than in the same quarter of the previous year. Further rent increases are likely in 2023. DB Research believes that it would be no surprise if existing rents were to increase by far more than 2% per annum for structural reasons. Advertised rents in Berlin increased sharply and in the existing apartments segment, for example, were up by 14.8% year-on-year in the fourth quarter of 2022, according to data supplied by Value AG. Given the high purchase prices and expensive real estate financing, IBB predicts that more people in Berlin will remain in the rental market for the time being. This means that the demand for housing remains high.

Although residential real estate prices were still climbing at the start of the year, price growth slowed down noticeably in Germany as the year progressed. The empirica price index for condominiums in Germany (all years of construction) was nonetheless 0.6% higher in the fourth quarter of 2022 compared to the same period of the previous year (new construction 5.2%). The price peak for condominiums in Germany was reached during the first six months of the year, with the prices of apartments declining during the rest of the year. Despite the continued high demand for housing, the changes in the underlying conditions dampened demand for residential property ownership. Given the fundamental shortage on the supply side, DB Research only expects a temporary dip in prices. Data supplied by Value AG shows that in Berlin, advertised prices for existing condominiums rose by 4.5% year-on-year in the fourth quarter of 2022. In a quarter-on-quarter comparison, however, prices in Berlin also fell slightly (-0.7%) after having risen slightly in the third quarter of 2022. Meanwhile, prices for newly built apartments in Berlin rose slightly in the fourth quarter as against the third (+0.9%).

The size of the population in Germany is estimated to have risen again in 2022 and is expected to increase further. There is still a shortage of apartments in many large cities and urban areas. Construction activity, however, is declining. According to an estimate of Zentralverband Deutsches Baugewerbe, only 280,000 apartments were built in 2022; this figure may only stand at 245,000 for 2023 (2021: 293,393). The German federal government had set itself the goal of building 400,000 new apartments per year in Germany. For 2023 and 2024, CBRE estimates that a further increase in regular immigration (workers, joining family members, students) of more than 350,000 people per annum is realistic. As a consequence of the Russian war of aggression against Ukraine, there are currently about one million Ukrainian refugees in Germany. As a result, the housing shortage is likely to intensify. The population of Berlin is also predicted to have grown again in 2022, and looking at the medium forecast scenario, the Berlin Senate Department for Urban Development, Building and Housing (SenSBW) expects the population to grow by around 5% in the period from 2021 to 2040. Press reports estimate that around 100,000 refugees from Ukraine remained in Berlin in 2022. Based on SenSBW forecasts, 16,500 new apartments were built in Berlin in 2022. This figure, however, falls short of the target of an average of 20,000 new apartments built every year. In light of the aftermath of the COVID-19 pandemic and the impact of the war in Ukraine, the construction industry faced higher prices, disrupted supply chains, actual/impending material shortages and rising interest rates in 2022. There is also a shortage of skilled labor. According to DB Research, construction costs will hardly decrease in Germany in 2023. In light of declining construction investment, however, the disruption to supply chains may ease and, for instance, the cost of raw materials may fall further, as already witnessed in recent months. IBB reports that the rapid increase in construction interest rates are slamming the brakes on residential construction in Berlin, too, because a large number of construction projects are being recalculated and suspended. A shortage of skilled labor, delivery bottlenecks and more expensive construction materials are also leaving their mark here.

As a reflection of the change in interest rate policy, the German market for residential property investment was more cautious in 2022. According to CBRE, the transaction volume on the residential investment market stood at € 13.5 billion and was therefore 73% down on the previous year. This difference is, on the one hand, attributable to the major transaction conducted in 2021 – the takeover of Deutsche Wohnen SE by Vonovia SE; on the other hand, CBRE believes that the market is in a phase of price adjustment triggered by the new interest rate environment and that this is also contributing to the decline in investment volume. Against this backdrop, prime yields rose in the top seven cities. At the same time, rents rose in the top seven cities. According to Jones Lang LaSalle, property worth around € 11 billion was traded on the Berlin transaction market in 2022. Residential properties were the second-largest segment with a share of 25%. The total volume was down by around 71% on 2021, which was dominated not least by the major transaction referred to above. As soon as the pricing phase has been completed and there is more certainty regarding financing costs, the Berlin transaction market should start to pick up again.

Housing policy developments in 2022 and at the start of 2023 in Germany included changes to the Federal Funding for Efficient Buildings (BEG). In February, it once again became possible to apply for BEG renovation programs. In April, BEG funding for new builds was relaunched subject to new conditions. A reform of the BEG came into effect on January 1, 2023. As such, new conditions apply in respect of refurbishments to achieve energy-efficiency building standards as well as for individual measures. It is expected that a separate set of funding guidelines for climate-friendly construction will follow on March 1, 2023. In the German Buildings Energy Act (GEG), the permissible primary energy level was tightened as of January 1, 2023. Moreover, the reform of rent indices legislation came into effect as of July 1, 2022. Rent indices have since been compulsory for cities with more than 50,000 inhabitants. Furthermore, the German cabinet also approved a draft bill for dividing CO_2 costs between landlords and tenants in 2022, with the act coming into effect on January 1, 2023. An increase in the CO_2 price scheduled for 2023 has been postponed until 2024. The straight-line rate for the amortization of residential buildings was increased from 2% to 3% as of January 1, 2023. This applies to residential buildings completed as of the start of 2023. In Berlin, the Alliance for New Housing Construction and Affordable Housing was created with municipal and private players on the residential property market. Its objectives include the construction of at least 100,000 homes by the end of 2026 and improved tenant protection. In March 2022, the Berlin State Government had already established the expert commission on the referendum on the socialization of large housing companies. It is tasked with investigating whether the possible socialization of large portfolios is constitutional.

Market for Nursing Care and Senior-friendly Properties in Germany

The market for nursing care and senior-friendly properties is benefiting from an increasingly aging population, as the likelihood that a person will need nursing or inpatient care increases with age. According to the 15th coordinated population projection, the number of people aged 67 and over is set to rise from 16.4 million in 2021 to at least 20.0 million by 2035. The number of people aged 80 and above will remain almost constant at around 6 million until the beginning of the 2030s, after which it will follow a general upward trend to reach between 8 and 10 million people in 2070. This means that the need for care is likely to increase in the long term due to demographic factors.

In the period from 2015 to 2021, the number of people needing long-term care in Germany rose from around 2.86 million to 4.96 million. Around 0.79 million of them were receiving fully inpatient care in homes, with a further 1.05 million being cared for at home by care services. Part of this increase can be traced back to regulatory changes, such as the introduction of a new definition of the need for long-term care back in 2017. Based on the figures available most recently available, there were 16,115 nursing homes offering partially or fully inpatient care services and 984,688 nursing places in Germany in 2021. According to a report by bulwiengesa for Cureus, the number of people in need of long-term care could rise to around 5.59 million by 2040, meaning that 19,579 care places would need to be created every year in the medium forecast scenario. While the number of assisted living apartments in Germany was estimated at around 360,000 in 2021, this number would have to at least double to move closer into line with the predicted demand by 2040.

According to figures released by Destatis, the occupancy rate of the fully inpatient care places available was 89.3% in 2021. According to Wüest Partner's nursing home atlas, a fluctuation reserve for nursing places is also necessary and sensible, as with the situation in the rental housing market. This is compounded by the fact that some nursing homes no longer meet all of the current requirements or are of a size that is not commercially viable in the long term. Particularly those regions with low occupancy rates will see nursing homes being closed or redeveloped. In addition, while the COVID-19 pandemic led to reduced occupancy in inpatient nursing homes, for example due to higher mortality levels among residents, the 2022 BARMER Care Report reports a partial normalization at the end of 2021. Meanwhile, the government's care rescue fund provided nursing care providers with support during the pandemic. Parts of this rescue fund expired at the end of June 2022.

The German investment market for healthcare properties was unable to escape the effects of rising interest rates, inflation and the current geopolitical situation unscathed in 2022, with subdued transaction activity. According to Savills, for example, healthcare properties with a volume of around € 2.3 billion were traded in Germany in 2022, around one-third less than a year earlier. Nursing homes were the largest sub-asset class, accounting for a share of 43%, ahead of assisted living properties (25%) and medical centers (17%). Prime yields on nursing homes rose by 20 basis points in the course of 2022 to 4.1%. In general, German healthcare real estate remains an attractive asset class. At present, however, there are huge differences between the purchase prices expected on the seller and buyer sides. What is more, the proportion of transactions involving project developments declined as the year progressed due to the significant increase in financing and construction costs, as well as the simultaneous drop in the prices that bidders were willing to pay.

According to Savills, the main challenges facing market players currently relate to inflation. Although indexed lease agreements are particularly appealing for investors in the current environment, many operators are already reaching their limits in terms of what they are able to pay, triggering a need for renegotiations between operators and owners. Issues such as the lack of skilled labor or investment/cost ratios that are still too low are other challenges facing market players at the moment. The law demanding compliance with the standard terms of collective labor agreements (Tariftreuegesetz) that has been in force since September 2022 is another source of cost pressure. Given the uncertainty in an environment of mounting costs, the refinancing of which is still a matter of debate between those responsible for paying them and policymakers, a clear wave of insolvencies has emerged in the nursing care sector according to NAI apollo.

Savills reports that transaction processes are becoming more complex, at least where they involve nursing homes, as a result of these challenges, putting some investors off investing in the market or making processes far more drawn-out. Those investors that are still active on the market are currently pursuing a very selective approach and have become more discerning in terms of property and operator quality. Many of the properties on offer, however, fall short of these requirements.

Group's Business Development

Business Development in 2022 – An Overview

2022 was a successful fiscal year for Deutsche Wohnen. The company's operating business showed positive development despite the ongoing coronavirus pandemic, the increasingly visible impact of the war in Ukraine and a situation on the Berlin residential property market that remained tense.

Another major development was the sale of around 10,600 apartments and 230 commercial units in Berlin to the three state-owned companies HOWOGE Wohnungsbaugesellschaft mbH, degewo AG and Berlinovo Immobilien Gesellschaft mbH.

The FFO I of around € 490 million originally forecast for the 2022 fiscal year was exceeded by 5.7% at € 517.9 million, due first and foremost to improved net interest. The company outstripped the original forecast for Adjusted EBITDA (excluding sales) of around € 640 million by around 4%, reporting a figure of € 665.9 million. The expected slight increase in NAV as against 2021 failed to materialize. At the end of 2022, NAV came to € 20,361.0 million as against € 21,563.6 million at the end of 2021 (in a comparison based on the new definition, down by 5.6%). The debt level forecast of <30% was achieved with an LTV of 28.1%.

The switch to Deutsche Wohnen's new management system at the end of the fourth quarter of 2022 resulted in changes in the main performance indicators, and the previous segments, as well as the result that is not allocated to any particular segment, were transitioned to the five new segments: Rental, Value-add, Recurring Sales, Development and Care. **Group FFO** replaces the previous FFO I. The Group FFO for 2022 came to € 593.6 million (2021: € 594.3 million). The **Adjusted EBITDA Total** replaces Adjusted EBITDA. The Adjusted EBITDA Total for 2022 came to € 701.8 million (2021: € 726.8 million). The content of **NAV per share** was harmonized with the EPRA NTA per share reported by Vonovia. At the end of 2022, the **NAV per share** stood at € 51.30 (2021: € 54.33).

Higher construction costs and interest rates and thus the expected sales proceeds meant that impairment losses on real estate development projects totaling around € 437 million had to be recognized to reflect a lower fair value as part of the valuations performed for the purposes of the financial statements.

Statement of the Management Board on the Economic Situation

The net assets, financial position and results of operations of the Group are positive, particularly given the solid financing, the resulting balanced maturity profile and the good liquidity situation with a view to organic growth. The ongoing improvements to the property management and development processes and the use of new digital software solutions, the steady Recurring Sales and a successful development business promote ongoing improvement in profitability.

Results of Operations

Overview

All in all, Deutsche Wohnen reported stable business development in 2022. The five segments, Rental, Value-add, Recurring Sales, Development and Care, developed as planned.

The ongoing coronavirus pandemic still did not have any significant impact on the company's operational and financial performance. The war in Ukraine and the economic sanctions imposed on Russia meant that price increases became more entrenched in the course of the 2022 fiscal year. This had a marked impact on the energy and procurement markets, as well as on the capital market and on interest rate trends.

The 2022 fiscal year brought increasing demand for rental apartments, partly due to the influx of Ukrainian refugees. Demand for property ownership remained at a high level.

At the end of 2022, Deutsche Wohnen managed a portfolio of 140,286 of its own apartments (2021: 151,163), 25,718 garages and parking spaces (2021: 28,562), 2,572 commercial units (2021: 2,815) and 71 of its own nursing care properties (December 31, 2021: 71).

Deutsche Wohnen employed a workforce of 4,942 as of December 31, 2022 (December 31, 2021: 5,103).

The following key figures provide an overview of Deutsche Wohnen's results of operations and the relevant drivers in 2022.

Financial Key Figures in € million	2021	2022	Change in %
Total segment revenue	1,254.9	1,185.0	-5.6
Rental segment revenue	835.1	767.1	-8.1
Value-add segment revenue	29.3	43.1	47.1
Recurring Sales segment revenue	58.5	45.3	-22.6
Development segment revenue	65.1	49.4	-24.1
Care segment revenue	266.9	280.1	4.9
Adjusted EBITDA Total	726.8	701.8	-3.4
Adjusted EBITDA Rental	620.6	579.3	-6.7
Adjusted EBITDA Value-add	14.2	14.1	-0.7
Adjusted EBITDA Recurring Sales	9.9	14.6	47.5
Adjusted EBITDA Development	-3.3	9.2	–
Adjusted EBITDA Care	85.4	84.6	-0.9
Group FFO	594.3	593.6	-0.1
Group FFO per share in EUR	1.50	1.50	-0.1
FFO I*	553.6	517.9	-6.4
Adjusted EBITDA (excluding sales)*	715.9	665.9	-7.0
Number of own apartments at end of period	151,163	140,286	-7.2
Monthly in-place rent (€/m²)	7.20	7.48	3.9
Organic rent growth in %	1.2	3.0	1.8 pp
Vacancy rate (%)	1.7	1.9	0.2 pp
Number of units sold	4,719	11,821	>100
thereof Recurring Sales	212	145	-31.6
thereof Non Core/Other	4,507	11,676	>100
Number of newly-built apartments	18	399	>100
thereof for Deutsche Wohnen's own portfolio	18	319	>100
thereof for sale to third parties	–	80	–
Number of employees (as of December 31)	5,103	4,942	-3.2

* Old Deutsche Wohnen performance indicators for 2021.

In the Deutsche Wohnen Group, total segment revenue developed from € 1,254.9 million in 2021 to € 1,185.0 million in 2022.

Details of this development are set out below:

Total segment revenue

in € million	2021	2022	Change in %
Group rental income	835.9	768.5	-8.1
Other revenue from property management if not offset in operating expenses in the Rental segment	24.7	27.2	10.1
Other income from property management from the Care segment	266.8	280.1	5.0
Income from disposal of properties insofar as it relates to Recurring Sales	32.4	17.6	-45.7
Internal Value-add income	4.6	15.9	>100
Income from the disposal of real estate inventories	42.2	41.3	-2.1
Fair value Development to hold	48.3	34.4	-28.8
Total segment revenue	**1,254.9**	**1,185.0**	**-5.6**

In September 2021, Deutsche Wohnen sold around 11,000 residential and commercial units to public housing companies in Berlin based on an agreement reached with the Berlin State Government. The transaction was largely closed in January 2022 and is the main reason explaining the drop in Group rental income and the increase in income from Non-core/Other (included in the segment report under Other/not included in total segment revenue). At around € 1.66 billion, the proceeds from the sale of the Berlin package were roughly on a par with the relevant carrying amounts.

The overview below shows the other key figures for the company's results of operations, as well as their reconciliation to the performance indicator Group FFO:

Group FFO

in € million	2021	2022	Change in %
Rental segment revenue	835.1	767.1	-8.1
Expenses for maintenance	-122.4	-101.1	-17.4
Operating expenses Rental	-92.1	-86.7	-5.9
Adjusted EBITDA Rental	**620.6**	**579.3**	**-6.7**
Value-add segment revenue	29.3	43.1	47.1
thereof external income	24.7	27.2	10.1
thereof internal income	4.6	15.9	>100
Operating expenses Value-add	-15.1	-29.0	92.1
Adjusted EBITDA Value-add	**14.2**	**14.1**	**-0.7**
Recurring Sales segment revenue	58.5	45.3	-22.6
Fair value of properties sold adjusted to reflect effects not relating to the period from assets held for Recurring Sales	-42.6	-29.4	-31.0
Adjusted profit from disposal of Recurring Sales	**15.9**	**15.9**	**-**
Selling costs Recurring Sales	-6.0	-1.3	-78.3
Adjusted EBITDA Recurring Sales	**9.9**	**14.6**	**47.5**
Income from disposal of development properties to sell	16.1	13.6	-15.5
Construction costs Development to sell	-16.4	-12.5	-23.8
Net profit Development to sell	**-0.3**	**1.1**	**1.1**
Fair value Development to hold	48.3	34.4	-28.8
Construction costs Development to hold	-48.0	-24.9	-48.1
Gross profit Development to hold	**0.3**	**9.5**	**>100**
Rental income Development	0.7	1.4	100.0
Operating expenses Development	-4.0	-2.8	-30.0
Adjusted EBITDA Development	**-3.3**	**9.2**	**-**
Care segment revenue	266.9	280.1	4.9
Expenses for maintenance	-7.7	-7.0	-9.1
Operating expenses Care	-173.8	-188.5	8.5
Adjusted EBITDA Care	**85.4**	**84.6**	**-0.9**
Adjusted EBITDA Total	**726.8**	**701.8**	**-3.4**
Interest expense FFO	-93.9	-54.9	-41.5
Current income taxes FFO	-38.0	-43.8	15.3
Consolidation	-0.6	-9.5	>100
Group FFO	**594.3**	**593.6**	**-0.1**

Details on Results of Operations by Segment

Rental segment

As of the end of 2022, our apartments were virtually fully occupied. The apartment vacancy rate of 1.9% was up slightly on the value of 1.7% seen at the end of 2021.

Rental segment revenue was down by 8.1% year-on-year in 2022 to € 767.1 million (2021: € 835.1 million), largely due to the larger block sales to the federal state of Berlin.

Organic rent growth (twelve-month rolling) totaled 3.0% in 2022. It is based on **like-for-like rent increases** of 2.7% and rent increases due to the construction of new apartments and the addition of stories to existing properties in the amount of 0.3%.

The average monthly in-place rent in the Rental segment at the end of December 2022 came to € 7.48 per m² compared to € 7.20 per m² at the end of December 2021.

In the 2022 fiscal year, we spent a total of € 541.7 million on maintenance, modernization and new construction in our own portfolio (2021: € 444.7 million). € 229.6 million of this amount (2021: € 238.9 million) was attributable to new construction.

Operating expenses in the Rental segment in the 2022 fiscal year were down by 5.9% on the figures for 2021, from € 92.1 million to € 86.7 million. All in all, the **Adjusted EBITDA Rental** came to € 579.3 million in 2022, down by 6.7% on the prior-year value of € 620.6 million.

Value-add segment

Our business activities relating to the provision of cable television, Internet and telephone services, and energy supply services to our tenants were stable.

All in all, revenue from the Value-add segment came to € 43.1 million in the 2022 fiscal year, up by 47.1% on the value of € 29.3 million seen in 2021. External revenue from our Value-add activities with our end customers in 2022 were up by 10.1% on the previous year, from € 24.7 million to € 27.2 million. Group revenue rose from € 4.6 million in 2021 to € 15.9 million in 2022, primarily as a result of the expansion of our multimedia services.

In the 2022 fiscal year, operating expenses in the Value-add segment were up significantly on the figures for the prior year, from € 15.1 million to € 29.0 million. This was due, in particular, to a higher internal business volume coupled with higher procurement and energy costs.

The **Adjusted EBITDA in the Value-add segment** came to € 14.1 million in 2022, virtually on a par with the prior-year figure of € 14.2 million.

Recurring Sales segment

In the Recurring Sales segment, the income from disposal of properties came to € 45.3 million in the 2022 fiscal year, down by 22.6% on the value of € 58.5 million reported in 2021 due to volume-related aspects associated with the sale of 145 apartments (2021: 212). The fair value step-up in the portfolio in 2022 came to 54.1%, up on the value of 37.3% seen in 2021.

Selling costs in the Recurring Sales segment came in at € 1.3 million in 2022, down considerably on the value of € 6.0 million seen in 2021 due to volume-related aspects. **Adjusted EBITDA Recurring Sales** came in at € 14.6 million in the 2022 fiscal year, considerably higher than the value of € 9.9 million reported in 2021.

In 2022, 11,676 units from the Non-core/Other portfolio (2021: 4,507) were also sold as part of our portfolio adjustment measures, with proceeds totaling € 1,725.7 million (2021: € 722.0 million). This also includes the block sale from Deutsche Wohnen's Berlin portfolio. At -0.6%, the fair value step-up for Non-core/Other in 2022 was lower than for the previous year (29.9%), driven by the low margin in the Berlin portfolio that was sold.

Development segment

In the Development to sell area, a total of 80 units were completed in the 2022 fiscal year (2021: - units). Income from the disposal of development properties amounted to € 13.6 million in the 2022 fiscal year (2021: € 16.1 million). The resulting gross profit for Development to sell came to € 1.1 million in the 2022 fiscal year (2021: € -0.3 million).

In the Development to hold area, a total of 319 units were completed in the 2022 fiscal year (2021: 18 units). A fair value of € 34.4 million (2021: € 48.3 million) was achieved in the Development to hold area in 2022 due to the Grellstrasse project. The gross profit for Development to hold came to € 9.5 million in the 2022 fiscal year (2021: € 0.3 million).

Operating expenses in the Development segment came in at € 2.8 million in 2022, down by 30.0% on the value of € 4.0 million seen in the previous year. **Adjusted EBITDA in the Development segment** came to € 9.2 million in 2022 as against € -3.3 million in the previous year.

Care segment

In the Care segment, we were able to continue our business activities, comprising fully inpatient care services, successfully in an environment characterized by stable demand. The KATHARINENHOF Group and the PFLEGEN & WOHNEN HAMBURG Group allocated to the Nursing Care Businesses segment, both of which are wholly owned subsidiaries of Deutsche Wohnen, managed a total of 39 retirement and care homes comprising around 5,240 places at the end of December 2022 (2021: 38).

33 nursing care properties (2021: 34) with around 4,300 places are also leased to third-party operators that manage them on a long-term basis.

All in all, Care segment revenue came to € 280.1 million in the 2022 fiscal year, up by 4.9% on the value of € 266.9 million seen in 2021. Care segment revenue largely comprises the income from the care services billed, as well as rental and lease income and other care-related income. The development in care income depends primarily on increases in nursing care and home occupancy rates.

Expenses for maintenance in the Care segment totaled € 7.0 million in the 2022 fiscal year, 9.1% lower than the comparable figure for the previous year of € 7.7 million, whereas operating expenses in the 2022 fiscal year came to € 188.5 million, an increase of 8.5% on the € 173.8 million reported a year earlier.

Adjusted EBITDA in the Care segment came to € 84.6 million in 2022, almost on a par with the previous year (2021: € 85.4 million). Around 70% of Adjusted EBITDA in the Care segment is attributable to nursing care businesses and 30% to nursing care properties.

Group FFO

In the 2022 fiscal year, **Group FFO** came to € 593.6 million, almost matching the previous year's figure of € 594.3 million. **Adjusted EBITDA Total** stood at € 701.8 million, down by 3.4% year-on-year (€ 726.8 million).

The **non-recurring items** eliminated in the Adjusted EBITDA Total in the 2022 fiscal year came to € 76.6 million compared with € 79.3 million in the previous year. They related primarily to expenses associated with Deutsche Wohnen's integration into the Vonovia Group.

Reconciliations

The **financial result** changed from € -502.8 million in 2021 to € 3.5 million in 2022.

FFO interest expense is derived from the financial result as follows:

Reconciliation of Financial Result/FFO Interest Expense

in € million	2021	2022	Change in %
Interest income	35.5	77.1	>100
Interest expenses	-143.3	-73.9	-48.4
Other financial result excl. income from investments	-395.0	0.3	-
Financial result*	**-502.8**	**3.5**	**-**
Adjustments:			
Other financial result excl. income from investments	395.0	-0.3	-
Effects from the valuation of interest rate and currency derivatives	-11.5	-52.9	>100
Prepayment penalties and commitment interest	17.7	1.1	-93.8
Effects from the valuation of non-derivative financial instruments	14.0	7.8	-44.3
Interest accretion to provisions	0.2	1.2	>100
Accrued interest/other effects	-58.7	-40.1	-31.7
Net cash interest	**-146.1**	**-79.7**	**-45.4**
Deferred interest adjustment	52.2	24.8	-52.5
Interest expense FFO	**-93.9**	**-54.9**	**-41.5**

* Excluding income from other investments.

The profit for the period in 2022 came to € -445.7 million compared with € 919.0 million in 2021. This was mainly due to net income from fair value adjustments of investment properties of € -917.5 million in 2022 (2021: € 1,734.8 million).

The previous key figure FFO I is derived from the profit for the period as follows:

Reconciliation of Profit for the Period/FFO I

in € million	2021	2022	Change in %
Profit for the period	**919.0**	**-445.7**	**–**
Financial result*	502.8	-3.5	–
Income taxes	857.4	-190.0	–
Depreciation, amortization and impairment losses (incl. impairment losses on financial assets)	213.9	166.9	-22.0
Net income from fair value adjustments of investment properties	-1,734.8	917.5	–
Revaluation of assets held for sale	-127.6	1.5	–
Result from non-current financial assets accounted for using the equity method	3.3	167.2	>100
Miscellaneous	0.6	-16.1	–
EBITDA before result from fair value adjustment of investment properties	**634.6**	**597.8**	**-5.8**
Valuation of current assets (properties)	-0.1	7.5	–
One-off effects	79.1	76.6	-3.2
Correction segment result sales	-2.0	-10.3	>100
Correction sales-related staff/non-staff costs not allocated to any particular segment	4.1	1.8	-56.6
Long-term remuneration component (share-based)	-0.2	–	–
Finance leases broadband cable networks	3.1	3.3	4.9
Valuation using the equity method	2.1	-7.0	–
FFO1 interest expenses/income	-125.9	-101.7	-19.2
FFO1 income taxes	-31.9	-40.5	26.9
Minority interests	-9.4	-9.6	1.6
FFO I	553.6	517.9	-6.5

* Excluding income from other investments.

As part of the change in the management system, the reconciliation of profit for the period will from now on take place in Group FFO.

Reconciliation of Profit for the Period/Group FFO

in € million	2021	2022	Change in %
Profit for the period	**919.0**	**-445.7**	**–**
Financial result*	502.8	-3.5	–
Income taxes	857.4	-190.0	–
Depreciation, amortization and impairment losses (incl. impairment losses on financial assets)	213.9	166.9	-22.0
Net income from fair value adjustments of investment properties	-1,734.8	917.5	–
Non-recurring items	79.3	76.6	-3.4
Period adjustments from assets held for sale	44.9	-7.5	–
Other	-159.3	10.8	–
Gross profit Development to hold	0.3	9.5	>100
Result from non-current financial assets accounted for using the equity method	3.3	167.2	>100
Adjusted EBITDA Total	**726.8**	**701.8**	**-3.4**
Interest expense FFO**	-93.9	-54.9	-41.5
Current income taxes FFO	-38.0	-43.8	15.3
Consolidation	-0.6	-9.5	>100
Group FFO	**594.3**	**593.6**	**-0.1**
Group FFO per share in €	1.50	1.50	-0.1

* Excluding income from other investments.
** Incl. financial income from investments in other real estate companies.

Assets

Consolidated Balance Sheet Structure

Consolidated Balance Sheet Structure

	Dec. 31, 2021		Dec. 31, 2022	
	in € million	In %	in € million	In %
Total non-current assets	29,812.5	89.7	28,920.8	91.7
Total current assets	3,419.7	10.3	2,610.0	8.3
Assets	**33,232.2**	**100.0**	**31,530.8**	**100.0**
Total equity	17,203.4	51.8	16,775.1	53.2
Total non-current liabilities	15,028.1	45.2	13,815.0	43.8
Current liabilities	1,000.7	3.0	940.7	3.0
Equity and Liabilities	**33,232.2**	**100.0**	**31,530.8**	**100.0**

The main component of non-current assets is the **investment properties** item, which fell by € 1,428.6 million from € 28,730.5 million to € 27,301.9 million. € 917.5 million of this drop was attributable to property valuations. The **non-current financial assets accounted for using the equity method** fell by € 165.3 million from € 373.3 million to € 208.0 million, mainly due to the WACC-induced impairment loss recognized on the investment in QUARTERBACK Immobilien AG. The € 487.2 million increase in financial assets from € 324.2 million to € 811.4 million is due predominantly to the non-current portion of the loan to Vonovia SE in the amount of € 570.0 million.

Within current assets, **real estate inventories** increased by € 729.0 million, from € 197.0 million to € 926.0 million. This increase is due primarily to the previous "development to hold" projects being shifted to the "to sell" portfolio as part of the adjusted capital allocation. Current financial assets increased by € 154.0 million from € 565.0 million to € 1,019.0 million, largely due to the current portion of the loan to the QUARTERBACK Group and the current portion of the loan extended to Vonovia SE. **Cash and cash equivalents** fell to € 184.3 million as against € 676.7 million as of December 31, 2021.

Compared with December 31, 2021, **assets held for sale** fell from € 1,633.3 million to € 2.4 million, mainly due to the sale of properties to municipal housing companies in Berlin.

As of December 31, 2022, the gross asset value (GAV) of the company's property assets came to € 28,292.4 million. This corresponds to 89.7% of total assets, as against € 30,625.1 million or 92.2% at the end of 2021.

The € 428.3 million drop in **total equity** from € 17,203.4 million to € 16,775.1 million is mainly due to total comprehensive income of € -398.0 million. The **equity ratio** comes to 53.2%, compared with 51.8% at the end of 2021.

The total amount of non-derivative financial liabilities dropped by € 695.9 million from € 9,671.8 million to € 8,975.9 million, also due to the scheduled repayment of corporate bonds in the amount of € 150.0 million and bearer bonds in the amount of € 100.0 million.

Deferred tax liabilities fell by € 250.2 million.

Net Assets (NAV)

At the end of 2022, the NAV came to € 20,361.0 million, down by 5.6% on the value of € 21,563.6 million seen at the end of 2021.

The NAV per share fell from € 54.33 at the end of 2021 to € 51.30 at the end of 2022. It is important to note that the creation of a new subportfolio for less profitable holdings has reduced the amounts added for deferred taxes, as these are only intended to be recognized for properties to be held in the portfolio in the long term.

Net Asset Value (NAV)

in € million	Dec. 31, 2021*	Dec. 31, 2022	Change in %
Equity attributable to Deutsche Wohnen's shareholders	**16,727.3**	**16,299.6**	**-2.6**
Deferred taxes on investment properties**	4,996.3	4,272.6	-14.5
Fair value of derivative financial instruments	20.8	-46.4	–
Goodwill	-148.1	-140.0	-5.5
Intangible assets	-32.7	-24.8	-24.2
NAV	**21,563.6**	**20,361.0**	**-5.6**
NAV per share in €	**54.33**	**51.30**	**-5.6**

* Restated previous year to achieve harmonization with the EPRA NTA per share reported at Vonovia.
** Share for hold portfolio.

Fair Values

Major market developments and valuation parameters that have an impact on the fair values of Deutsche Wohnen are assessed every quarter. In addition to the revaluations performed during the year, the entire portfolio was revalued at the end of 2022.

The demand for housing continues to outstrip the supply. The extensive investments made in the energy-efficient modernization of our buildings and improvements to the fittings in our apartments also had a positive impact on rental growth. The return expectations of property buyers increased for the first time in a long time, particularly in the second half of 2022. The positive effects resulting from the high demand and modernization were more than offset by the increase in returns and resulted in a slight 0.5% drop in the fair value of our property portfolio compared with the previous year, after adjustments for acquisitions and sales. In addition to the internal valuation, Deutsche Wohnen's residential real estate portfolio was also valued by the independent property appraiser Jones Lang LaSalle SE. The market value resulting from the external report is consistent with the internal valuation result.

The fair value for the nursing care properties was initially calculated by the external appraiser W&P Immobilienberatung GmbH using a DCF method. The valuation included looking not only at the results of the external appraiser, but also at feedback from the market test as part of the strategic review of the care segment.

Regular Determination of the Fair Values Creates a Transparent Valuation of the Company's Properties

Calculating and showing the fair values provides a control parameter inside the company and also helps to make the development of the value of our assets transparent to people outside the company.

The fair value of the portfolio of residential properties was determined, in accordance with IAS 40 and IFRS 13, on the basis of the International Valuation Standard Committee's definition of market value.

Deutsche Wohnen, in principle, measures its portfolio on the basis of the discounted cash flow (DCF) method. Under the DCF methodology, the expected future income and costs of a residential property are forecast and discounted to the date of valuation as the net present value. The income in the DCF model mainly comprises expected rental income (current in-place rent, market rents as well as their development) taking vacancy losses into account. The expected rental income is derived for each location from the latest rent indices and rent tables (including Value AG, Immobilienverband Deutschland [IVD]) as well as from studies on spatial prosperity (Federal Institute for Research on Building, Urban Affairs and Spatial Development [BBSR], Prognos, Value AG, Federal Statistical Office, etc.).

On the cost side, maintenance expenses and administrative costs are taken into account. Further cost items are, for example, ground rents, non-allocable ancillary costs and rent losses. All cost items are inflated in the reporting period. Modernization measures carried out in the housing stocks are factored in by decreasing the current maintenance expenses and adjusting market rents. The commercial properties in the portfolio are mainly small commercial units for the supply of the local residential environment. Different cost approaches are used to those for residential properties, and the capitalized interest rates were adjusted to reflect the market specifics.

The recognition and valuation of investment properties are explained in detail in the notes to the consolidated financial statements (see → **[D26] Investment Properties**).

The fair value of Deutsche Wohnen's real estate portfolio comprising residential buildings, commercial properties, garages and parking spaces as well as project developments, existing areas with construction potential and land areas with inheritable building rights granted, as well as nursing care facilities, was € 28,356.1 million as of December 31, 2022 (2021: € 30,637.9 million). The determination of fair values led overall to net income from fair value adjustments of investment properties of € -917.5 million (2021: € 1,734.8 million).

Financial Position

Cash Flow

The Group cash flow is as follows:

Key Data From the Statement of Cash Flows

in € million	2021	2022
Cash flow from operating activities	607.3	364.9
Cash flow from investing activities	-688.5	5.2
Cash flow from financing activities	174.6	-862.5
Net changes in cash and cash equivalents	**93.4**	**-492.4**
Cash and cash equivalents at the beginning of the period	583.3	676.7
Cash and cash equivalents at the end of the period	**676.7**	**184.3**

The cash flow from **operating activities** fell from € 607.3 million in 2021 to € 364.9 million in 2022. In addition to a slightly lower operating result in terms of the Adjusted EBITDA key figures, higher income tax paid and the development in working capital also had a negative impact operating cash flow.

The cash flow from **investing activities** shows net proceeds of € 5.2 million for 2022, compared with a payout balance of € 688.5 million in 2021. Payments for acquisition of investment properties came to € 799.5 million in 2022, as against € 762.0 million in the previous year. On the other hand, income from portfolio sales in the amount of € 1,684.9 million was collected (2021: € 635.7 million).

The cash flow from **financing activities** includes payments for regular and unscheduled repayments on financial liabilities in the amount of € 735.5 million (2021: € 1,267.5 million) and, on the other hand, proceeds from issuing financial liabilities in the amount of € 40.0 million (2021: € 1,354.4 million). Interest paid came to € 118.7 million in 2022 (2021: € 151.8 million), with cash paid to shareholders of Deutsche Wohnen SE and non-controlling interests amounting to € 29.4 million (2021: € 358.9 million).

Net changes in **cash and cash equivalent**s came to € -492.4 million.

Financing

Repayment of Bonds and Bearer Bonds

Deutsche Wohnen repaid commercial paper worth € 150.0 million and a bearer bond in the amount of € 100.0 million as scheduled in January 2022.

In addition, an unscheduled repayment was made on a registered bond in the amount of € 76.3 million in February 2022.

Repayment of Secured Financing of Deutsche Wohnen

Deutsche Wohnen repaid secured financing in the amount of € 284.2 million pro rata and ahead of schedule in December 2022.

Our key debt indicators are as follows as of the reporting date:

in € million	Dec. 31, 2021*	Dec. 31, 2022	Change in %
Financial liabilities	9,749.9	8,975.9	-7.9
Cash and cash equivalents	-676.7	-184.3	-72.8
Net debt	**9,073.2**	**8,791.6**	**-3.1**
Sales receivables	-43.1	-293.0	>100
Adjusted net debt	**9,030.1**	**8,498.6**	**-5.9**
Fair value of the real estate portfolio	30,637.9	28,356.1	-7.4
Investments in companies with holdings of real estate and land	376.0	208.0	-44.7
Loans to companies with holdings of real estate and land	806.5	1,671.9	>100
Adjusted fair value of the real estate portfolio	**31,820.4**	**30,236.0**	**-5.0**
LTV (%)	**28.4**	**28.1**	**-0.3 pp**
Net debt**	9,935.1	8,901.6	-10.4
Adjusted EBITDA Total	726.8	701.8	-3.4
Net debt/EBITDA	**13.7x**	**12.7x**	**-1.0x**

* Restated previous year to achieve harmonization with the LTV reported at Vonovia.
** Average over a period of five quarters.

The financial covenants were fulfilled on the reporting date.

in € million	Dec. 31, 2021	Dec. 31, 2022	Change in %
ICR bond covenants	**5.0x**	**8.8x**	**3.8x**
LTV bond covenants	**27.3%**	**27.9%**	**0.6 pp**

Economic Development of Deutsche Wohnen SE

(Reporting on the basis of the German Commercial Code [HGB])

Fundamental Information

Deutsche Wohnen SE is entered in the Commercial Register of the Local Court (Amtsgericht) of Charlottenburg under HRB 190322 B. The company has its registered office at Mecklenburgische Strasse 57 in 14197 Berlin. The company is listed in the regulated market in the General Standard of the Frankfurt Stock Exchange and on Xetra.

Deutsche Wohnen SE's main shareholder, with a stake of 87.6%, is Vonovia SE (hereinafter referred to as "Vonovia" for short), which has its registered office in Bochum. This means that Deutsche Wohnen SE is a dependent company, while Vonovia is the controlling company within the meaning of Section 17 of the German Stock Corporation Act (AktG). There is no intercompany agreement within the meaning of Sections 291 et seq. AktG. As a result, Deutsche Wohnen SE prepares a dependent company report in accordance with Section 312 AktG; the final declaration of this dependent company report is included in the combined management report.

Deutsche Wohnen SE is the parent company of the Deutsche Wohnen Group and thus performs the function of management holding company for the Group. In this function, it is responsible for determining and pursuing the overall strategy and implementing it in the form of the company's goals. It performs property management, project development, financing, service and coordination tasks for the Group. Furthermore, it is responsible for the management, control and monitoring system as well as risk management.

The description of the company's net assets, financial position and results of operations is based largely on the reporting of the Deutsche Wohnen Group. The net assets, financial position and results of operations of Deutsche Wohnen SE as the management holding company are ultimately determined by the assets of the Group companies and their ability to make sustainable positive contributions to earnings and generate positive cash flows. The company's risk profile is therefore largely the same as the Group's.

The preceding reporting for the Deutsche Wohnen Group therefore also expresses the company's position.

The Deutsche Wohnen SE annual financial statements have been prepared in accordance with the provisions of the German Commercial Code (HGB) taking into account the supplementary regulations of the German Stock Corporation Act (AktG). As a listed company, Deutsche Wohnen SE is classed as a large corporation.

The annual and consolidated financial statements as well as the combined management report are published in the electronic business register.

Development of Business in 2022

2022 was also characterized by measures to step up our cooperation with Vonovia. Similar activities were bundled in an integrated process and system landscape with the aim of generating synergy potential for both companies through corresponding harmonization effects and economies of scale. Within this context, the requirements for good corporate governance in the de facto group were met at all times, with appropriate overall contractual conditions being put in place to ensure this.

These contractual frameworks comprise a nondisclosure agreement, a relationship agreement, accession to the framework agency agreement and various individual agreements.

The relationship agreement governing the future relationship between the parties and setting out further details on their cooperation was concluded on May 16, 2022. It sets out provisions, in the interests of both parties, on implementation of the principles set out in the Business Combination Agreement of August 1, 2021 to create a leading European real estate company and to boost efficiency and leverage synergy potential (in particular also for the benefit of Deutsche Wohnen) as part of the integration process. The relationship agreement also serves to enable Vonovia to establish effective Group management and compliance in the de facto group so as to ensure compliance with applicable law throughout the Group, among other things.

The nondisclosure agreement governed the exchange of information, meaning that it served, on the one hand, to promote the merger and the integration of the two companies to form a joint, combined company on the basis of the agreements set out in the Business Combination Agreement dated August 1, 2021 and, on the other, to enable Vonovia to manage and control the Group.

On December 8/13, 2022, Vonovia and the companies in the Deutsche Wohnen Group also concluded an amendment and accession agreement to the framework agency agreement, based on which the Deutsche Wohnen companies acceded to the framework agency agreements of the Vonovia Group for Germany and the Netherlands, each dated December 14, 2016, regarding the provision of work and services in modified form. This accession served to facilitate process optimization and the realization of synergy potential, as set out in the relationship agreement dated May 16, 2022.

The Management Board of Deutsche Wohnen SE has also decided that the merger with Vonovia will result in measures to harmonize the management structure, and that Deutsche Wohnen's business will be managed, from 2022 onward, in the segments Rental for residential property management, Value-add for housing-related services, Recurring Sales for sales, Development for new construction and Care. The management system and, as a result, the performance assessment will be adjusted accordingly and is already being presented in this structure for 2022. This involves the strategic approaches of portfolio management, property management, financing and the Value-add strategy, which are rounded off by the acquisition and internationalization strategy.

Like Vonovia, Deutsche Wohnen SE holds an investment grade rating from ratings agency S&P, which confirmed the company's BBB+/A-2 rating, with a stable outlook, in a joint letter dated November 11, 2022.

On January 4, 2022, Deutsche Wohnen SE extended a loan to Vonovia SE in the amount of € 1,450 million in line with the arm's length principle. It had a value of € 870 million as of December 31, 2022.

Deutsche Wohnen SE repaid registered bonds worth € 150.0 million and a bearer bond in the amount of € 100.0 million as scheduled in January 2022. In addition, an unscheduled repayment was made on a bond in the amount of € 76.3 million in February 2022.

Results of Operations of Deutsche Wohnen SE

The company regularly generates **income** from the charging of the services it provides, from income from investments in the form of dividend distributions from Group companies and income from the transfer of profits. Profit-and-loss transfer agreements exist with, among other entities, the portfolio and service companies, which themselves generate income by charging the real estate companies for the services they have provided.

The income from investments collected is based on the net profit of the subsidiaries that is eligible for distribution, which is, in turn, calculated **based on the accounting standards set out in the German Commercial Code**. The main difference between these standards and the IFRS accounting principles lies in the fact that, under IFRS accounting, the fair value principle has more of an impact than the cost principle does under HGB accounting.

In the consolidated financial statements under IFRS, the properties are remeasured at periodic intervals. Under HGB, the fixed assets are stated at amortized cost, taking depreciation into account. The capitalization regulations in particular also vary.

Expenses relate largely to personnel and administrative expenses associated with the management holding function, as well as to losses to be compensated for in connection with profit-and-loss transfer agreements.

The **financial result** is governed by the Group financing.

Business development in 2021 and, consequently, the result for 2021 were influenced to a significant degree by special effects relating to the public takeover offer to acquire a majority stake in Deutsche Wohnen SE and by the related restructuring expenses and premium payment. The comparative result from the previous year had also been hit in particular by the commutation of individual positions under the long-term incentive program. In the **2022 fiscal year**, there was still a small number of special effects in connection with integration work which were borne primarily by Deutsche Wohnen SE All in all, Deutsche Wohnen SE closed the 2022 fiscal year with a net loss of € 313.4 million. This net loss for the year can be traced back primarily to impairment losses on indirect shares in group companies due to higher interest rates and, as a result, higher discount factors.

Revenue and other operating income dropped by a total of € 2.6 million to € 43.6 million due to a reduced volume of services that were charged on.

Personnel expenses for 2022 amounted to € 30.2 million as against € 54.4 million in 2021, as the previous year had included bonuses, payments under the long-term incentive program and restructuring expenses.

Other operating expenses were down by € 31.7 million in the 2022 fiscal year to total € 72.3 million. The drop is due to the absence of the special effects seen in the previous year. The **special effects in other operating expenses in 2022** are the result of the integration work.

At € -256,4 million, **income from investments** in the 2022 fiscal year, including the income and expenses from profit and loss transfer, is € 509.6 million lower than in the 2021 fiscal year, when it came to € 252.2 million. Overall, the net contribution to earnings from profit transfers and the assumption of losses fell by € 509.6 million due to substantial impairment losses on shares in affiliated companies.

The balance of interest income and interest expenses as well as income from loans to affiliated companies rose by € 10.2 million.

Tax expenses in 2022 came to € 8.6 million as against € 21.0 million in the previous year, with € 2.9 million attributable to previous years. As the controlling company in a VAT group, Deutsche Wohnen SE owes the corresponding income taxes.

Deutsche Wohnen SE closed the 2022 fiscal year with a **net loss** of € 313,420,232.82 (2021: net income for the year of € 90,626,557.37). After offsetting this net loss for the year against the profit carried forward from the previous year of € 75,645,004.77, the Management Board withdrew a further € 258,652,627.50 from capital reserves, resulting in a net profit for the 2022 fiscal year of € 20,877,399.45.

The Management Board and the Supervisory Board propose to the Annual General Meeting that, of the profit of Deutsche Wohnen SE for the 2022 fiscal year of € 20,877,399.45, an amount of € 0.04 per share outstanding, or a total of € 15,877,399.40, be paid as a dividend to the shareholders and that the remaining amount of € 5,000,000.00 be carried forward to the new account.

Income Statement

in € million	2021	2022
Revenue	41.9	41.2
Other operating income	4.3	2.4
Personnel expenses	-54.4	-30.2
Amortization and impairment of intangible assets and depreciation and impairment of tangible assets	-4.1	-4.2
Other administrative expenses	-104.0	-72.3
Profit before financial result and tax	**-116.3**	**-63.1**
Income from profit-and-loss transfer agreements	183.7	32.2
Income from investments	74.1	74.2
Depreciation of non-current financial assets	-0.1	-0.3
Income from non-current securities and loans	47.9	52.2
Interest and similar income	3.4	26.1
Expenses from profit-and-loss transfer agreements	-4.6	-362.8
Interest and similar expenses	-76.5	-63.3
Financial result	**227.9**	**-241.7**
Tax	-21.0	-8.6
Net income/loss for the year	**90.6**	**-313.4**

Net Assets and Financial Position of Deutsche Wohnen SE

The company's intangible assets and tangible fixed assets fell in the normal course of business. Non-current financial assets, excluding loans to affiliated companies, remained almost unchanged at € 4,379.1 million.

Working capital (current assets less liabilities as well as prepaid expenses/deferred income) increased by € 29.3 million, mainly due to higher receivables from the tax authorities.

Cash and cash equivalents fell by € 502.3 million. The drop is due primarily to the development in the company's financial liabilities to third parties, which fell by € 327.0 million, mainly due to the early repayment of financing.

The Group's net lending/borrowing position, which comprises receivables from and liabilities to affiliated companies as well as company loans resulting from the Group financing activity, developed by a total of € 177.6 million to Deutsche Wohnen SE's detriment in 2022.

Provisions came to € 69.2 million at the end of the year, with € 1.8 million attributable to provisions for pensions (previous year: € 1.8 million) and € 14.6 million attributable to income tax provisions (2021: € 14.1 million). Other provisions rose by a total of € 5.7 million as against December 31, 2022.

Total equity fell in the 2022 fiscal year, mainly due to the net loss for the year and the cash dividend distribution.

Assets

in € million	Dec. 31, 2021	Dec. 31, 2022	in € million	Dec. 31, 2021	Dec. 31, 2022
Assets			Equity and liabilities		
Non-current financial assets	7,723.8	7,942.3	Total equity	4,429.9	4,100.6
Other fixed assets	14.8	8.8	Provisions	63.0	69.2
Receivables from affiliated companies	1,534.6	1,649.2	Bonds	3,853.5	3,526.5
Other receivables and assets	204.3	229.1	Liabilities to affiliated companies	1,665.8	2,176.6
Cash and cash equivalents	602.7	100.4	Other liabilities	68.0	56.9
Total equity and liabilities	**10,080.2**	**9,929.8**	**Total equity and liabilities**	**10,080.2**	**9,929.8**

Cash flow from operating activities is characterized by the income and expenses relating to the performance of the management holding functions. Deutsche Wohnen SE only has appreciable cash flows from investing activities when acquisitions are made. Cash flows from financing activities regularly result from changes in Group financing and from the borrowing/repayment of debt financing.

Employees of Deutsche Wohnen SE

In the 2022 fiscal year, an average of 207 employees (2021: 240) were employed at the company, 93 of whom were female and 114 of whom were men. Employees were transferred to Vonovia's service functions effective January 1, 2023 as part of the merger. The remaining employees are responsible for core functions at Deutsche Wohnen SE as a public limited company.

Opportunities and Risks for Deutsche Wohnen SE

The likely development of Deutsche Wohnen SE in the 2023 fiscal year depends to a considerable extent on the development of the Group as a whole and its opportunity and risk situation. This situation is set out in the Group's opportunity and risk report, meaning that the statements set out there in regard to the opportunity and risk situation of the Group also apply to the annual financial statements of Deutsche Wohnen SE prepared in accordance with German commercial law, where the risks can have an impact on the valuation of long-term financial assets and on the amount of the results of subsidiaries collected/compensated for.

Forecast for Deutsche Wohnen SE

Since the company's net assets, financial position and results of operations are determined solely by the ability of the Group companies to make positive earnings contributions and generate positive cash flows in the long term, we refer at this point to the Forecast Report for the Group. The most important financial performance indicator for the annual financial statements of Deutsche Wohnen SE is the annual result.

The company's result for 2022 is impacted to a considerable degree by special effects resulting from the integration work, as well as by impairment losses recognized on investments in Group companies. Without taking these special effects into account, the company reports net income for 2022 running into the lower double-digit millions, as expected.

The results for the 2023 fiscal year will in turn be characterized by the results of subsidiaries collected/compensated for on the basis of income from investments and profit-and-loss transfer agreements, income from services, personnel and administrative expenses and the financial result.

All in all, we expect the company's result for the 2023 fiscal year to again be on a par with the normalized figure for the years from 2019 to 2021, without special effects.

The company plans to distribute a dividend of € 0.04 per share to the shareholders for the 2022 fiscal year.

Statement of the Management Board on the Economic Situation

The net assets, financial position and results of operations of the company are positive, particularly given the solid financing, the resulting balanced maturity profile and the financing flexibility gained through the rating-backed bond financing with a view to both organic and external growth. The ongoing improvements to the property management processes, the expansion of the Value-add segment, Recurring Sales and a successful development business promote ongoing improvement in profitability.

Further Statutory Disclosures

Corporate Governance

In the corporate governance declaration, we report on the principles of management and corporate governance in accordance with Principle 22 of the German Corporate Governance Code and Section 289 et seq. of the German Commercial Code (HGB). The declaration contains the Declaration of Conformity, information on corporate governance practices, a description of how the Management Board and Supervisory Board work and key corporate governance structures. The corporate governance declaration has been published on the website at **www.deutsche-wohnen.com** under Investor Relations and does not form part of the management report.

Corporate governance is the responsible management and supervision of a company.

With balanced corporate governance, the Management Board and the Supervisory Board wish to safeguard Deutsche Wohnen SE's competitiveness, strengthen the trust of the capital market and the general public in the company and sustainably increase the company's value.

As a major real estate company, we are aware of the particular significance of our entrepreneurial actions for society at large. As a result, we are also committed to the main aims and principles of the Institute for Corporate Governance of the German housing industry. It supplements the corporate governance principles to include housing-specific aspects and is committed to even greater transparency, an improved image and a more competitive real estate sector.

The Management Board has looked at the appropriateness of the internal control system that has been set up and has evaluated its effectiveness. Within this context, the Management Board verified, also based on discussions with the Internal Audit department, that the technical and organizational safeguards put in place for control purposes are suitable for the purposes of ensuring that the company is protected from damage resulting from financial losses, fraudulent acts or mismanagement in all key matters. Among other things, the standards set out in the German Corporate Governance Code, based on the most recent publications from 2022, serve as the benchmark here. As a result, the Management Board concluded that the internal control system is appropriate and effective in all key aspects. This was presented accordingly to the Supervisory Board.*

Final Declaration by the Management Board in Accordance With Section 312 (3) AktG

In the 2022 fiscal year, Deutsche Wohnen SE was a dependent company of Vonovia SE, Bochum, as defined by Section 312 AktG. As a result, and in accordance with Section 312 (1) AktG, Deutsche Wohnen's Management Board has prepared a report by the Management Board on relationships with affiliated companies containing the following final declaration:

"We declare that the company received or paid consideration for the legal transactions and other measures listed in the report on relationships with affiliated companies that was appropriate, based on circumstances known to us at the time the legal transactions were executed or the measures were taken or the decision was made not to take particular measures, and that it was not placed at any disadvantage by the fact that measures were taken or not."

* The content of this paragraph – in particular the statement on the appropriateness and effectiveness of the internal control system – does not form part of the statutory audit of the annual and consolidated financial statements, meaning that it has not been audited.

Non-financial Group Declaration

Deutsche Wohnen SE was included in the Group management report of Vonovia SE and in the Non-financial Group Declaration contained therein in the 2022 fiscal year. Deutsche Wohnen SE made use of the exemption from the obligation to extend the management report to include a Non-financial Declaration pursuant to Sections 289b (2), 315b (2) HGB for the 2022 fiscal year. The Non-financial Group Declaration of Vonovia SE is published on the **Investor Relations website** as part of the Group management report.

Subscribed Capital and Shares

The share capital of Deutsche Wohnen SE came to € 400.3 million (previous year: € 400.3 million) divided into 400,296,988 no-par-value bearer shares each accounting for a pro rata amount of € 1.00 of the company's share capital. Deutsche Wohnen SE only issues bearer shares.

All shares carry the same rights and obligations. Each share grants one vote at the Annual General Meeting and is decisive for shareholders' participation in the company's profits. Shareholders' rights and obligations are set out, in detail, in the provisions of the German Stock Corporation Act, in particular in Article 9(1c)(ii) of the SE Regulation in conjunction with Sections 12, 53a et seq., 118 et seq. and 186 AktG. There are no shares carrying special rights that grant powers of control.

Shares in Capital Exceeding 10.0% of the Voting Rights

Pursuant to Section 33 (1) of the German Securities Trading Act (WpHG), shareholders which, among other things, reach, exceed or fall below a threshold corresponding to 10.0% of the voting rights in a listed company have to notify the company and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) without delay. These notifications are published by Deutsche Wohnen SE in accordance with Section 40 WpHG. Direct or indirect interests in the share capital of Deutsche Wohnen SE exceeding the threshold of 10.0% of the voting rights were reported by Vonovia SE, which has its registered office in Bochum. As of December 31, 2022, Vonovia SE held a direct interest of 86.87%.

Powers of the Management Board to Issue or Buy Back Shares

On the basis of the resolution passed by the Annual General Meeting on June 15, 2018, entered in the Commercial Register on August 16, 2018, the Management Board was authorized, with the consent of the Supervisory Board, to increase the company's share capital by up to € 110.0 million once or several times on or before June 14, 2023, by issuing up to 110.0 million new ordinary bearer shares in return for cash contributions and/or contributions in kind (2018/I Authorized Capital). Having being utilized in part, the 2018/I Authorized Capital still available amounts to up to € 107,382,719.00 through the issue of up to 107,382,719 new ordinary bearer shares. Shareholders shall be granted a subscription right in connection with the authorized capital as a general rule. The Management Board is, however, authorized, with the consent of the Supervisory Board, to exclude shareholder subscription rights in certain cases subject to the detailed conditions set out in the Articles of Association.

The company's share capital was originally increased conditionally by up to a further € 15.0 million through the issue of up to 15.0 million new no-par value bearer shares by way of a resolution passed by the Annual General Meeting held on June 11, 2014 (2014/II Conditional Capital). This conditional capital increase serves to grant compensation in shares of the company to the external shareholders of GSW Immobilien AG ("GSW") in accordance with the provisions of the control agreement concluded between the company and GSW on April 30, 2014, currently at the exchange ratio adjusted, on June 4, 2015 in accordance with Section 5 (4) of the Control Agreement, to three no-par value shares in GSW Immobilien AG in return for 7.0790 no-par value shares in Deutsche Wohnen SE. Where required under Section 5 (2) of the Control Agreement, the company will settle any fractional share rights in cash. By December 31, 2021, this 2014/II Conditional Capital had been utilized in part and the amount that remains available is € 5,719,348.00 as of December 31, 2022. Appraisal proceedings pursuant to Section 1 no. 1 of the German Award Proceedings Act (SpruchG) are under way before the Berlin Regional Court (Landgericht) to review the appropriateness of the compensation and settlement based on corresponding motions filed by individual GSW shareholders. This means that, pursuant to Section 305 (4) sentence 3 AktG, GSW shareholders can exchange their shares in GSW for shares in Deutsche Wohnen in accordance with the terms of the offer, or the decision issued as part of the appraisal proceedings, or an amicable settlement reached within this context, until a period of two months has passed since the announcement of the final decision in the appraisal proceedings in the German federal gazette. If the court or a settlement defines higher compensation and/or a higher settlement, external shareholders of GSW have the right to demand extra compensation or settlement payments in accordance with the statutory provisions. Shares can still be issued within this context.

The share capital was also increased conditionally by an original amount of up to € 12,879,752.00 by issuing up to 12,879,752 new no-par value bearer shares accounting for a pro rata amount of € 1.00 of the share capital (2014/III Conditional Capital). This Conditional Capital is to be used exclusively to grant stock options to members of the company's Management Board and to selected executives of the company and its affiliated companies, subject to the detailed conditions set out in the authorization resolution passed by the Annual General Meeting on June 11, 2014. The conditional capital increase will only be implemented to the extent that holders of stock options exercise their rights to subscribe for shares in the company and the company does not grant own shares to satisfy these subscription rights. The new shares issued due to the exercise of stock options carry dividend rights for the first time for the fiscal year for which, at the time they were issued, no resolution has yet been passed by the Annual General Meeting on the appropriation of profit, provided that this is permissible in both legal and de facto terms. Otherwise, the new shares carry dividend rights as of the fiscal year in which they are created. By December 31, 2021, this 2014/III Conditional Capital had been utilized in part and the amount that remains available is € 12,623,334.00 as of December 31, 2022.

The 2015/I Conditional Capital in the amount of € 50.0 million serves to grant shares to the holders of the convertible bond in the total par value of € 800 million, which was issued by the company on February 27, 2017 in accordance with the authorization granted by the Annual General Meeting on June 12, 2015. It will only be implemented to the extent that conversion rights from the aforementioned convertible bonds are exercised, or conversion obligations from the debentures are met, and to the extent that own shares, shares from authorized capital or other forms of consideration are not used for settlement purposes. By December 31, 2021, this 2015/I Conditional Capital had been utilized in part and the amount that remains available is € 32 million as of December 31, 2022.

The 2017/I Conditional Capital in the amount of € 30.0 million serves to grant shares to the holders of convertible bonds in the total par value of € 1.6 billion, which were issued by the company on February 27, 2017 and on October 4, 2017 in accordance with the authorization granted by the Annual General Meeting on June 2, 2017. The share issue will only be implemented to the extent that conversion rights from convertible bonds are exercised, or conversion obligations from the debentures are met, and to the extent that own shares, shares from authorized capital or other forms of consideration are not used for settlement purposes. By December 31, 2021, this 2017/I Conditional Capital had been utilized in part in the amount of € 22,344,203 by issuing 22,344,203 new no-par-value bearer shares with a corresponding increase in the company's share capital, and the amount that remains available is € 7,655,797 as of December 31, 2022.

The company's share capital was increased conditionally by up to a further € 35.0 million through the issue of up to 35.0 million new no-par value bearer shares by way of a resolution passed by the Annual General Meeting held on June 15, 2018 (2018/I Conditional Capital). The conditional capital increase serves to grant shares upon exercise of conversion or option rights or upon the fulfillment of conversion or option obligations to the holders/creditor of convertible bonds, bonds carrying option rights, participating rights and/or participating bonds (or combinations of these instruments) issued by the company or dependent companies or companies in which the company holds a majority interest on the basis of the authorization resolution passed by the Annual General Meeting on June 15, 2018 on or before June 14, 2023. By way of the resolution passed by the Annual General Meeting on June 15, 2018, the Management Board was authorized, with the consent of the Supervisory Board, to issue convertible bonds, bonds carrying option rights, participating rights and/or participating bonds (or combinations of these instruments) with a par value of up to € 3.0 billion and to grant their creditors conversion/option rights relating to shares in the company accounting for a pro rata amount in the share capital of up to € 35.0 million. The share issue will only be implemented to the extent that conversion rights from convertible bonds are exercised, or conversion obligations from the debentures are met, and to the extent that own shares, shares from authorized capital or other forms of consideration are not used for settlement purposes.

The powers to acquire own shares are based on Article 9(1c)(ii) of the SE Regulation in conjunction with Sections 71 et seq. AktG and, as of the reporting date, on the authorization granted by the Annual General Meeting on June 15, 2018. The Management Board is authorized, with the consent of the Supervisory Board, to acquire and use own shares in the company up to a total of 10% of the company's share capital at the time the resolution is passed or – if this value is lower – of the company's share capital at the time the authorization is exercised, on or before June 14, 2023, in accordance with the requirements agreed and in line with the principle of equal treatment (Article 9(1c)(ii) of the SE Regulation in conjunction with Section 53a AktG). Shares acquired on the basis of this authorization, together with other shares in the company that the latter has already acquired and still holds, or which can be attributed to it pursuant to Sections 71a et seq. AktG, must not exceed 10% of the company's relevant share capital at any time. The authorization must not be used for the purposes of trading in own shares.

On the basis of this authorization, Deutsche Wohnen SE acquired 16,070,566 shares in the period from November 15, 2019 to September 14, 2020. The shares in the company that are bought back are to be used for purposes permitted under the authorization to acquire own shares granted by the Annual General Meeting held on June 15, 2018. Detailed information pursuant to Article 5(1b) and (3) of Regulation (EU) No 596/2014 in conjunction with Article 2(2) and (3) of Delegated Regulation (EU) No 2016/1052 is available on the internet at **www.deutsche-wohnen.com/share-buy-back.** In connection with the Business Combination Agreement concluded between Deutsche Wohnen SE and Vonovia SE, Deutsche Wohnen sold 12,708,563 of its own shares to Vonovia SE at a price of € 52.00 per share. This means that the company still held 3,362,003 own shares as of December 31, 2022. These own shares account for share capital in the amount of € 3,362,003.00.

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 in accordance with Article 9(1), Article 39(2) of the SE Regulation and Sections 84 and 85 AktG. The Supervisory Board appoints members of the Management Board of Deutsche Wohnen SE for a maximum period of five years. Members can be reappointed or their term of office extended for a maximum of five years in each case. Within this context, the Articles of Association of Deutsche Wohnen SE add, in Article 8 (1) and (2), that the Management Board consists of at least two members, but that otherwise, the Supervisory Board is responsible for determining the number of Management Board members. It can appoint deputy members of the Management Board and one member of the Management Board as CEO or Management Board spokesperson. Pursuant to Article 59 of the SE Regulation, the Annual General Meeting generally passes any resolutions on amendments to the Articles of Association. Pursuant to Article 14 (3) sentence 2 of the Articles of Association, amendments to the Articles of Association require a two-thirds majority of the votes cast or, if at least half the share capital is represented, a simple majority of the votes cast, unless mandatory statutory provisions require a different majority. The Supervisory Board is authorized to make purely formal amendments to the Articles of Association in accordance with Section 179 (1) sentence 2 AktG in conjunction with section 14 (5) of the Articles of Association.

Change of Control Clauses and Compensation Agreements in the Event of a Takeover Offer

The main agreements involving Deutsche Wohnen SE that are subject to a change of control relate primarily to financing agreements. In the event of a change of control, these agreements provide, as is standard practice, for the lender's right to terminate the financing agreement and demand early repayment. A change of control could potentially impact debentures issued by Deutsche Wohnen SE, in particular convertible bonds and bearer bonds, existing credit lines and loan agreements that Deutsche Wohnen SE or group companies have concluded with banks. The individual terms and conditions contain standard market agreements that grant creditors early termination or conversion rights in the event of a change of control within the meaning of these terms and conditions.

Opportunities and Risks

Risk Management Structure and Instruments

The market environment and the overall statutory/regulatory conditions to which Deutsche Wohnen is subject are constantly changing. Deutsche Wohnen is also developing on an ongoing basis with the implementation of the strategy and the associated business activities. This, as well as the ESG targets and ESG influences of various stakeholder groups, means that further opportunities and risks arise on a regular basis, and that the extent of existing opportunities and risks can change at any time.

Deutsche Wohnen had previously established a central risk management system that was gradually transitioned to Vonovia's risk management system in the 2022 fiscal year. At first, the two systems ran in parallel. As a result, the identification and assessment of risks was initially unchanged as against the previous year. Deutsche Wohnen's original risk inventory was compared against Vonovia's for the purposes of the individual quarterly risk reports. This process showed that most of the risks matched Vonovia's in terms of content. Based on this process, Vonovia's risk management system was prepared and introduced, with risk loss categories specifically tailored to suit Deutsche Wohnen. At the end of the fourth quarter of 2022, Deutsche Wohnen switched to Vonovia's risk management system as part of measures to harmonize the risk management systems of Deutsche Wohnen and Vonovia. This includes both the methodology for assessing the content of the risks in the risk tool and the simulation model for calculating the company's risk-bearing capacity in accordance with IDW (Institute of Public Auditors in Germany) standard PS 340 (new version). The risk report below is based on the new risk management system.

Five Pillars of Risk Management at Deutsche Wohnen

Management Board
(Strategy, Requirements/Goals, Control Environment, Monitoring)

1 Performance Management	2 Compliance Management	3 Risk Management System	4 Internal Control System	5 Internal Audit
Controlling > Budget > Forecast > Results	**Compliance Officer** > Guidelines, regulations > Contracts > Capital market compliance > Data protection	**Controlling** > Risk management process > Risk reporting	**IT** > Process documentation **Accounting** > Accounting-based internal control system	**Internal Audit** > Process-oriented audits > Risk-oriented audits
Operational Areas > Performance management > Technical integrity	**Operational Areas** > Ensuring compliance	**Operational Areas** > Risk identification and evaluation > Risk control	**Operational Areas** > Documentation of core processes > Control activities > Control self-assessment	**Operational Areas** > Process improvements

As a result, Deutsche Wohnen has implemented a comprehensive risk management system that ensures that all of the risks that are relevant to the company (and to the environment and society at large) can be identified, evaluated and managed. This reduces risk potential, secures the company's survival, supports its strategic further development and promotes responsible entrepreneurial action.

Risks are defined as possible events or developments that could have a negative impact on the company's expected economic development and, as a result, could lead to a negative deviation from the short-term plans (budget and forecasts) and the company's medium-term plans (five-year plan). Deviations from the planned ESG objectives also represent risks.

Opportunities are defined as possible events or developments that could have a positive impact on the company's expected economic development and, as a result, could lead to a positive deviation from the short-term plans (budget and forecasts) and the company's medium-term plans (five-year plan). Deviations from the company's ESG objectives can also give rise to opportunities. Opportunities are not quantified for internal management purposes.

Deutsche Wohnen's risk management system is based on an integrated five-pillar risk management approach.

(1) Performance Management

Differentiated and detailed corporate planning and appropriate reporting on deviations between the actual and target operational and financial key figures from Controlling constitute the backbone of the early warning system used at the company. Analyses are made of the business performance compared with the plans approved by the Supervisory Board and the previous year. Furthermore, a forecast is prepared during the year which takes appropriate account of the effect of any potential risks and opportunities on the development of business.

Reporting includes detailed monthly controlling reports to the Management Board and the Supervisory Board. The operational business is described in regular reports on key figures. On the basis of these reports and the deviations that they highlight between the actual and target figures, countermeasures are initiated and implemented and then checked in subsequent reporting periods to ensure they are effective.

(2) Compliance Management

Compliance means that the company, its bodies and employees act in line with the applicable rules and regulations. For the Management Board, compliance with statutory law and the observance of internal guidelines are the basis of corporate management and culture. Compliance is to ensure the integrity of employees, customers and business partners and avoid possible negative consequences for the company (and for the environment and society at large).

The management and monitoring of Deutsche Wohnen is based on the relevant statutory requirements, the Articles of Association and the rules of procedure for the Supervisory Board and the Management Board. They form the basis for the company's internal rules and guidelines, adherence to which is monitored by a central compliance management system and administered by a guideline management team that forms part of the Legal department. Vonovia's compliance guidelines were transferred to Deutsche Wohnen at the end of 2022.

The guidelines describe clear organizational and monitoring structures with specified responsibilities and appropriately installed checks. The legally compliant behavior of all employees in the business processes is ensured by suitable control procedures and supervision by managers. The company has also put in place a compliance management system based on IDW PS 980 and has appointed a central compliance officer, whose remit focuses on identifying compliance risks, taking suitable measures to avoid and detect these risks and taking appropriate action in response to compliance risks (compliance program).

In terms of specific content, the main features of the compliance management system are the Code of Conduct, which focuses on ethical values and statutory requirements and reinforces the personal responsibility of employees, the Compliance Guidelines and a Business Partner Code setting out requirements that the company's contractual partners have to meet. An external ombudsman is available to all employees and business partners as a confidant with respect to compliance matters.

(3) Risk Management System

Deutsche Wohnen's strategy has a sustainable and long-term focus. As a result, Deutsche Wohnen pursues a conservative risk strategy in its business activities. This does not mean minimizing risks, but rather promoting entrepreneurial and responsible action and ensuring the necessary transparency with regard to any possible risks.

The risk management system supports all employees in their day-to-day work in accordance with Deutsche Wohnen's mission statement. It ensures the early identification, assessment, management and monitoring of all risks within the Group that exceed the short-term financial risks dealt with by the Performance Management pillar and could pose a risk not only to the company's results of operations and net assets, but also to intangible assets. It explicitly includes sustainability risks. These are included both in terms of their impact on Deutsche Wohnen (outside-in perspective) and also – in line with the concept of ESG due diligence – in terms of their impact on the environment and society (inside-out perspective). This means that potential risks which might impair the value and/or development of the company (or the environment and society), can be identified at an early stage. Early warning indicators that are specific to the environment and the company are taken into account, as are the observations and regional knowledge of our employees.

In organizational terms, risk management is assigned directly to the Management Board. It has overall responsibility and decides on the organizational structures and workflows of risk management and provision of resources. The operational management of the risk management system falls within the remit of the Head of Controlling, who is responsible for Risk Controlling. He reports to the Chief Financial Officer (CFO). Risk Controlling initiates the software-supported, periodic risk management process and consolidates and validates the risks reported. It is also responsible for validating the risk management measures and monitoring their implementation. Risk Controlling works with the individual risk owners to define early warning indicators that are used to monitor actual developments with regard to certain risks.

The risk owners are the managers at the level directly below the Management Board which are responsible for the corresponding segment/executive division at the level of Vonovia, too, and the managers responsible for the Care segment. The managers are responsible for identifying, evaluating, managing, monitoring, documenting and communicating all risks in their sphere of responsibility. They are also responsible for recording and reporting all risks in the company's risk tool on a half-yearly basis based on the defined reporting cycles.

The quarterly risk inventory process that was still carried out in the 2022 fiscal year will be replaced by a half-year process starting in the 2023 fiscal year. Based on a half-yearly risk inventory taken in the first and third quarters of a fiscal year, Risk Controlling prepares a risk report for the Management Board and the Supervisory Board. It also simulates major risk developments and their impact on the corporate plans and objectives. The Management Board approves the documented risk management findings, takes account of them in steering the company and reports them to the Supervisory Board. The Audit Committee of the Supervisory Board monitors the effectiveness of the risk management system.

Should significant risks occur unexpectedly, they are reported directly to the Management Board and the Supervisory Board on an ad hoc basis.

As part of the process involved in preparing the annual financial statements, the risks identified in the third quarter are reviewed by Risk Controlling to ensure they are up-to-date and – if necessary – updated, with newly identified risks being added. New risks can arise in the context of the budget and five-year planning process. These are coordinated and evaluated bilaterally between Risk Controlling and the responsible risk owners as part of the planning process.

Deutsche Wohnen's risk management system includes a simulation model to calculate the company's risk-bearing capacity. As part of this analysis, risk management evaluates the interdependencies between major risks on an annual or ad hoc basis and defines the parameters for risk aggregation. A Monte Carlo simulation model based on the statistical distribution functions relevant to the risks is used to determine the company's overall risk position. The resulting overall risk position is compared to the company's risk-bearing capacity with regard to insolvency and overindebtedness. Extreme scenarios for selected major risks are also simulated as part of the corporate planning process. The effects on the company's performance indicators, as well as key figures related to financing, are always taken into account here. The results of the simulations are discussed with the Management Board. Planning and risk management are managed by the same area within Controlling.

The risk management system is updated and refined on a regular basis and is also adjusted to reflect changes at the company. The effectiveness of the risk management system is analyzed in regular audits.

The risk management system looks at all activities in the risk management process, i.e.,

> Risk identification,
> Risk assessment,
> Risk aggregation,
> Risk control and
> Risk monitoring.

Based on the COSO Framework, a risk space with the following **four main risk categories** has been defined to facilitate **risk identification**: strategy, regulatory environment and overall statutory framework, operating business and financing (including accounting and tax). A structured risk catalog has been assigned to each of these categories.

When it comes to **assessing risk**, a distinction is made between risks with an impact on profit and loss and those affecting the balance sheet. Risks with an impact on profit and loss have a negative effect on the company's sustained earnings power and, as a result, on Adjusted EBITDA in the individual segments and Group FFO. In general, these risks also have an impact on liquidity. Risks affecting the balance sheet do not impact Group FFO, but they certainly do impact assets. These risks can also be such that they do not affect liquidity, e.g., because they only impact property values.

The expected amount of loss is classified to one of five categories:

Category	Class	Description	Impact on profit and loss*	Impact on statement of financial position*
Very high	5	Threatens the company's existence	Possible loss of >€ 225 million in Group FFO	Possible balance sheet loss of >€ 3,600 million
High	4	Dangerous impact on business development, previous business situation cannot be restored in the medium term	Possible loss of € 112.5–225 million in Group FFO	Possible balance sheet loss of € 1,800–3,600 million
Considerable	3	Temporarily impairs business development	Possible loss of € 45–112.5 million in Group FFO	Possible balance sheet loss of € 720–1,800 million
Noticeable	2	Low impact, possibly leaving a mark on business development in one or more years	Possible loss of € 12–45 million in Group FFO	Possible balance sheet loss of € 180–720 million
Low	1	Minor impact on business development	Possible loss of € 1.5–12 million in Group FFO	Possible balance sheet loss of € 24–180 million

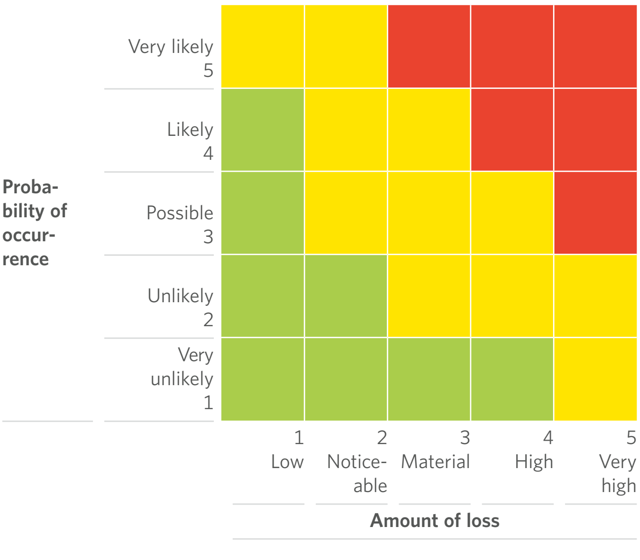
* Possible financial loss over five years in accordance with the medium-term planning horizon.

Five clusters have been defined for the expected probability of occurrence.

Category	Class	Definition	Probability
Very likely	5	It is to be assumed that the risk will materialize during the observation period.	> 95%
Likely	4	The risk is likely to materialize during the observation period.	60–95%
Possible	3	The risk could materialize during the observation period.	40–59%
Unlikely	2	The risk is unlikely to materialize during the observation period.	5–39%
Very unlikely	1	It is to be assumed that the risk will not materialize during the observation period.	< 5%

The expected amount of loss and the probability of occurrence are classified within the set ranges before action (gross) and after action (net) for each risk, documented in a risk tool and transferred to a heatmap there. Risk reporting is based on the net assessment and the assignment of risks in the net heatmap, comprising five categories for both probability of occurrence and the amount of loss.

Net heatmap



The term “top risks” refers to the risks assigned to the red and amber fields. These are reported to the Supervisory Board and published as part of the external reporting process. The risks assigned to the red fields are classified as threatening or endangering the company or its survival. The risks assigned to the amber fields are significant to the company. Red and amber risks are subject to intensive monitoring by the Management Board and the Supervisory Board. The risks assigned to the green fields are less significant to the company.

As part of an active **risk control process**, the focus is on the major (red and amber) risks. Any necessary specific risk management measures were agreed and incorporated into a regular monitoring process to be conducted by Risk Controlling.

Regular **risk monitoring** by Risk Controlling ensures that risk management measures are implemented as planned.

(4) Internal Control System

The Internal Control System (ICS) comprises the basic principles, procedures and regulations aimed at supporting the effectiveness and cost-effectiveness of our business activities, ensuring due and proper, and reliable internal and external accounting, and ensuring compliance with the legal provisions that apply to the company.

All of Deutsche Wohnen’s key processes are recorded and documented centrally. In addition to the relevant process steps, this documentation highlights key risks and controls in the interests of a process-oriented internal control system (ICS). It provides the binding basis for subsequent evaluations, audits and reporting to the executive bodies of Deutsche Wohnen SE on the effectiveness of the ICS within the meaning of Section 107 (3) sentence 2 of the German Stock Corporation Act (AktG).

Overall responsibility for structuring and implementing the ICS lies with Deutsche Wohnen’s Management Board. The Management Board delegates this responsibility to process and control owners.

The aim of the accounting-related internal control and risk management system is to ensure due and proper and legally compliant financial reporting pursuant to the relevant regulations. The accounting-related internal control and risk management system is embedded in the overarching Group-wide risk management system.

Organizationally, responsibility for preparing the financial statements lies with the Chief Financial Officer’s (CFO) department and, in particular, with the Accounting department. The Accounting department accordingly exercises the authority to lay down guidelines for the application of relevant accounting standards as well as for the content and timing of the steps in the financial statements preparation process.

From the organizational and systems side, the preparation of the financial statements for all companies included in the consolidated financial statements as well as the preparation of the consolidated financial statements themselves are performed in the central shared service centers, which ensures consistent and continual application of accounting principles in a uniform financial statement preparation process. Furthermore, through the shared service center functions it is ensured that both content and organizational changes in the requirements are incorporated in the financial statement preparation process.

The financial statements of the companies included in the consolidated financial statements are located primarily in an IT SAP environment. A small number of group companies have their own accounts and corresponding IT systems. Within this context, they are largely subject to uniform account assignment requirements, processes and process controls. The requirement of separation of functions and the dual-review principle are taken appropriate account of with preventive and also subsequent checks. The subsidiaries of the Deutsche Wohnen Group report their data to Group Accounting as part of a structured IT-based data recording process.

The relevant financial statement data of the individual companies are made available to the SAP consolidation module via an integrated, automated interface with comprehensive validation rules for further processing and preparation of the consolidated financial statements. An authorization concept is in place granting access to the financial statements in line with the respective job profile of the employee.

Newly acquired companies are incorporated into the internal control environment as part of a structured integration process, which includes integration in terms of both IT systems and processes relating to financial statements.

Once the financial statements have been drawn up, the annual and consolidated financial statements, including the consolidated management report, are submitted to the Audit Committee of the Supervisory Board. The Committee then makes a recommendation for the Supervisory Board to adopt or approve them. This examination may include discussion with the auditor and is subject to the auditor's report. The Audit Committee is continually involved in the establishment and refinement of the accounting-related internal control and risk management system.

(5) Internal Audit

Internal audits are conducted by the external auditing firm GdW Revision AG on behalf of Deutsche Wohnen. The annual audit plan is based on a risk-oriented evaluation of all relevant audit areas of the Deutsche Wohnen Group and is approved by the Management Board and the Supervisory Board's Audit Committee.

The audits conducted throughout the year focus on assessing the effectiveness of the control and risk management systems, identifying process improvements in order to minimize risks and ensuring the sustainability of Vonovia's business activities. Corresponding special ad hoc audits are also performed in consultation with the Management Board. The internal reports are presented to the Management Board and the individuals responsible for the area reviewed on a regular basis. The Audit Committee receives a quarterly summary of the audit results and measures. The implementation status of the agreed measures is monitored on an ongoing basis after the relevant due dates and is reported to the Management Board and the Audit Committee on a quarterly basis.

Current Risk Assessment

A scheduled risk inventory was performed in each quarter of the 2022 fiscal year. The risk report was presented to the Management Board and the Audit Committee. There were no unscheduled ad hoc risk reports in the 2022 fiscal year or up until the time at which the balance sheet was prepared.

At the end of 2022, the risk tool and the simulation model for calculating Deutsche Wohnen's risk-bearing capacity were introduced as part of the Vonovia integration process. Material risks to which Deutsche Wohnen is exposed were transferred from the Vonovia system to Deutsche Wohnen's new risk categories.

Overall Assessment of the Risk Situation

70 individual risks were identified for Deutsche Wohnen at the end of 2022. All in all, and based on the current assessment, there were no signs of any risks threatening or endangering Deutsche Wohnen or its survival at the end of 2022.

At the time this report was prepared, Deutsche Wohnen's Management Board had not identified any risks associated with future business development that the company cannot suitably overcome, or which could jeopardize Deutsche Wohnen's position in terms of revenue, assets and/or finances.

The outcome of the risk-bearing capacity analysis revealed that there is no current threat to Deutsche Wohnen's survival over the five-year period. This means that, all in all, there is no change as against the risk assessment for the end of 2021. The risks to be modeled were quantified and the interaction between individual top risks and selected green risks analyzed in detail at the end of 2022.

9 amber risks that are significant to the company and 61 other green risks were identified. Specifically, the picture that emerges for each risk category is as follows:

Risk	Strategy	Operating business	Regulatory environment	Financing	Total
					0
		5	1	3	9
	6	30	15	10	61
Total	**6**	**35**	**16**	**13**	**70**

Risks Related to Operating Business

In the operating business, we identified the five amber risks explained below at the end of 2022.

Deutsche Wohnen's business relationship with Vonovia SE could give rise to a **"service provider/default risk"**. This includes operational risks resulting from the handling of business as well as risks from energy services and risks associated with financing/shareholder loans. The risk with an impact on profit and loss is currently considered to be associated with an amount of loss of >€ 225 million and an expected probability of occurrence of <5%.

The residential properties held in the Rental segment are subject to a regular valuation process. Details can be found in the notes to the consolidated financial statements in chapter → **[26] Investment Properties**. Changing overall conditions on the real estate and capital markets mean that future market developments, such as inflation and rising interest rates, could reduce the value of the properties. Lower property values would push up the company's loan-to-value ratio (LTV), which could have a negative impact on its ability to raise capital. The balance sheet operating risk **"future market development leads to a drop in property values"** has been evaluated as having an expected amount of loss of >€ 3,600 million and an expected probability of occurrence of 5–39%.

The development in the supply of, and demand for, residential properties has a significant influence on the home prices that can be achieved and, as a result, a direct impact on both Adjusted EBITDA in the Recurring Sales segment and the success of Non-core sales. Surplus demand, with variations from region to region, was observed up until the 2022 fiscal year. This shortage has resulted in a steady increase in home prices in the past, creating a positive overall environment for property sellers, also thanks to low interest rates. These positive overall conditions are currently being dampened by rising financing costs, making it more difficult for property buyers to finance the purchase prices being asked for. A scenario in which interest rates were to remain permanently high or increase further could lead to buyers no longer being able to finance the home prices asked for on the market. This would reduce demand and ultimately result in lower home prices, which could represent a risk with an impact on profit and loss for the Recurring Sales segment. The expected amount of loss attributable to the operating risk with an impact on profit and loss **"deteriorating residential property market situation with regard to apartment sales/buyer behavior"**, is € 112.5–225 million and the expected probability of occurrence was assessed as being 5–39%. In order to limit and monitor risk, regular reporting on sales volumes and prices and regular monitoring of target prices and sales volume targets by the portfolio controlling team has been implemented alongside a process for identifying ideal prices.

With regard to the sale of our development projects, we believe that a risk could arise, in particular, due to changes in the demand situation for individual apartments on the regional markets, as well as in connection with institutional buyers in the context of global exits. Changes in demand could arise due to changes in the cost of capital or for other reasons. The operating risk with an impact on profit and loss **"Development sale risk"** is associated with an amount of loss of € 112.5–225 million and the expected probability of occurrence was assessed as being 40–59%. In order to be able to respond to market changes early on, in-depth market studies and analyses are prepared at regular intervals and are analyzed in connection with reports prepared by renowned real estate experts. Any market changes that are identified are taken into account when analyzing the real estate portfolio, meaning that they have a significant impact on sales planning. Another measure for limiting risk is the option of switching pipeline projects from sale to rental.

Russia's war of aggression on Ukraine had a direct and indirect impact on the energy and construction materials markets. Rising energy costs also translated into higher costs for construction materials and led to bottlenecks in the procurement of construction materials in a large number of places. This has resulted in deteriorating overall conditions for construction and modernization projects in the Development and Value-add segments, with negative knock-on effects on Adjusted EBITDA in the segments. We expect this development to continue in 2023. As we have taken a corresponding adjustment to our investment strategy into account in our planning, the risk reflects the effect extending beyond this. We expect the overall conditions to improve in subsequent years. The operating risk with an impact on profit and loss **"Higher construction costs than planned due to increases in the price of construction materials & services, as well as supply bottlenecks"**, was evaluated as having an amount of loss of € 12–45 million and an expected probability of occurrence of 60–95%. In order to limit this risk, Deutsche Wohnen monitors the market systematically while simultaneously developing alternatives, e.g., revising specifications and using standardization to reduce material usage. In addition, critical materials are secured early on and, where appropriate, stored where possible.

Risks Related to Regulatory Environment & Overall Statutory Framework

Changes in the regulatory environment and in the overall statutory framework could give rise to risks for all of Deutsche Wohnen's business segments. There is one material amber risk at present.

In the Rental segment, regulations regarding rent and ancillary expenses have a particular impact. The legislation on the carbon tax introduced by the German government could entail risks for Deutsche Wohnen with the potential to negatively impact Adjusted EBITDA in the Rental segment. The risk relating to the regulatory environment **"Unfavorable carbon tax"**, which is classified as an amber risk, has been assigned an expected amount of loss of € 12–45 million and a probability of occurrence of 60–95%. In order to limit this risk, Deutsche Wohnen has adopted a program for energy-efficient refurbishments within its portfolio and has started developing new methods for carbon-reduced energy production (power-heat coupling, sector coupling, etc.).

Risks Related to Financing

With regard to financing, we identified the three amber risks explained below at the end of 2022.

A further increase in capital market interest rates could give rise to risks for Deutsche Wohnen's growth and result in planned investments being cut back, suspended or canceled completely. In addition, an increasing interest burden due to unfavorable interest rate developments could translate into lower growth or even a drop in Group FFO. The financial risk with an impact on profit and loss, **"unfavorable interest rate developments"**, is considered to be associated with an amount of loss of >€ 225 million and an expected probability of occurrence of 5–39%. As well as diversifying debt capital instruments and maintaining a balanced maturity profile, risks are limited by ensuring a long-term average maturity/fixed-interest period of around six years. Debt reduction by freeing up liquidity is another measure used to limit risk.

Deutsche Wohnen is obliged to report certain key figures and adhere to certain covenants in connection with bonds, secured loans and transactions. If these covenants are not adhered to or these reporting obligations are not fulfilled on time, Deutsche Wohnen could be subject to payment obligations and additional negative effects on earnings could result from new financing arrangements. The amber financial risk with an impact on profit and loss associated with a **"failure to fulfill obligations (from bonds, secured loans, transactions)"**was assessed as having an expected amount of loss of >€ 225 million) and an expected probability of occurrence of <5%.

The amendments to the German Real Estate Transfer Tax Act that came into force on July 1, 2021, lowering the participation threshold from 95% to 90% and increasing the observation period from 5 to 10 years, could give rise to a subsequent liability to pay real estate transfer tax. The amber risk with an impact on profit and loss associated with an **"amendment to the German Real Estate Transfer Tax Act due to share deals"** was assessed as having an expected amount of loss of >€ 225 million and an expected probability of occurrence of <5%. In addition to monitoring court decisions and legislation on an ongoing basis, Deutsche Wohnen also limits this risk by raising awareness among decision-makers in the context of share deals. This ensures the involvement of the internal Tax department, which then helps monitor the acquisition process. The internal Tax department has also developed an extended checklist to serve as guidance within this context.

At the end of 2022, the net risks identified can be summarized as follows:

Net Risks

Probability of occurrence over the next 5 years (in %)						
	>95					
	60–95	1	2			
	40–59	2			1	
	5–39	13	10		1	2
	<5	23	7	4	1	3
Impact on profit and loss		1.5–12	12–45	45–112.5	112.5–225	>225
Impact on statement of financial position		24–180	180–720	720–1,800	1,800–3,600	>3,600
Qualitative		very low	low	medium	high	very high
		Amount of loss over the next 5 years (in € million)				

Sustainability Risks

In addition to the amber risks set out above, Deutsche Wohnen also reports on selected green risks that relate explicitly to sustainability in order to reflect the growing importance of this risk consideration:

Environmental Risks

The need to consider climate-related aspects is playing an increasingly important role in Deutsche Wohnen's business model and strategy, in line with the mounting importance of climate issues in society at large. The resulting climate transition risks describe the effects that can arise for companies due to the process of transformation towards a sustainable economic system.

Deutsche Wohnen has set itself an intensity target to reduce CO_2 emissions by 2030 in order to achieve its climate objectives. We currently consider the **risk of non-compliance with the company's own climate targets** to be low and improbable.

What is more, crisis situations or catastrophes, such as floods, earthquakes, extreme weather events, etc. could have an impact on our real estate portfolio and require specific crisis management measures. Physical climate risks like these refer to longer-term shifts in general climatic conditions. We have assessed the **risk of business continuity in disasters/crisis situations** as being associated with an amount of loss of € 1.5–12 million and a probability of occurrence of 5–39%. To allow us to analyze and assess potential long-term implications of climate change (i.e., those extending beyond the usual risk management observation period of five years), we have developed a climate risk tool that maps the internationally recognized climate change scenarios developed by the Intergovernmental Panel on Climate Change (IPCC).

Transition risks and physical climate risks could potentially have a negative impact on the Group's net assets, financial position and results of operations and could make the estimates used in an accounting context less certain. We do not believe that **climate change gives rise to any significant direct risks** for the period covered by the risk management system at the moment, e.g., caused by extreme weather conditions such as heavy rain with the potential for floods. Based on our current knowledge of future developments, this will not have any impact on Deutsche Wohnen's balance sheet. This relates, among other things, to the fair values of investment properties, useful lives and the value of assets and provisions for environmental risks, for which no significant need for adjustment emerges (see **Environmental Issues**).

When it comes to the development of new and sustainable fields of business in the Value-add segment – particularly with regard to renewable energies –, **risks can arise from the design and implementation of the business models.** With regard to the planned **expansion of renewable energies using photovoltaic systems**, we have assessed the related risks as having a low amount of loss and a probability of occurrence of 5–39%.

Social Risks

Breaches of provisions concerning special contractual rights (Social Charters)can come hand-in-hand with risks related to tenant protection and, as a result, the aim of providing "homes at fair prices". While we have assigned a significant amount of loss of € 45–112.5 million to these risks, we consider them very unlikely to materialize.

Failure to comply **with statutory occupational health and safety and occupational safety management provisions could have a long-term impact for Deutsche Wohnen and its employees.** We currently assess these risks as being associated with a substantial amount of loss but believe that they are very unlikely to materialize.

Governance Risks

Deutsche Wohnen is exposed to the **risk of losing sustainable financing**. Sustainable "green" financing is becoming increasingly relevant. Failure by Deutsche Wohnen to meet its sustainability targets, for example, could jeopardize the basis for this financing. At present, we have assigned this risk an amount of loss of € 112.5–225 million and a probability of occurrence of <5%.

In addition, Deutsche Wohnen could be exposed to **risks associated with non-compliance with statutory requirements and investor or analyst expectations regarding ongoing sustainability reporting.** We currently assess this risk as being associated with a substantial amount of loss, but believe that it is very unlikely to materialize.

Current Assessment of the Main Opportunities

Assessment of Opportunities Inherent in the Business Model

In the process of defining its strategy and preparing its short and medium-term plans, Deutsche Wohnen has identified and addressed earnings potential. The assumptions applied within this context regarding the corporate strategy, economic environment and market-related factors, and the company's operating business are not only associated with risks. Business development can also end up being more favorable than in the assumptions included in the company's plans.

In particular, the bundling of business activities and use of Vonovia's systems and platforms open up further opportunities. This also includes focusing development activities on the BUWOG development platform, Vonovia's Development segment, under the agency agreements and, where opportunities present themselves, on the platform of the participating interestQUARTERBACK Immobilien AG.

Strategy-Related Opportunities

The decision to focus our business activities on sustainable and ecological action remains at the core of our corporate strategy. Over and above the rental of good-quality, modern and, most importantly, affordable living space and the development of new homes, the company's stated aim is to improve quality of living and significantly reduce the CO_2 emissions originating from our residential properties.

By focusing our new construction and modernization activities on the latest ecological standards in a targeted manner, we can make a further contribution to alleviating the shortage of housing on the one hand, and to improving our ecological footprint and sticking to the binding climate path that we made a commitment to in the 2020 fiscal year on the other.

Deutsche Wohnen is using sustainable, ecological building materials and sustainable energy concepts to help conserve scarce resources and make targeted use of renewable energy. Within this context, we see our neighborhoods as a strong link for sector coupling. As a result, we expect opportunities to arise from the targeted digital networking of electricity, heat and mobility.

Further opportunities are also arising from the ecological transformation of the residential environment, such as the creation of tenant gardens and flower meadows and the installation of insect hotels so as to make a contribution to biodiversity.

Deutsche Wohnen will be sticking to its voluntary commitments regarding its climate path and climate objectives and exploiting opportunities from the expansion of renewable energies that will arise from the direct sale of green electricity to our tenants, as well as the production (and sale) of electricity from renewable sources on/at our properties. With this in mind, Deutsche Wohnen will also be forging ahead with the expansion of PV programs and the sale of electricity to tenants (tenant electricity), supporting a change in consumer behavior (use of green electricity).

The challenges that climate change creates with regard to entrepreneurial action are also associated with strategic potential. As we move towards a climate-neutral housing stock, energy-efficient refurbishments are a key lever. The goal of reducing heating costs and, in doing so, cutting energy consumption is consistent with our goal of reducing emissions and also makes a contribution to energy security in the current context of the war in Ukraine.

Sociological and economic research data suggests that the population in Germany and parts of Europe will continue to grow as a result of migration. This will result in sustained high demand for affordable housing which cannot be satisfied in full by the expected levels of new construction activity, not even in the medium term. On the one hand, this translates directly into opportunities for the development and new construction business. On the other hand, the housing market will be faced not only with quantitative challenges due to the flow of migrants, but also with challenges relating to integration that we can counter using our experience of strategic and sustainable neighborhood development.

Another key factor in this regard is the demographic change toward an aging society, as demand for senior-friendly and affordable homes is expected to increase steadily over the coming years. As a result, further opportunities could arise from senior-friendly modernization of our apartments and investment in new and innovative housing concepts. This is expected to come hand-in-hand with further rental growth.

Demographic change also, however, has an impact on the nursing care business, opening up opportunities for further development via an aging society. As a result, the associated strategic opportunities are currently being assessed as part of a strategic review.

The coalition agreement promised both initiatives aimed at significantly increasing the amount of affordable housing available both by building new properties and by transforming existing properties in a manner that is as close to climate-neutral as possible. This can only be achieved with private-sector investment and related incentives. Creating a positive investment climate for the residential real estate markets also, however, means making the required ecological construction and modernization measures cost-effective, making additional land available for construction, reducing the amount of red tape and promoting the acceptance of private-sector real estate investors in general, which is likely, in turn, to create opportunities for Deutsche Wohnen.

Making acquisitions within the value chain as and when opportunities present themselves, also with regard to the business with housing-related services, could open up additional earnings potential. Promising opportunities could also arise here both from entry into the B2B business and from moves to expand existing business models to include further customer groups. In addition to the further expansion of the company's existing housing-related services, also via possible third-party business, the megatrend of digitalization also creates expansion potential for forging even closer links between customers and the business model, e.g., via customer loyalty programs, communication platforms or networks. Potential efficiency gains in the Value-add processes and systems are a source of additional earnings potential.

Our corporate strategy also focuses on our employees' further development and on employee satisfaction. We aim to make use of new HR development concepts and actively shape the recruitment of new staff to fill vacant positions. We are also aiming to increase the proportion of women at the first and second levels of management. All in all, further opportunities could arise for via Deutsche Wohnen due to the advantages associated with diversity and as a result of our increased appeal as an employer, also in the interests of employee satisfaction.

Economic Environment and Market-Related Opportunities

The housing industry is being influenced to a considerable degree by a range of social and technological megatrends. According to analyses released by the German Federal Statistical Office, domestic migration from rural areas to the country's large metropolitan areas will continue unchanged. The resulting shortage of housing in urban areas could be exacerbated even further by the effects of migration from global crisis hotspots and the trend toward smaller households.

In response to the perceived shortage of (skilled) workers and the dwindling population, the German government has set itself the goal of promoting immigration from non-EU countries specifically. The German Federal Employment Agency (Bundesagentur für Arbeit) expects Germany to require around 400,000 immigrants a year to close the gaps on the labor market resulting from demographic changes. According to the Cologne Institute for Economic Research, this translates into a potential shortfall of as much as 308,000 apartments a year in the medium term. This development trend could benefit our existing real estate portfolio, which focuses primarily on small and medium-sized apartments in urban areas. Deutsche Wohnen is also in a position to counter the increasing shortage of affordable housing through its development and new construction business. The German government coalition agreement has set a target involving the construction of 400,000 new apartments per year. This will not be possible without deregulation measures and the provision of additional land for construction, which could, in turn, create opportunities for Deutsche Wohnen.

One megatrend that enjoys a particularly prominent position in the coalition agreement is undoubtedly climate protection. Within this context, the decision taken very early on to focus on energy-efficiency refurbishments could prove to be advantageous. After all, almost one-third of CO_2 emissions in Germany can currently be attributed to residential property. Aside from this, however, Deutsche Wohnen, together with Vonovia, also sees itself as a driver of innovation. Increased environmental awareness could therefore result in the Vonovia brand taking on increasingly positive connotations in the future and in greater demand for Deutsche Wohnen's energy-efficient apartments.

The Ukraine war has flagged up just how dependent Europe is on energy imports. The current energy shortages caused by the war in Ukraine will increase investment and the use of renewable energies. Vonovia's "1,000 roofs" program, which fits PV systems to roofs in the Vonovia Group, will benefit from further tailwind as a result. This investment program, for which sufficient funds from internal financing have been set aside, will open up further potential opportunities through the tenant electricity initiative.

The merger of Vonovia and Deutsche Wohnen offers further opportunities for implementing the approaches described thanks to what is now a larger existing and development portfolio.

Opportunities Arising From the Operating Business

In addition to harmonization effects and economies of scale, the merger of Deutsche Wohnen with Vonovia also allows experience in housing-related services, primarily in metering services, multimedia services and energy supply, to be bundled. This creates economic potential on the one hand, but also potential with regard to the services offered to customers and, as a result, customer satisfaction on the other.

Deutsche Wohnen is making systematic investments in testing and expanding new technologies. We expect the systematic rollout of these and other technologies within the company, for example aimed at "predictive maintenance," "home automation," "process automation" and "building information system," and at the interface with our customers, to create additional opportunities.

"Predictive maintenance," for example, could allow damage to elevators or heating units to be prevented before it arises. Smart home systems could allow tenants to consciously manage their energy costs. Digital communication platforms have the potential to improve dialogue with tenants, but also to support loyalty to the company and links within the neighborhood. These opportunities for the company's operating business resulting from digitalization should also have an impact on and through customer satisfaction.

Targeted acquisition opportunities and collaboration initiatives with suitable start-ups at all stages in the value chain to enable the further implementation of digital solutions within Vonovia's processes, but also at the various interfaces, could open up further earnings and expertise potential for Deutsche Wohnen in this regard.

The digitalization of public administration could promote the much-called-for streamlining of administrative and, in particular, approval processes, with a positive impact, for example, on Deutsche Wohnen's modernization, development and new construction business thanks to the quicker approval of building applications.

We also see the potential acquisition of larger portfolios in Germany, as well as the targeted small-scale "tactical" acquisitions of single or multiple buildings in specific locations and targeted measures in the residential environment as an opportunity to improve the nature and quality of whole residential districts and thus increase the appeal of our apartments for our customers and the value of our residential properties. In the current market environment, acquisition opportunities can certainly arise where the required internal financing is available.

Deutsche Wohnen manages its housing stocks using standardized systems and processes. Consequently, the acquisition of further residential real estate portfolios offers the opportunity to generate additional value through harmonization effects and economies of scale on the property management side, in development and with regard to housing-related services by reducing the costs per residential unit. This approach is also reflected in the merger with Vonovia, which was expected to generate synergies of € 105 million a year. Due to Vonovia's extensive experience in integrating companies into its systems and processes, further operating efficiency gains for both groups extending beyond the conservative synergy expectations that have been applied to date could well arise.

Financial Opportunities

Deutsche Wohnen has benefited from extremely favorable conditions on the capital and banking markets in recent years thanks to its favorable ratings, allowing it to establish a financing foundation that is stable and balanced in the long run. This means that Deutsche Wohnen still has the opportunity to access relatively more advantageous (re)financing options, even in market environments that may be more disadvantageous in the future.

Together with the diversification strategy for liquidity procurement that we have been pursuing for many years now, we also have the opportunity, particularly given the current capital market environment, to optimize our equity and debt capital structure and the conditions of our financial liabilities on an ongoing basis.

Rising inflation rates and interest rates in the current market environment have forced us to reevaluate investments in terms of their profitability against the backdrop of our sustainability objectives. Within this context, we are paying more attention to strengthening our internal financing. More intensive sales efforts for our development projects will also have a positive effect on our internal financing power. All in all, stronger internal financing potential could allow for investment decisions, where appropriate opportunities arise, to boost the company's overall profitability or to allow it to pursue more sustainability initiatives and earnings potential.

The strengthening of our financial position and the profitability of our (sustainability) investments could, as a result, also have a positive impact on how our investors and ratings agencies assess us, strengthening the more advantageous financing options open to us in relative terms.

Our investments in affordable homes are associated with a cash flow that is largely independent of economic factors. The resulting stability allows us to service our financial liabilities with a relative degree of certainty, even in times of economic or political crisis. This is evident, in particular, from the fact that our rent default rate, which was already low to begin with, has not increased to any significant degree, even in the year dominated by the war in Ukraine and the supply chain disruption that was 2022.

Forecast Report

Business Outlook

The forecast was based on the accounting principles used in the consolidated financial statements, with the adjustments described elsewhere in the management report being made. The forecast does not take account of any larger acquisitions of real estate portfolios.

Our forecast for the 2023 fiscal year is based on determined and updated corporate planning for the Deutsche Wohnen Group and considers current business developments, the completed integration into the Vonovia Group, possible opportunities and risks, potential after-effects of the coronavirus pandemic and the effects of the war in Ukraine. It also includes the key overall macroeconomic developments and the economic factors that are relevant to the real estate industry and our corporate strategy. Further information is provided in the sections entitled → **Development of the Economy and the Industry** and → **Fundamental Information About the Group**. Beyond this, the Group's further development remains exposed to general opportunities and risks (see chapter on → **Opportunities and Risks**).

We expect price increases triggered by the Ukraine crisis, particularly on the energy markets, to have a substantial impact on Deutsche Wohnen and our customers. While these will have a direct impact on ancillary expenses, they will also have an indirect effect on all areas of the economy due to general price increases. We also expect prices for construction materials to remain high, with a knock-on effect on our construction projects, too.

Rising interest rates and inflation continue to create increased volatility on the equity and debt capital markets, also due to, or exacerbated by, the war in Ukraine.
We therefore assess the overall economic situation and developments on an ongoing basis, particularly with regard to the return requirements for investment and divestment decisions.

This means that the classification of development projects as "to hold" or "to sell", decisions on the start of construction, the implementation of portfolio investments and decisions on the sale of property portfolios are reassessed.

All in all, we expect to see a slight drop in Adjusted EBITDA Total and Group FFO. Both key figures are currently being influenced to a considerable degree by the sales risks on the transaction market.

In addition, we expect the value of our company to increase further in 2023 and predict a slight increase in NAV per share, leaving any further market-related changes in value out of the equation.

Berlin, March 15, 2023

The Management Board

Konstantina Kanellopoulos (Co-CEO)	Lars Urbansky (Co-CEO)	Olaf Weber (CFO)

Consolidated Financial Statements

The Group's net assets, financial position and results of operations remain positive.

EPS hit by impairment losses.

Consolidated Income Statement

for the period from January 1 until December 31

in € million	Notes	2021	2022
Revenue from rental		1,203.6	1,212.3
Other revenue from property management		298.4	313.3
Revenue from property management	**B8**	**1,502.0**	**1,525.6**
Income from disposal of properties		754.1	1,743.2
Carrying amount of properties sold		-754.1	-1,738.2
Fair value adjustment from the disposal of properties		127.5	-1.5
Profit on disposal of properties	**B9**	**127.5**	**3.5**
Revenue from the disposal of real estate inventories		42.2	41.3
Cost of sold properties		-33.2	-30.8
Profit on disposal of real estate inventories	**B10**	**9.0**	**10.5**
Net income from fair value adjustments of investment properties	B11	1,734.8	-917.5
Capitalized internal expenses	B12	5.0	6.5
Cost of materials	B13	-552.0	-636.2
Personnel expenses	B14	-259.6	-248.2
Depreciation, amortization and impairment losses*		-213.9	-146.8
Other operating income	B15	79.8	72.4
Impairment losses on financial assets		-7.5	-24.7
Net income from the derecognition of financial assets measured at amortized cost		1.1	0.2
Other operating expenses	B16	-143.2	-121.0
Net income from non-current financial assets accounted for using the equity method		-3.3	-167.2
Interest income	B17	35.5	77.1
Interest expenses	B18	-143.3	-73.9
Other financial result	B19	-395.5	4.0
Earnings before tax		**1,776.4**	**-635.7**
Income taxes	B20	-857.4	190.0
Profit for the period		**919.0**	**-445.7**
Attributable to:			
Deutsche Wohnen's shareholders		877.2	-434.1
Non-controlling interests		41.8	-11.6
Earnings per share (diluted) in €	**C22**	**2.45**	**-1.09**
Earnings per share (basic) in €	**C22**	**2.45**	**-1.09**

* without impairment losses on real estate holdings recognized as investment properties.

Consolidated Statement of Comprehensive Income

for the period from January 1 until December 31

in € million	2021	2022
Profit for the period	919.0	-445.7
Gains/losses	12.6	34.5
Taxes on gains/losses	-2.7	-10.5
Net income from cash flow hedges	9.9	24.0
Items which will be recognized in profit or loss in the future	9.9	24.0
Change in actuarial gains/losses, net	3.7	30.7
Tax effect	0.1	-7.0
Net income from actuarial gains and losses from pensions and similar obligations	3.8	23.7
Net gain/net loss from convertible bonds	-6.9	-
Tax effect	2.0	-
Result from net gain/net loss from convertible bonds	-4.9	-
Items which will not be recognized in profit or loss in the future	-1.1	23.7
Other comprehensive income	8.8	47.7
Total comprehensive income	**927.8**	**-398.0**
Attributable to:		
Deutsche Wohnen's shareholders	885.6	-387.4
Non-controlling interests	42.2	-10.6

Consolidated Balance Sheet

Assets

in € million	Notes	Dec. 31, 2021	Dec. 31, 2022
Intangible assets	D24	180.8	164.8
Property, plant and equipment	D25	202.4	219.6
Investment properties	D26	28,730.5	27,301.9
Financial assets	D27	324.2	811.4
Non-current financial assets accounted for using the equity method	D28	373.3	208.0
Other assets	D29	1.2	214.9
Deferred tax assets	D30	0.1	0.2
Total non-current assets		**29,812.5**	**28,920.8**
Inventories	D31	5.4	62.8
Trade receivables	D32	113.0	30.0
Financial assets	D27	565.0	1,019.0
Other assets	D29	102.0	198.4
Income tax receivables	D30	127.3	187.1
Cash and cash equivalents	D33	676.7	184.3
Real estate inventories	D34	197.0	926.0
Assets held for sale	D35	1,633.3	2.4
Total current assets		**3,419.7**	**2,610.0**
Total assets		**33,232.2**	**31,530.8**

Equity and Liabilities

in € million	Notes	Dec. 31, 2021	Dec. 31, 2022
Subscribed capital		396.9	396.9
Capital reserves		4,433.4	4,174.7
Retained earnings		11,907.6	11,715.6
Other reserves		-10.6	12.4
Equity attributable to Deutsche Wohnen's shareholders		**16,727.3**	**16,299.6**
Non-controlling interests		476.1	475.5
Total equity	E36	**17,203.4**	**16,775.1**
Provisions	E37	149.0	104.6
Trade payables	E38	19.4	19.4
Non-derivative financial liabilities	E39	9,361.5	8,474.2
Derivatives		23.8	-
Lease liabilities	E40	118.8	114.1
Liabilities to non-controlling interests	E41	199.0	196.3
Deferred tax liabilities		5,156.6	4,906.4
Total non-current liabilities		**15,028.1**	**13,815.0**
Provisions	E37	176.9	220.1
Trade payables	E38	314.1	147.7
Non-derivative financial liabilities	E39	310.3	501.7
Derivatives		0.3	0.1
Lease liabilities	E40	20.8	14.5
Other liabilities	E42	99.8	56.6
Liabilities in connection with assets held for sale		78.5	-
Current liabilities		**1,000.7**	**940.7**
Liabilities		**16,028.8**	**14,755.7**
Total equity and liabilities		**33,232.2**	**31,530.8**

Consolidated Statement of Cash Flows

for the period from January 1 until December 31

in € million	Notes	2021	2022
Profit for the period		919.0	-445.7
Net income from fair value adjustments of investment properties	B11	-1,734.8	917.5
Revaluation of assets held for sale	B9	-127.5	1.5
Depreciation , amortization and impairment losses	D24	213.9	146.8
Interest expenses/income and other financial result	B17/B18/B19	503.3	-6.6
Income taxes	B20	857.4	-190.0
Profit on disposal of investment properties	B9	–	-5.0
Results from disposals of other non-current assets		–	-1.3
Other expenses/income not affecting net income		19.0	187.0
Change in working capital		-14.1	-81.5
Income tax paid		-28.9	-157.8
Cash flow from operating activities		**607.3**	**364.9**
Proceeds from disposals of investment properties and assets held for sale		635.7	1,684.9
Proceeds from disposals of other assets		197.4	87.9
Proceeds from disposals of other financial assets		9.7	-
Payments for the acquisition of investment properties	D26	-762.0	-799.5
Payments for acquisition of other assets	D24/D25/D27	-779.0	-1,005.1
Interest received		9.7	37.0
Cash flow from investing activities		**-688.5**	**5.2**

in € million	Notes	2021	2022
Proceeds from the sale of own shares	E36	660.8	–
Cash paid to shareholders of Deutsche Wohnen SE and non-controlling interests	E36	-358.9	-29.4
Proceeds from issuing financial liabilities	E39	1,354.4	40.0
Cash repayments of financial liabilities	E39	-1,267.5	-735.5
Cash repayments of lease liabilities	E40	-22.7	-18.9
Payments for transaction costs in connection with capital measures	E39	-37.5	–
Payments for other financing costs		-2.2	–
Interest paid		-151.8	-118.7
Cash flow from financing activities		174.6	-862.5
Net changes in cash and cash equivalents		93.4	-492.4
Cash and cash equivalents at the beginning of the period	D33	583.3	676.7
Cash and cash equivalents at the end of the period		**676.7**	**184.3**

Consolidated Statement of Changes in Equity

in € million	Subscribed capital	Capital reserves	Retained earnings	Other reserves: Equity instruments at fair value in other comprehensive income	Other reserves: Cash flow hedge reserve
As of Jan. 1, 2022	396.9	4,433.4	11,907.6	-3.5	-7.1
Profit for the period			-434.1		
Other comprehensive income			23.7		23.0
Total comprehensive income			-410.4		23.0
Withdrawal from capital reserve		-258.7	258.7		
Dividend distributed by Deutsche Wohnen SE			-15.9		
Changes recognized directly in equity			-24.4		
As of Dec. 31, 2022	396.9	4,174.7	11,715.6	-3.5	15.9
As of Jan. 1, 2021	343.8	1,688.1	11,379.9	-3.5	-16.6
Finalization of Quarterback purchase price allocation			8.5		
as of Jan. 1, 2021 adjusted	343.8	1,688.1	11,388.4	-3.5	-16.6
Profit for the period			877.2		
Other comprehensive income			-1.1		9.5
Total comprehensive income			876.1		9.5
Capital increase	40.4	2,097.4			
Sale of own shares	12.7	648.1			
Dividend distributed by Deutsche Wohnen SE			-354.1		
Changes recognized directly in equity		-0.2	-2.8		
As of Dec. 31, 2021	396.9	4,433.4	11,907.6	-3.5	-7.1

Equity attributable to Deutsche Wohnen's shareholders	Non-controlling interests	Total equity
16,727.3	**476.1**	**17,203.4**
-434.1	**-11.6**	**-445.7**
46.7	1.0	47.7
-387.4	**-10.6**	**-398.0**
0.0	0.0	0.0
-15.9		-15.9
-24.4	10.0	-14.4
16,299.6	**475.5**	**16,775.1**
13,391.7	**441.1**	**13,832.8**
8.5		8.5
13,400.2	**441.1**	**13,841.3**
877.2	**41.8**	**919.0**
8.4	0.4	8.8
885.6	**42.2**	**927.8**
2,137.8		2,137.8
660.8		660.8
-354.1		-354.1
-3.0	-7.2	-10.2
16,727.3	**476.1**	**17,203.4**

Notes

(A): Principles of the Consolidated Financial Statements

1 General Information

Deutsche Wohnen SE is based in Germany and is entered in the Commercial Register of Berlin-Charlottenburg under HRB 190322 B. The company has its registered office at Mecklenburgische Strasse 57, 14197 Berlin.

The consolidated financial statements as of and for the year ended December 31, 2022, have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the EU. In addition, the supplementary commercial law provisions under Section 315e (1) of the German Commercial Code (HGB) have been observed. Changes due to reclassifications are set out in chapter → **[A2] Adjustment to Prior-year Figures**.

The consolidated financial statements have been prepared on the basis of amortized cost except for investment properties, assets held for sale, derivative financial instruments, plan assets and equity instruments at fair value in other comprehensive income. These are measured at their fair value. The income statement has been prepared using the nature of expense method.

These consolidated financial statements are presented in euros, which is the Group's functional currency. Unless stated otherwise, all figures are shown in million euros (€ million).

The following overview indicates the chapters on the individual topics containing disclosures on accounting policies, judgments and estimates:

Chapter	Accounting policies, judgments, estimates
A6	Government grants
B	Profit for the period
B10	Profit on disposal of real estate inventories
B20	Income taxes
C22	Earnings per share
D24	Intangible assets/goodwill
D25	Property, plant and equipment
D26	Investment properties
D27	Financial assets
D31	Inventories
D32	Trade receivables
D33	Cash and cash equivalents
D34	Real estate inventories
D35	Assets and liabilities held for sale
E36	Total equity
E37	Provisions
E39	Non-derivative financial liabilities
E40	Leases
E41	Liabilities to non-controlling interests
F44	Share-based payment

2 Adjustment to Prior-year Figures

Due to changes in the presentation of the balance sheet and the income statement in order to improve the presentation of the company's position and to allow greater comparability in the real estate sector, changes in disclosure have been made as against December 31, 2021.

Income Statement

The table below illustrates the key changes as against the prior-year presentation in the income statement:

in € million	Notes	Jan. 1–Dec. 31, 2021	Adjustment	Jan. 1–Dec. 31, 2021 (adjusted)
Income from residential property management		1,209.8	-1,209.8	
Income from nursing care businesses		233.0	-233.0	
Lease income from nursing care properties		33.8	-33.8	
Other income from property management		25.4	-25.4	
Revenue from rental			1,203.6	1,203.6
Other revenue from property management			298.4	298.4
Revenue from property management	1	**1,502.0**	**–**	**1,502.0**
Income from disposal of properties		780.2	-26.1	754.1
Carrying amount of properties sold		-771.0	16.9	-754.1
Fair value adjustment from the disposal of properties		–	127.5	127.5
Profit on disposal of properties	2	**9.2**	**118.3**	**127.5**
Revenue from the disposal of real estate inventories		16.1	26.1	42.2
Cost of sold properties		-16.3	-16.9	-33.2
Profit on disposal of real estate inventories	2	**-0.2**	**9.2**	**9.0**
Net income from fair value adjustments of investment properties	2	1,862.3	-127.5	1,734.8
Capitalized internal expenses	3		5.0	5.0
Cost of materials	3	-547.0	-5.0	-552.0
Personnel expenses		-259.6	–	-259.6
Depreciation, amortization and impairment losses		-213.9	–	-213.9
Other operating income		79.8	–	79.8
Impairment losses on financial assets	4	-6.4	-1.1	-7.5
Net income from the derecognition of financial assets measured at amortized cost	4		1.1	1.1
Other operating expenses		-143.2	–	-143.2
Net income from non-current financial assets accounted for using the equity method		-3.3	–	-3.3
Interest income		35.5	–	35.5
Interest expenses	5	-182.2	38.9	-143.3
Other financial result	5	-356.6	-38.9	-395.5
Earnings before tax		**1,776.4**	**–**	**1,776.4**
Income taxes		-857.4	–	-857.4
Profit for the period		**919.0**	**–**	**919.0**
thereof attributable to:				
Deutsche Wohnen's shareholders		877.2	–	877.2
Non-controlling interests		41.8	–	41.8
Earnings per share (basic and diluted) in €		**2.45**	**–**	**2.45**

(1) Revenue from property management is split into revenue from rental and other revenue from property management. Other revenue from property management (€ 298.4 million) includes income from nursing care businesses (€ 233.0 million) and lease income from nursing care properties (€ 33.8 million), which were reported as separate line items in the previous year.

(2) The profit on disposal of properties only includes those property sales from investment properties or assets held for sale. The result from the sale of real estate inventories is shown separately in the line item profit on disposal of real estate inventories (€ 9.0 million). In addition, the net income from fair value adjustments of investment properties from those properties reported under assets held for sale on the reporting date is shown within the profit on disposal of properties (€ 127.5 million).

(3) Capitalized internal expenses, which were previously reported within the cost of materials, are reported as a separate line item (€ 5.0 million).

(4) Net income from the derecognition of financial assets measured at amortized cost, which was previously reported after having been offset against impairment losses on financial assets, are reported as a separate line item (€ 1.1 million).

(5) The positive valuation results from derivatives, which were previously reported in the line item changes in fair value of financial instruments (€ 11.6 million), are reported after having been offset against interest expenses. The name of the line item has also been changed to other financial result and includes negative changes in the fair value of convertible bonds (€ 368.1 million) as well as one-off financial expenses incurred primarily in connection with the takeover offer of Vonovia SE (€ 27.8 million) and were previously reported under interest expenses.

Balance Sheet

The tables below illustrate the key changes as against the prior-year presentation in the balance sheet:

in € million	Notes	Dec. 31, 2021	Adjustment	Dec. 31, 2021 (adjusted)
Intangible assets		180.8	–	180.8
Property, plant and equipment	1	206.8	-4.4	202.4
Investment properties		28,730.5	–	28,730.5
Financial assets		325.0	-0.8	324.2
Non-current financial assets accounted for using the equity method		373.3	–	373.3
Derivatives	2	2.8	-2.8	
Trade receivables		1.2	-1.2	
Other assets		–	1.2	1.2
Deferred tax assets		0.1	–	0.1
Total non-current assets		**29,820.5**	**-8.0**	**29,812.5**
Inventories	3	11.2	-5.8	5.4
Trade receivables	3	115.0	-2.0	113.0
Financial assets	2; 4	647.4	-82.4	565.0
Derivatives		0.2	-0.2	
Other assets	1; 4	14.5	87.5	102.0
Income tax receivables		124.4	2.9	127.3
Cash and cash equivalents		676.7	–	676.7
Real estate inventories	3	189.0	8.0	197.0
Assets held for sale		1,633.3	–	1,633.3
Total current assets		**3,411.7**	**8.0**	**3,419.7**
Total assets		**33,232.2**		**33,232.2**

in € million	Notes	Dec. 31, 2021	Adjustment	Dec. 31, 2021 (adjusted)
Subscribed capital		396.9	–	396.9
Capital reserves		4,433.4	–	4,433.4
Retained earnings	5	11,936.0	-28.4	11,907.6
Other reserves	5	-39.0	28.4	-10.6
Equity attributable to Deutsche Wohnen's shareholders		**16,727.3**	**–**	**16,727.3**
Non-controlling interests		476.1	–	476.1
Total equity		**17,203.4**	**–**	**17,203.4**
Provisions for pensions	6	104.8	-104.8	
Provisions	6	38.7	110.3	149.0
Trade payables		19.4	–	19.4
Financial liabilities	7	5,839.0	-5,839.0	
Bonds	7	3,522.5	-3,522.5	
Non-derivative financial liabilities	7		9,361.5	9,361.5
Derivatives	8	16.3	7.5	23.8
Lease liabilities	9	–	118.8	118.8
Liabilities to non-controlling interests	9	0.0	199.0	199.0
Other financial liabilities	9	320.3	-320.3	
Deferred tax liabilities		5,156.6	–	5,156.6
Total non-current liabilities		**15,017.6**	**10.5**	**15,028.1**
Provisions	10	36.0	140.9	176.9
Trade payables	10	356.0	-41.9	314.1
Financial liabilities	11	28.6	-28.6	
Bonds	11	281.3	-281.3	
Non-derivative financial liabilities	11		310.3	310.3
Derivatives	8	7.5	-7.2	0.3
Lease liabilities	10		20.8	20.8
Other financial liabilities	10	73.6	-73.6	
Other liabilities	10	23.5	76.3	99.8
Tax liabilities	10	126.2	-126.2	
Liabilities in connection with assets held for sale		78.5	–	78.5
Current liabilities		**1,011.2**	**-10.5**	**1,000.7**
Liabilities		**16,028.8**	**–**	**16,028.8**
Total equity and liabilities		**33,232.2**	**–**	**33,232.2**

(1) Advance payments made on property, plant and equipment are reported under other assets (current) until the time of transfer (€ -4.4 million).

(2) Derivatives are reported under financial assets (current) based on their final maturity/repayability (€ -2.8 million).

(3) Advance payments received on real estate inventories, previously reported under inventories, are reported under real estate inventories (€ -8.0 million). Services not yet invoiced, which were previously reported under trade receivables (current), are reported under inventories (€ 2.2 million).

(4) Financial assets only include those assets that are clearly of a financing nature (largely the condition that cash flows take place at defined points in time, e.g., payments of principal and interest). As a result, assets of € 82.4 million are reported under other assets.

(5) Actuarial gains and losses previously reported under other reserves that cannot be reclassified (€ -28.4 million) are reported under retained earnings.

(6) Provisions for pensions (€ 104.8 million) are reported within provisions as a joint line item.

(7) Bonds (€ 3,522.5 million) and financial liabilities (€ 5,839.0 million) are reported together within non-derivative financial liabilities.

(8) Each derivative is classed as current or non-current depending on its final maturity. This is why current portions of derivatives of € 7.2 million are reported within non-current derivatives.

(9) Lease liabilities (€ 118.8 million) and liabilities to non-controlling interests (€ 199.0 million), which were previously reported combined within other financial liabilities, are now reported in separate line items.

(10) Tax liabilities (€ 126.2 million), which were previously reported separately, are now grouped under provisions. As with financial assets, other financial liabilities (€ 73.6 million) are now reported in one balance sheet line item together with other liabilities. As part of the reassessment regarding the definition of provisions, trade payables and other liabilities, trade payables were reclassified to provisions (€ 14.7 million) and to other liabilities (€ 27.2 million). Lease liabilities (€ 20.8 million), which were previously grouped under other financial liabilities, are presented separately.

(11) Bonds (€ 281.3 million) and financial liabilities (€ 28.6 million) are reported grouped under non-derivative financial liabilities.

Segment Report

Changes in Deutsche Wohnen's internal management system means that the company now reports five segments: **Rental, Value-add, Recurring Sales, Development** and **Care.** We also report the **Other** segment, which is not relevant from a corporate management perspective, in our segment reporting. This includes the sale, only as and when the right opportunities present themselves, of entire buildings or land (Non-core/Other) that are likely to have below-average development potential in terms of rent growth in the medium term and are located in areas that can be described as peripheral compared with Vonovia's overall portfolio and in view of future acquisitions. Ancillary costs are also reported under "Other."

The result that is not allocated to any particular segment, which was previously reported separately, has been transitioned to the new segments. The previous result that is not allocated to any particular segment largely relates to the new Rental segment.

The gross profits and operating expenses from new construction projects, which were previously reported in the Residential Property Management segment, are now reported in the Development segment. In the Development segment, the fair value for completed new buildings for the company's own portfolio is shown as internal income. The corresponding production costs are reported under costs of development to hold.

The income from ancillary costs and expenses from ancillary costs, which were previously included separately in the Residential Property Management segment, are reported in the Other column. The ancillary costs balance attributable to the Rental segment is included in the calculation of Rental operating expenses.

The business activities related to housing-related services such as multimedia and energy supply, which were previously included in the Residential Property Management segment, are now reported in the Value-add segment.

The business figures previously reported in the Sales segment have been separated, and individual sales are reported in the Recurring Sales segment and in Non-core sales under Other.

The previous Nursing Care Businesses and Nursing Care Properties segments have been combined to form one Care segment.

Statement of Cash Flows

From the 2022 fiscal year onwards, interest received, which was reported under cash flow from operating activities in previous years (2021: € 9.7 million), will be reported under cash flow from investing activities. In addition, interest paid, which was previously also reported under cash flow from operating activities, will be reported as a component of cash flow from financing activities (2021: € 151.8 million).

3 Consolidation Principles

Business Combinations

An entity shall account for each business combination by applying the acquisition method if it obtains control. All hidden reserves and charges of the company acquired are disclosed as part of the necessary remeasurement. Any excess of the cost of a business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities, following the disclosure of hidden reserves and charges, is recognized as goodwill in the balance sheet. The consideration transferred at the time of the acquisition and the identifiable net assets that are acquired are measured at fair value as a general rule. Transaction costs are recognized as an expense immediately insofar as they do not relate to costs pertaining to the raising of capital or the issue of debt capital.

Subsidiaries

Subsidiaries are companies that are controlled by the Group. The Group controls an investee if it is exposed to risks or has rights to variable returns from its involvement with the investee and has the ability to use its power of control over the investee to influence the level of these returns. In the process of full consolidation, the assets and liabilities of a subsidiary are included in the consolidated financial statements in their entirety. Subsidiaries are included in the consolidated financial statements from the date on which Vonovia SE obtains control until the day control ceases.

Non-Controlling Interests

The equity of a subsidiary that is not attributable to Deutsche Wohnen is shown as a separate component of equity under non-controlling interests. Non-controlling interests are measured based on their share of the identified net assets of the acquired company at the time of acquisition.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions.

Loss of Control

If Deutsche Wohnen loses control over a subsidiary, the assets and liabilities of the subsidiary in question as well as any corresponding non-controlling interests are derecognized. The result is recognized in the income statement. Any investment retained is recognized at fair value when control is lost.

Associates and Joint Arrangements

Associates and joint arrangements classified as joint ventures are accounted for using the equity method. An associate is an entity over which the investor has significant influence. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. If the arrangement involves rights to the assets and obligations for the liabilities of a joint arrangement instead, then these are recognized using quota consolidation.

Business Transactions Eliminated on Consolidation

The effects of the business transactions between the entities included in the Deutsche Wohnen consolidated financial statements are eliminated.

Results from business transactions with companies accounted for using the equity method are only eliminated in line with the Group's share in the investee.

The financial statements of Deutsche Wohnen SE and all subsidiaries are consistently prepared according to uniform accounting policies.

4 Scope of Consolidation

All in all, and including Deutsche Wohnen SE, 160 companies (December 31, 2021: 163) – thereof 158 (December 31, 2021: 161) domestic companies and two (December 31, 2021: two) foreign companies – have been included in the consolidated financial statements as of December 31, 2022. The change is due to the disposal of three companies as part of the Berlin Deal. In addition, 22 (December 31, 2021: 22) domestic companies were included as joint ventures and five domestic companies (December 31, 2021: five) were included as associates accounted for using the equity method.

For all subsidiaries included in the consolidated financial statements, the reporting date is December 31.

The → **list of Deutsche Wohnen shareholdings** is appended to the Notes to the consolidated financial statements as an integral part thereof.

Companies that have made use of the exemption provision set out in Section 264 (3) of the German Commercial Code (HGB) are marked accordingly in the list of shareholdings.

5 Financial Reporting of Financial Assets and Financial Liabilities

Loans and Receivables

Loans and receivables are first recognized as incurred, other non-derivative financial assets as of the day of trading. The day of trading is the date on which Deutsche Wohnen becomes a contracting party of the financial instrument. All financial instruments are initially measured at fair value, taking account of transaction costs. A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or the financial asset is transferred and Deutsche Wohnen neither retains control nor retains material risks and rewards associated with ownership of the financial asset.

Loans and receivables are stated at amortized cost using the effective interest method.

Deutsche Wohnen determines whether there is an objective indication of an impairment at the level of individual financial instruments if they are material, and, for financial instruments for which no impairments have been identified at the level of the individual financial instruments or such impairments are immaterial, grouped according to risk profile. Impairments are identified for individual financial instruments when the counterparty has defaulted or breached a contract or there are indications of risks of impairments due to a rating downgrade and general information (loss event). For groups of financial instruments with similar risks, historical default probabilities in relation to the time overdue are drawn upon (loss event). An impairment is calculated after the occurrence of a loss event as the difference between the carrying amount and the value of the discounted estimated future cash flow. The original effective interest rate is taken as the discount rate. Impairment losses are recognized with effect on net income and offset directly with the carrying amount of the financial instrument. Any interest income on impaired financial instruments is still recognized. If there are indications that the amount of the impairment loss will be smaller, this reduction is credited to the financial instrument affecting net income to the extent that the sum does not exceed the amortized cost that would have been recognized if the impairment had not occurred.

Derivative Financial Instruments

Derivative financial instruments are stated at their fair value on the day of trading when they are recognized for the first time. The fair values of the derivative financial instruments are calculated using standard market valuation methods for such instruments on the basis of the market data available on the valuation date.

With derivatives that are not designated as a hedging instrument in the balance sheet, changes in the fair value are recognized in profit or loss with effect on net income.

Compared with IAS 39, the IFRS 9 regulations relating to hedge accounting include, among other things, an expanded range of eligible hedged items, changes regarding the posting approach for certain undesignated value components of hedging instruments, the abolition of the fixed effectiveness ranges and retrospective effectiveness testing as well as the first-time introduction of "recalibration." The less restrictive provisions compared with IAS 39 make it easier to reflect economic risk management in the balance sheet, which can, in turn, reduce artificial volatility in the income statement.

Contracts concluded for the purpose of receiving or supplying non-financial items in accordance with the company's expected purchase, sale, or use requirements (own-use contracts) are not recognized as derivative financial instruments, but rather as pending transactions under IAS 37.

With derivatives designated as hedging instruments, the recognition of changes in the fair value depends on the type of hedge:

> With a fair value hedge, the changes in the fair value of the derivative financial instruments and of the underlying hedged items attributable to the hedged risk are recognized affecting net income.

> With a cash flow hedge, the unrealized gains and losses are initially recognized in other comprehensive income to the extent that the hedge is effective. Amounts accumulated in other comprehensive income are reclassified to the income statement at the same time the underlying hedged item affects net income. To the extent that the hedge is ineffective, the change in fair value is immediately recognized in net interest.

Embedded derivative financial instruments that are combined with a non-derivative financial instrument (host contract) to form a hybrid financial instrument are to be separated from the underlying contract pursuant to IFRS 9 as a general rule and accounted for separately if (i) its economic risks and characteristics are not closely related to those of the host contract, (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and (iii) the hybrid instrument is not measured at fair value affecting net income with changes in fair value recognized in the income statement. As soon as the derivative is to be separated from its host contract, the individual components of the hybrid financial instrument are to be accounted for based on the provisions that apply to the individual financial instruments.

In order to measure interest rate swaps, future cash flows are calculated and then discounted. The calculated cash flows result from the contract conditions. The contract conditions regularly refer to the EURIBOR reference rates (3M and 6M EURIBOR). Discounting is based on market interest rate data as of the reporting date for comparable instruments (EURIBOR rate of the same tenor). The fair value contains the credit risk of the interest rate swaps and therefore allows for adjustments for the company's own credit risk or for the counterparty credit risk.

Equity Instruments to Be Recognized at Fair Value Affecting Net Income

In general, the equity instruments to be recognized at fair value affecting new income are shares in companies that were acquired with long-term strategic intentions.

These equity instruments to be recognized at fair value affecting new income are initially stated at their fair value, plus the directly attributable transaction costs. Subsequent measurement is at fair value as a general rule. Changes in the fair value are recognized affecting new income.

6 Government Grants

Accounting Policies

Government grants are recognized when there is reasonable assurance that the relevant conditions will be fulfilled and that the grants will be awarded.

Government grants that do not relate to investments are regularly recognized as income in the periods in which the relevant expenses are incurred.

Expenses subsidies granted in the form of rent, interest and other expenses subsidies are recorded as income in the periods in which the expenses are incurred and shown within other revenue from property management.

The low-interest loans are grants from public authorities that – insofar as the company received them as part of a business combination – are recorded at present value. The difference between face value and present value is recognized with an effect on net income over the maturity term of the corresponding loans.

New expenses loans or low-interest loans are initially recognized at their present value within the non-derivative financial liabilities on the basis of the market interest rate at the time the loans are taken out. The difference between the face value and the present value of the loan is recognized as deferred income. Reversal occurs, in principle, with an effect on net income in line with the length of the fixed-interest-rate period of the relevant loans. In cases where the low-interest loans are issued as part of capitalized modernization measures, the difference between the face value and the present value of the loan is deducted from the capitalized acquisition cost. In subsequent measurements, the loans are measured at amortized cost.

The companies that belong to the Group receive government grants in the form of expenses subsidies, expenses loans and low-interest loans. In the 2022 fiscal year, Deutsche Wohnen was granted low-interest loans of € 39.8 million (2021: € 0.0 million).

7 Changes in Accounting Policies, Estimates, Assumptions, Options and Judgments

Changes to Key Accounting Methods

As of January 1, 2022, the Group did not have to apply any interest rate benchmark reform.

Approach to the Interest Rate Benchmark Reform and Associated Risks

General Information

A fundamental reform of the main interest rate benchmarks is under way across the globe, including the replacement of some "Interbank Offered Rates" (IBORs) with alternative, almost risk-free interest rates (referred to as the "IBOR reform").

Group financial instruments are exposed to IBORs that are not being replaced or reformed as part of these market-wide initiatives. The biggest risk for the Group in connection with the IBOR as of December 31, 2022 was the link to the EURIBOR. As this is expected to remain valid until 2025, no changes had to be made to the financial instruments in the period leading up to December 31, 2022, meaning that no new interest rate benchmarks have to be reflected here.

The LIBOR administrator regulated and licensed by the UK Financial Conduct Authority (FCA), the ICE Benchmark Administration (IBA), announced in November 2020 that it had launched talks on ceasing the publication of certain USD LIBORs after June 2023. As of December 31, 2022, it remains unclear when the date on which publication of the USD LIBOR will cease will be announced. The Group does not hold any financial instruments that are subject to the USD LIBOR.

The IBOR risks to which the Group was exposed as of December 31, 2022 relate to corporate bonds linked to the EURIBOR. As explained above, the Group has not had to make any changes to the contractual terms for any risks resulting from a link to the EURIBOR.

The EURIBOR calculation method changed in the course of 2019.

In July 2019, the Belgian Financial Services and Markets Authority approved the EURIBOR in accordance with the European Union Benchmarks Regulation. This allows market participants to keep using the EURIBOR for both existing and new contracts, and the Group expects the EURIBOR to remain in force as the interest rate benchmark for the foreseeable future.

Derivatives

The Group holds interest rate swaps designated in hedging relationships to hedge cash flows for risk management purposes. The variable amounts of the interest rate swaps are linked to the EURIBOR.

Hedge Accounting

The Group's hedged items and hedging instruments are linked to the EURIBOR as of the reporting date. These reference rates are quoted daily and the IBOR cash flows are exchanged with the counterparties as usual.

Changes in Accounting Policies Due to New Standards and Interpretations

The following new or amended standards and interpretations became mandatory for the first time in the 2022 fiscal year. They did not have any material effects on Deutsche Wohnen's consolidated financial statements.

> IFRS 1 "First-time Adoption of International Financial Reporting Standards"
> IFRS 3 "Business Combinations"
> IFRS 9 "Financial Instruments"
> IFRS 16 "Leases"
> IAS 16 "Property, Plant and Equipment"
> IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"
> IAS 41 "Agriculture"

IFRS 16

Due to the rent concessions (deferrals, waivers) granted in a large number of countries as a result of the coronavirus pandemic, IFRS 16 was amended to provide companies with an exemption from assessing whether a COVID-19-related rent concession is a lease modification within the meaning of IFRS 16. Instead, they can opt to account for COVID-19-related rent concessions as if they were not lease modifications. This would spare them the work involved in evaluating the lease contracts to check for possible contractually defined rent concessions as well as the work involved in reassessing these contracts applying a new discount rate (which is always required for lease modifications). This relief was initially limited until June 30, 2021, but was extended until June 30, 2022, in April 2021.

No rent concessions were granted by the lessor within the Deutsche Wohnen Group. This is due primarily to the Group's encouraging and robust financial position, even in times dominated by the COVID-19 pandemic. As a result, the Group is not exercising this option as it is not relevant. These amendments to IFRS 16 do not have any material effects on the consolidated financial statements.

New Standards and Interpretations Not Yet Applied

Application of the following standards, interpretations and amendments to existing standards was not yet mandatory for the 2022 fiscal year. Deutsche Wohnen also did not choose to apply them in advance. It is expected that the application of the new or amended standards and interpretations will have no material effects on Deutsche Wohnen's consolidated financial statements.

Their application will be mandatory for the fiscal years following the dates stated in the following table:

Relevant New Standards, Interpretations and Amendments to Existing Standards and Interpretations		Effective date for Deutsche Wohnen
Amendments to Standards		
IFRS 9	"Financial Instruments"	January 1, 2023
IFRS 16	"Leases"	January 1, 2024*
IAS 1	"Presentation of Financial Statements"	January 1, 2023
IAS 1	"Presentation of Financial Statements"	January 1, 2024*
IAS 8	"Accounting Policies, Changes in Accounting Estimates and Errors"	January 1, 2023
IAS 12	"Income Taxes"	January 1, 2023
New Standards		
IFRS 17	"Insurance Contracts"	January 1, 2023

* Not yet endorsed.

Estimates and Assumptions

To a certain extent, the preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the reporting date as well as reported amounts of income and expenses during the reporting year. The actual amounts may differ from the estimates as the business environment may develop differently than assumed. In this case, the assumptions and, where necessary, the carrying amounts of the assets or liabilities affected are prospectively adjusted accordingly. Specific estimates and assumptions relating to individual elements of financial statements are also explained in the corresponding notes to the consolidated financial statements.

Assumptions and estimates are reviewed on an ongoing basis and are based on experience and other factors, including expectations regarding future events that appear reasonable under the given circumstances.

The estimates and assumptions that may have a material risk of causing an adjustment to the carrying amounts of assets and liabilities mainly relate to the determination of the fair value of investment properties.

The best evidence of fair value of investment properties is current prices in an active market for comparable residential properties. As such information is not completely available, however, Deutsche Wohnen uses standard valuation techniques.

A detailed description of the discounted cash flow (DCF) method used can be found in chapter → **[D26] Investment Properties.**

In accordance with IAS 40 in conjunction with IFRS 13, the respective market values of the investment properties owned by Deutsche Wohnen are determined. Changes in certain market conditions such as prevailing rent levels and vacancy rates may affect the valuation of investment properties. Any changes in the fair value of the investment portfolio are recognized as part of the profit for the period in the income statement and can thus substantially affect Deutsche Wohnen's results of operations.

The statement of financial liabilities at amortized cost using the effective interest method takes the expected contractual cash flows into account. In some cases, the agreements do not have any fixed maturity terms. As a result, the cash flows included in the valuation are subject to management assumptions in terms of amount and term.

As explained in chapter → **[D24] Intangible Assets**, Deutsche Wohnen checks for goodwill impairments on an annual basis, or if there is any reason to suspect such impairments. The next step involves determining the recoverable amount of the group of cash-generating units (CGU). This corresponds to either the fair value less costs of sale or the value in use, whichever is higher. Determining the value in use includes adjustments and estimates regarding the forecast and discounting of the future cash flow. Although the management believes that the assumptions used to determine the recoverable amount are appropriate, any unforeseeable changes in these assumptions could result in impairment losses, with a detrimental impact on the net assets, financial position and results of operations.

When determining the volume of current and deferred taxes, the Group takes into account the effects of uncertain tax items and whether additional taxes and interest may be due. This assessment is made on the basis of estimates and assumptions about future events. New information may become available that causes the Group to change its discretionary decisions regarding the appropriateness of existing tax liabilities; such changes to tax liabilities will affect the tax expense in the period in which such a change is made.

Deferred tax assets are recognized to the extent that it can be demonstrated that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that there will be sufficient future taxable profits to realize the tax benefit in the future.

In connection with the application of IFRS 15, it is assumed with respect to determining progress in relation to revenue recognition over time that the costs incurred appropriately reflect the progress as a share of total costs.

Additional estimates and assumptions mainly relate to the uniform definition of useful lives, the assumptions made on the value of land and buildings, the recognition and measurement of provisions as well as the realization of future tax benefits.

Climate risks have an impact on Deutsche Wohnen's business model and strategy. They are addressed in particular by the climate path that the company has mapped out, but also by appropriate estimates and assumptions in key items of the company's net assets, financial position and results of operations. Climate risks can have a potentially negative impact and result in increased estimation uncertainties.

Physical climate risks refer to longer-term shifts in general climatic conditions. Climate events such as floods, earthquakes, extreme weather events, etc. could have an impact on our real estate portfolio and require specific crisis management measures. Climate transition risks describe the effects that can arise for companies due to the process of transformation towards a more sustainable economic system.

As part of its sustainability strategy, Deutsche Wohnen has made a clear and explicit commitment to climate protection targets and a virtually carbon-neutral housing stock by 2045. Based on our current knowledge and expectations regarding future developments, this will not have any impact on Deutsche Wohnen's balance sheet. This relates, among other things, to the fair values of investment properties, specific useful lives and the value of assets, as well as provisions for environmental risks, for which no significant need for adjustment emerges.

Options and Judgments

Options exercised and judgments made by Vonovia's management in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognized in the consolidated financial statements include the following:

> The group of investments accounted for using the equity method is determined by assessing significant influence.
> Determining whether the acquisition of investment properties as part of a business combination constitutes the acquisition of a "business" or the acquisition of an individual asset or group of assets can involve discretionary judgments.
> Deutsche Wohnen measures investment properties at fair value. If management had opted to use the acquisition costs model as permitted under IAS 40, the carrying amounts of the investment properties as well as the corresponding income and expense items in the income statement would differ significantly.
> The criteria for assessing in which category a financial asset is to be classified may involve discretionary judgments.
> Within the scope of revenue recognition in accordance with IFRS 15, discretionary decisions relating to the expected revenue, the total costs of a project and the degree of completion may be necessary. These have an impact on the amount and timing of revenue.
> When accounting for leases in accordance with IFRS 16, the assessment of the exercise or non-exercise of unilaterally granted termination or renewal options may involve discretionary judgment, particularly if there is no economic incentive for the exercise or non-exercise of options.
> The need to include information concerning the future in the valuation of expected defaults results in discretionary decisions regarding the impact that changes in economic factors will have on the expected defaults.
> The decision on how to define a group of cash-generating units to which goodwill is allocated may involve discretionary judgments.
> Allocating the goodwill to the group of individual cash-generating units may also involve discretionary judgments. The parameters used in the impairment test, such as the determination of undiscounted cash flows, the weighted average cost of capital and the growth rate, may also involve discretionary judgments. Due to a lack of any

detailed definition of the term "operation" (IAS 36.86), the disposal of goodwill within the context of real estate sales may involve discretionary decisions.

> Due to a lack of any detailed definition of the term "a separate major line of business or geographical area of operations" (IFRS 5), a disposal group within the context of real estate sales may involve discretionary decisions.
> At the moment, there are no definitive provisions on how to reflect a mandatory acquisition of non-controlling interests following the acquisition of control as part of a voluntary public takeover offer. In general, the acquisition of shares as part of a public offer during the second offer period is based on exactly the same conditions as those that applied in the first offer period, and the two acquisitions are closely related in terms of content and timing. This means that, even if it is executed in two offer periods, the acquisition constitutes one and the same transaction (linked transaction). Following the completion of the later acquisition, the original purchase price allocation is to be adjusted with retroactive effect from the acquisition date, resulting in a change in the consideration transferred, the fair value of net assets transferred and, consequently, the resulting goodwill.

Section (B): Profit for the Period

The figures from the previous year are only comparable to a limited extent due to sales during the fiscal year.

Accounting Policies

Revenue from property management includes income from the rental of investment properties and assets held for sale which is recognized, net of discounts, over the duration of the contracts when the remuneration is contractually fixed or can be reliably determined and collection of the related receivable is probable.

The **other revenue from property management** largely includes income from care and assisted living.

In Deutsche Wohnen's financial statements, the corresponding income for all the services for **ancillary costs** performed by the end of the year is also recognized in the year in which the service is performed. This amount is recognized on a non-netted basis using the principal method, in particular due to Deutsche Wohnen's business model, which provides for a proportion of services relevant to ancillary costs being performed by Deutsche Wohnen itself as Deutsche Wohnen is considered by the tenant to be the primary party responsible for providing the service. For all services that it does not perform itself, Deutsche Wohnen also bears an inventory risk due to the settlement method (based on rentable area), as is standard practice in the real estate sector.

Income from real estate sales **is recognized as soon as the material risks and rewards of ownership have been transferred to the buyer and Deutsche Wohnen has no substantial further obligations.** As far as any remaining obligations are concerned, a provision is recognized for the probable risk.

Expenses are recognized when they arise or at the time they are incurred. Interest is recognized as income or expense in the period in which it is incurred using the effective interest method.

8 Revenue from Property Management

in € million	2021	2022
Rental income	835.9	768.5
Ancillary costs	367.7	443.8
Revenue from rental	**1,203.6**	**1,212.3**
Other revenue from property management	298.4	313.3
	1,502.0	**1,525.6**

Other revenue from property management includes income of € 280.1 million (2021: € 266.8 million) from nursing and assisted living.

9 Profit on Disposal of Properties

in € million	2021	2022
Income from disposal of investment properties	2.0	4.0
Carrying amount of investment properties sold	0.7	0.0
Profit on disposal of investment properties	**2.7**	**4.0**
Income from the sale of assets held for sale	752.1	1,739.2
Retirement carrying amount of assets held for sale	-754.8	-1,738.2
Fair value adjustment of residential properties held for sale	127.5	-1.5
Profit from the disposal of assets held for sale	**124.8**	**-0.5**
	127.5	**3.5**

The fair value adjustment of residential properties held for sale, for which a purchase contract had been signed but for which transfer of title had not yet taken place, led to a loss of € -1.5 million (2021: € 127.5 million) as of December 31, 2022. The year-on-year increase in the profit on the disposal of assets held for sale is due primarily to the disposal of properties as part of what is known as the Berlin Deal in the first quarter of 2022.

10 Profit on Disposal of Real Estate Inventories

Accounting Policies

Revenue from disposal of real estate inventories is realized either over time or at a specific point in time as soon as the customer obtains control over the asset in question. If, upon conclusion of the certified purchase agreement, control within the meaning of IFRS 15.35 (c) passes to the customer before or during the construction phase, the revenue is to be recognized as of this point in time based on the degree of completion of the construction project. Disclosure of the contract assets that fall within the scope of IFRS 15 occurs on a net basis with the corresponding advance payments received under trade receivables.

Contractual balances with an expected term of less than one year are not adjusted to reflect the time value of money.

No separate agreements are reached, in the contracts on the sale of apartments as part of the development business, on extraordinary rights of return or rescission, meaning that such rights are based on the relevant legal provisions. The same applies to warranty commitments, which are not to be treated as a separate contractual component within the meaning of IFRS 15 as a result. Existing warranty claims are always accounted for in line with the provisions of IAS 37.

In accordance with IFRS 15.94, costs for the initiation of the contracts with customers are recognized as an expense as soon as they are incurred, as the depreciation period generally would not amount to more than a year. The costs relate primarily to brokerage commission.

In cases involving **revenue recognition over time**, the percentage of completion/progress made has to be assessed. Deutsche Wohnen uses the cost-to-cost method, as an input-based procedure, for this purpose. The progress made is determined based on the ratio of the capitalized contract costs incurred up until the reporting date to the estimated total contract costs that can be capitalized.

Revenue from the disposal of real estate inventories of € 41.3 million (2021: € 42.2 million) comprises € 13.6 million (2021: € 16.1 million) and € 27.7 million (2021: € 26.1 million) in income from the sale of real estate inventories.

11 Net income from fair value adjustments of investment properties

Investment properties are generally measured by the in-house valuation department according to the fair value model. The fair value for the nursing care properties and undeveloped land are calculated by independent experts using a DCF method and are adjusted, where appropriate, based on findings from market observation and transactions. Any gains or losses from a change in fair value are recognized in the income statement affecting net income.

The measurement of the investment properties led to a valuation loss of € -917.5 million in the 2022 fiscal year (2021: € 1,734.8 million) (see → **[D26] Investment Properties**). This includes € -0.1 million (2021: € -1.0 million) for the measurement of right-of-use assets (IFRS 16).

12 Capitalized Internal Expenses

Capitalized internal expenses in the fiscal year came to € 6.5 million (2021: € 5.0 million) and relate primarily to internal expenses for construction project management.

13 Cost of Materials

in € million	2021	2022
Expenses for ancillary costs	391.3	457.9
Expenses for maintenance and modernization	133.8	116.8
Other cost of purchased goods and services	26.9	61.5
	552.0	**636.2**

14 Personnel Expenses

in € million	2021	2022
Wages and salaries	220.2	207.9
Social security, pensions and other employee benefits	39.4	40.3
	259.6	**248.2**

The personnel expenses include expenses for severance payments in the amount of € 8.8 million (2021: € 14.8 million) as well as expenses for the long-term incentive plan (LTIP) at € 0.4 million (2021: € 12.6 million) (see → **[E37] Provisions**).

In the fiscal year under review, employers' contributions to statutory pension insurance amounted to € 16.4 million (2021: € 16.1 million).

Deutsche Wohnen employed a workforce of 4,942 as of December 31, 2022 (December 31, 2021: 5,103). 3,283 employees were female as of December 31, 2022 (December 31, 2021: 3,585) and 1,659 were male (December 31, 2021: 1,518). The average figure for the year was 4,986 employees (2021: 5,175). Deutsche Wohnen also employed 364 apprentices as of December 31, 2022 (December 31, 2021: 327).

15 Other Operating Income

in € million	2021	2022
Compensation paid by insurance companies	24.4	22.2
Reversal of provisions	1.2	10.3
Compensation for damages and cost reimbursements	2.2	2.2
Dunning and debt collection fees	0.3	1.1
Miscellaneous	51.7	36.6
	79.8	**72.4**

The biggest individual item within miscellaneous other operating income is reimbursements from long-term care funds for reduced revenues and additional expenses due to the COVID-19 pandemic.

16 Other Operating Expenses

in € million	2021	2022
Consultants' and auditors' fees	62.3	18.0
Non-capitalizable expenses from real estate development	1.0	7.5
Administrative services	9.2	7.0
Communication costs and work equipment	4.5	3.9
Advertising costs	8.2	2.8
Sales incidentals	1.6	2.7
Rents, leases and ground rents	5.3	1.3
Impairment losses	1.7	0.8
Vehicle and traveling costs	0.7	0.7
Legal and notary costs	0.3	0.3
Miscellaneous	48.4	76.0
	143.2	**121.0**

The drop in other operating expenses is primarily the result of consultancy expenses included in the figures for the previous year incurred in connection with the takeover by Vonovia SE.

17 Interest Income

in € million	2021	2022
Income from non-current decurities and loans	30.9	46.6
Other interest and similar income	4.6	19.2
Other interest and similar income of affiliated companies	–	11.3
	35.5	**77.1**

The increase in the income from non-current securities and non-current loans results primarily from loans extended to the QUARTERBACK Group. The increase in other interest and similar income of affiliated companies is due to the granting of loans to Vonovia SE.

In the reporting year, other interest and similar income includes income of € 11.3 million from pro rata and early repayments of secured financing (€ 284.2 million).

18 Interest Expenses

The interest expenses mainly relate to interest expense on financial liabilities measured at amortized cost.

in € million	2021	2022
Interest expense from non-derivative financial liabilities	127.1	131.1
Swaps (current interest expense for the period)	8.5	4.5
Effects from the valuation of non-derivative financial instruments	14.0	7.8
Effects from the valuation of swaps	-11.6	-52.9
Prepayment penalties and commitment interest	17.7	1.4
Interest accretion to provisions	0.8	1.2
Interest from leases	2.2	1.9
Other financial expenses	-15.4	-21.1
	143.3	**73.9**

A reconciliation of net interest to net interest to be classified in accordance with IFRS 9 is shown in the following table:

in € million	2021	2022
Interest income	35.5	77.1
Interest expenses	-143.3	-73.9
Net interest	**-107.8**	**3.2**
Less:		
Net interest from provisions for pensions in acc. with IAS 19	0.2	1.2
Net interest from leases	2.1	1.9
Net interest to be classified	**-105.5**	**6.3**

The net interest classified pursuant to IFRS 9 is as follows:

in € million	2021	2022
Financial assets carried at (amortized) cost	35.5	77.1
Derivatives measured at FV affecting net income	3.1	47.4
Financial liabilities measured at (amortized) cost	-144.2	-118.2
Classification of net interest	**-105.5**	**6.3**

19 Other Financial Result

in € million	2021	2022
Valuation of convertible bonds	-368.1	–
Income from other investments	0.5	0.5
Transaction costs	-27.8	0.2
Miscellaneous other financial result	-0.1	3.3
	-395.5	**4.0**

The transaction costs in the previous year relate primarily to expenses incurred in connection with the merger with Vonovia SE.

20 Income Taxes

Accounting Policies

Income taxes for the current and prior fiscal years are recognized as current income tax liabilities to the extent that they have not yet been paid.

Deferred tax assets and liabilities are recognized using the liability method under the temporary concept, providing for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are only recognized for temporary differences and on loss carryforwards to the extent that there are deferred tax liabilities that can be netted against them – regarding deferred tax assets on loss carryforwards taking the minimum taxation into account – or, based on the predictable profits in the foreseeable future, it can be verified that they will be realized.

Deferred tax assets and liabilities are not recognized where the temporary difference arises from initial recognition of goodwill in connection with a business combination or the initial recognition (other than a business combination) of other assets and liabilities in a transaction that neither affects taxable income nor net income.

The carrying amount of a deferred tax asset is reviewed at each reporting date. If necessary, the carrying amount of the deferred tax asset is reduced to the extent that it is no longer offset by deferred tax liabilities that can be netted against it or that it is no longer probable that sufficient taxable profit will be available in the future.

Deferred taxes are measured at the tax rates that apply, or are expected to apply, to the period when the tax asset is realized or the liability is settled based on the current legislation in the countries in question. As in 2021, the combined tax rate of corporate income tax and trade tax of 30.2% was used to calculate domestic deferred taxes for 2022.

Deferred tax assets and liabilities are netted against each other only if Vonovia has a legally enforceable right to set off the recognized amounts, when the same tax authority is involved and when the realization period is the same. In accordance with the regulations of IAS 12 "Income Taxes," deferred tax assets and liabilities are not discounted.

in € million	2021	2022
Current income tax	89.4	80.8
Prior-year current income tax	24.2	-3.2
Deferred tax – temporary differences	600.7	-321.2
Deferred tax – unutilized loss carryforwards	143.1	53.6
	857.4	**-190.0**

The current tax expense is determined on the basis of the taxable income for the fiscal year. For the 2022 fiscal year, the combined tax rate of corporate income tax and solidarity surcharge for domestic companies is 15.8% (2021: 15.8%). Including trade tax at a rate of about 14.4% (2021: 14.4%), the combined domestic tax rate is 30.2% in 2022 (2021: 30.2%). The companies that hold properties in the Netherlands and Luxembourg have limited corporation tax liability in Germany. These companies pay tax that is of a negligible amount from the Group's perspective in the countries in which they are domiciled.

For deductible temporary differences (excl. loss carryforwards) in the amount of € 54.8 million (December 31, 2021: € 20.8 million), no deferred corporate income taxes or deferred trade taxes were recognized, because they are not likely to be used in the future.

As of December 31, 2022, there were corporate income tax loss carryforwards amounting to € 345.1 million (December 31, 2021: € 556.7 million), as well as trade tax loss carryforwards amounting to € 406.5 million (December 31, 2021: € 515.5 million), for which deferred tax assets have been recognized to the extent that their realization is sufficiently probable. The increase in tax loss carryforwards resulted from current tax losses at individual companies.

No deferred taxes were recognized in the balance sheet for domestic and foreign corporate income tax loss carryforwards amounting to € 160.2 million (December 31, 2021: € 145.7 million). Of this amount, € 13.2 million arose for the first time in the 2022 fiscal year (2021: € 0.9 million). Under current tax law, these loss carryforwards are not subject to restrictions either with regard to time or the amount of the loss carryforward. The fact that no deferred tax assets were recognized on the new corporate income tax loss carryforwards results in a tax effect of € 2.1 million (2021: € 0.1 million). In addition, there are further trade tax loss carryforwards subject to no restrictions with regard to how they can be carried forward in the amount of € 89.8 million in total (December 31, 2021: € 75.6 million). These did not give rise to any deferred tax assets. Of this amount, € 11.9 million arose for the first time in the 2022 fiscal year (2021: € 1.3 million) and the resulting tax effect is € 1.9 million (2021: € 0.2 million).

The remeasurement of deferred tax assets on temporary differences and loss carryforwards from the previous year led to income amounting to € 12.5 million in the 2022 fiscal year (2021: € -70.8 million).

Deferred taxes on interest carryforwards are recognized if the interest carryforward is likely to be able to be used in the future. Due to the Group's capital structure, no interest carryforwards are likely to be able to be used in the future. As a result, no deferred tax assets have been recognized on interest carryforwards in the amount of € 16.7 million (December 31, 2021: € 11.7 million). € 7.6 million of this amount arose for the first time in the 2022 fiscal year (2021: € 5.2 million). The fact that no deferred tax assets were recognized on the new interest carryforward generated a tax effect of € 2.0 million in Germany (2021: € 1.4 million).

A reconciliation between disclosed effective income taxes and expected tax expense, which is the product of the accounting profit for the period multiplied by the average tax rate applicable in Germany, is shown in the table below.

in € million	2021	2022
Earnings before tax	1,776.4	-635.7
Income tax rate in %	30.2	30.2
Expected tax expense	**536.0**	**-191.8**
Trade tax effects	-37.0	-23.8
Non-deductible operating expenses	-6.4	56.1
Tax-free income	-2.3	–
Change in the deferred tax assets on loss carryforwards and temporary differences	70.8	-12.5
New loss and interest carryforwards not recognized	1.7	6.0
Prior-year income tax and taxes on guaranteed dividends	24.0	-56.9
Other tax effects (net)	270.6	32.9
Effective income taxes	**857.4**	**-190.0**
Effective income tax rate in %	**48.3**	**29.9**

The deferred taxes refer to temporary differences in balance sheet items and unutilized loss carryforwards as follows:

in € million	Dec. 31, 2021	Dec. 31, 2022
Intangible assets	3.8	3.2
Investment properties	10.6	42.0
Assets held for sale	0.6	–
Other assets	7.3	7.6
Provisions for pensions	14.7	9.2
Other provisions	5.0	11.4
Liabilities	45.9	31.4
Loss carryforwards	128.5	74.9
Deferred tax assets	**216.4**	**179.7**

in € million	Dec. 31, 2021	Dec. 31, 2022
Intangible assets	4.0	3.6
Investment properties	5,000.2	5,013.5
Assets held for sale	316.3	0.6
Property, plant and equipment	29.9	29.0
Other assets	8.4	4.6
Provisions for pensions	0.9	2.9
Liabilities	13.2	31.7
Deferred tax liabilities	**5,372.9**	**5,085.9**
Excess deferred tax liabilities	**5,156.5**	**4,906.2**

Deferred tax assets and liabilities are netted against each other when the same company and the same tax authority are involved and the realization period is the same. As a result, the following deferred tax assets and liabilities are stated:

in € million	Dec. 31, 2021	Dec. 31, 2022
Deferred tax assets	0.1	0.2
Deferred tax liabilities	5,156.6	4,906.4
Excess deferred tax liabilities	**5,156.5**	**4,906.2**

The increase in deferred tax liabilities can be attributed primarily to investment properties.

The change in deferred taxes is as follows:

in € million	2021	2022
Excess deferred tax liabilities as of Jan. 1	4,412.1	5,156.5
Deferred tax expense in income statement	743.8	-267.6
Change recognized in other comprehensive income in deferred taxes due to equity instruments measured at fair value	-2.0	–
Change recognized in other comprehensive income in deferred taxes on actuarial gains and losses from pensions and similar obligations	-0.1	6.9
Change recognized in other comprehensive income in deferred taxes on derivative financial instruments	2.7	10.4
Excess deferred tax liabilities as of Dec. 31	**5,156.5**	**4,906.2**

No deferred tax liabilities are recognized for profits accumulated at subsidiaries of € 11,623.9 million (December 31, 2021: € 11,750.2 million), as these profits are to remain invested for an indefinite period or are not subject to taxation. In the event of distribution or disposal of the subsidiaries, 5% of the distributed amounts or the capital gains would be subject to German taxation so that there would normally be an additional tax obligation.

Section (C): Other Disclosures on the Results of Operations

21 Segment Reporting

Deutsche Wohnen is a real estate company with a German real estate portfolio. The portfolio is focused on Berlin. The company's strategy is focused on sustainably increasing the value of the company. This is achieved by managing the company's own residential portfolio sustainably and with a view to enhancing its value, investing in existing residential properties in order to create value, building new residential buildings and selling individual apartments as well as by engaging in active portfolio management, a service business comprising multimedia services and energy supplies, and a nursing care business.

For the purposes of managing the company, we make a distinction between five segments: **Rental, Value-add, Recurring Sales, Development** and **Care**. We also report the **Other** segment, which is not relevant from a corporate management perspective, in our segment reporting. This includes the sale, only as and when the right opportunities present themselves, of entire buildings or land (Non-core/Other) that are likely to have below-average development potential in terms of rent growth in the medium term and are located in areas that can be described as peripheral compared with Vonovia's overall portfolio and in view of future acquisitions. Ancillary costs are also reported under "Other."

The **Rental segment** combines all of the business activities that are aimed at the value-enhancing management of our own residential real estate.

The **Value-add segment** bundles all of the housing-related services that we have expanded our core rental business to include. These services mainly include our multimedia services and energy supply.

The **Recurring Sales segment** includes the regular and sustainable disposals of individual condominiums and single-family houses from our portfolio. It does not include the sale of entire buildings or land (Non-core/Other). These properties are only sold as and when the right opportunities present themselves, meaning that the sales do not form part of the Recurring Sales segment. We report these opportunistic sales in the Other column of the segment report.

The **Development segment** includes project development to build new homes. This covers the value chain starting with the purchase of land without any development plan/dedicated purpose and ending with the completion of new buildings and new construction measures on our own properties. These properties are either incorporated into our own portfolio or sold to third parties. The Development segment deals with projects in selected attractive locations. The value creation from the valuation of the properties at market prices will be allocated to the Development segment when these residential properties are incorporated into our own portfolio.

The **Care segment** includes all activities relating to the management of the Group's own nursing care businesses and the leasing of nursing care properties.

Planning and controlling systems ensure that resources are efficiently allocated and their successful use is monitored on a regular basis. Reporting to the chief decision-makers and thus the assessment of business performance as well as the allocation of resources are performed on the basis of this segmentation. Asset and liability items are not reported separately by segment. Internal reporting is based on the IFRS reporting standards in general.

The Management Board as chief decision-makers of Deutsche Wohnen monitors the contribution made by the segments to the company's performance on the basis of the Adjusted EBITDA.

The following table shows the segment information for the reporting period:

in € million	Rental	Value-add	Recurring Sales	Develop-ment	Care	Segments total	Other*	Consolida-tion*	Group
Jan. 1–Dec. 31, 2022									
Segment revenue	**767.1**	**43.1**	**45.3**	**49.4**	**280.1**	**1,185.0**	**2,169.4**	**-44.3**	**3,310.1**
thereof external income	767.1	27.2	45.3	15.0	280.1	1,134.7	2,169.4	6.0	3,310.1
thereof internal income		15.9		34.4		50.3	–	-50.3	
Carrying amount of assets sold			-29.4			-29.4	-1,708.8		
Fair value adjustment from the disposal of residential properties held for sale						–	-9.0		
Maintenance expenses	-101.1				-7.0	-108.1			
Construction costs Development to sell				-12.5		-12.5			
Construction costs Development to hold				-24.9		-24.9		24.9	
Operating expenses	-86.7	-29.0	-1.3	-2.8	-188.5	-308.3	-7.8	10.0	
Ancillary costs							-457.9		
Adjusted EBITDA Total	**579.3**	**14.1**	**14.6**	**9.2**	**84.6**	**701.8**	**-14.1**	**-9.4**	**678.3**
Non-recurring items									-76.6
Period adjustments from assets held for sale									7.5
Net income from fair value adjustments of investment properties									-917.5
Depreciation, amortization and impairment losses (incl. impairment losses on financial assets)									-166.9
Net income from non-current financial assets accounted for using the equity method									-167.2
Income from other investments									-0.5
Interest income									77.1
Interest expenses									-73.9
Other financial result									4.0
EBT									**-635.7**
Income taxes									**190.0**
Profit for the period									**-445.7**

* The revenue for the Rental, Value-add, Recurring Sales, Development and Care segments constitutes income that is regularly reported to the Management Board as the chief operating decision-maker and that reflects Deutsche Wohnen's sustainable business.
The revenue/costs in the "Other" and "Consolidation" columns are not part of the Management Board's segment management.

in € million	Rental	Value-add	Recurring Sales	Develop-ment	Care	Segments total	Other*	Consolida-tion*	Group
Jan. 1–Dec. 31, 2021 (adjusted)**									
Segment revenue	**835.1**	**29.3**	**58.5**	**65.1**	**266.9**	**1,254.9**	**1,089.7**	**-46.3**	**2,298.3**
thereof external income	835.1	24.7	58.5	16.8	266.9	1,202.0	1,089.7	6.6	2,298.3
thereof internal income		4.6		48.3	–	52.9	–	-52.9	
Carrying amount of assets sold			-214.1		-1.0	-215.1	-555.9		
Fair value adjustment from the disposal of residential properties held for sale			171.5		1.0	172.5	–		
Maintenance expenses	-122.4				-7.7	-130.1			
Construction costs Development to sell				-16.4		-16.4			
Construction costs Development to hold				-48.0		-48.0		48.0	
Operating expenses	-92.1	-15.1	-6.0	-4.0	-173.8	-291.0	18.1	-2.3	
Ancillary costs							-391.3		
Adjusted EBITDA Total	**620.6**	**14.2**	**9.9**	**-3.3**	**85.4**	**726.8**	**160.6**	**-0.6**	**886.8**
Non-recurring items									-79.3
Period adjustments from assets held for sale									-44.9
Net income from fair value adjustments of investment properties									1,734.8
Depreciation, amortization and impairment losses									-213.9
Net income from non-current financial assets accounted for using the equity method									-3.3
Income from other investments									-0.5
Interest income									35.5
Interest expenses									-143.3
Other financial result									-395.5
EBT									**1,776.4**
Income taxes									**-857.4**
Profit for the period									**919.0**

* The revenue for the Rental, Value-add, Recurring Sales, Development and Care segments constitutes income that is regularly reported to the Management Board as the chief operating decision-maker and that reflects Deutsche Wohnen's sustainable business.
The revenue/costs in the "Other" and "Consolidation" columns are not part of the Management Board's segment management.

** Adjusted to reflect the current 2022 segment structure.

To show the development of operating performance and to ensure comparability with previous periods, we calculate Adjusted EBITDA for each of our segments: Rental, Value-add, Recurring Sales, Development and Care. The sum of these key figures produces the Group's Adjusted EBITDA Total. The adjustments made include items that are not related to the period, items that recur irregularly and items that are atypical for business operation. The non-recurring items include severance payments, the development of new fields of business and business process development, as well as acquisition projects, including integration costs.

The **non-recurring items** eliminated in the Adjusted EBITDA Total in the 2022 fiscal year came to € 76.6 million compared with € 79.3 million in the previous year. They related primarily to expenses associated with Deutsche Wohnen's integration into the Vonovia Group.

The breakdown of non-Group revenue from contracts with customers (pursuant to IFRS 15.114f.) and its allocation to the segments referred to above is as follows:

in € million	Rental	Value-add	Recurring Sales	Development	Care	Other	Total
Jan. 1–Dec. 31, 2022							
Revenue from ancillary costs (IFRS 15)						375.0	375.0
Revenue from the disposal of real estate inventories			27.8	13.6			41.4
Other revenue from contracts with customers		27.2			280.1	6.0	313.3
Revenue from contracts with customers		27.2	27.8	13.6	280.1	381.0	729.7
thereof period-related			–	13.6	–		13.6
thereof time-related		27.2	27.8	–	280.1	381.0	716.1
Revenue from rental income (IFRS 16)	767.1			1.4			768.5
Revenue from ancillary costs (IFRS 16)						68.7	68.7
Other revenue	767.1	–	–	1.4	–	68.7	837.2
Revenue	**767.1**	**27.2**	**27.8**	**15.0**	**280.1**	**449.7**	**1,566.9**
Jan. 1–Dec. 31, 2021							
Revenue from ancillary costs (IFRS 15)						313.7	313.7
Revenue from the disposal of real estate inventories			26.2	16.1			42.3
Other revenue from contracts with customers		24.7			266.8	6.9	298.4
Revenue from contracts with customers	–	24.7	26.2	16.1	266.8	320.6	654.4
thereof period-related	–		–	16.1	–	–	16.1
thereof time-related	–	24.7	26.2	–	266.8	320.6	638.3
Revenue from rental income (IFRS 16)	835.1			0.7	0.1		835.9
Revenue from ancillary costs (IFRS 16)						54.0	54.0
Other revenue	835.1	–	–	0.7	0.1	54.0	889.9
Revenue	**835.1**	**24.7**	**26.2**	**16.8**	**266.9**	**374.6**	**1,544.3**

22 Earnings per Share

Accounting Policies

The basic **earnings per share** are calculated by dividing the profit for the period attributable to the shareholders by the weighted average number of ordinary shares in circulation during the reporting period. The diluted earnings per share are obtained by adjusting the profit for the period and the number of outstanding shares on the basis of the assumption that convertible instruments will be converted, options or warrants will be exercised or ordinary shares will be issued under certain conditions. Potential ordinary shares will only be included in the calculation if the conversion into ordinary shares would reduce the earnings per share.

	2021	2022
Profit for the period attributable to Deutsche Wohnen shareholders (in € million)	877.2	-434.1
Weighted average number of shares*	358,497,720	396,934,985
Earnings per share (basic and diluted) in €	**2.45**	**-1.09**

* Excluding 3,362,003 own shares held by Deutsche Wohnen.

At the end of the reporting period, no diluting financial instruments were in circulation. The basic earnings per share correspond to the diluted earnings per share.

23 Management Board's Proposal for the Appropriation of Profit

The Management Board and the Supervisory Board propose to the Annual General Meeting that, of the profit of Deutsche Wohnen SE for the 2022 fiscal year of € 20,877,399.45, an amount of € 0.04 per share outstanding, or a total of € 15,877,399.40, be paid as a dividend to the shareholders and that the remaining amount of € 5,000,000.00 be carried forward to the new account.

Section (D): Assets

24 Intangible Assets

in € million	Concessions, in-dustrial property rights, license and similar rights	Customer base	Trademark rights	Goodwill	Total
Cost					
As of Jan. 1, 2022	25.2	31.2	15.6	148.1	220.1
Additions due to business combinations	–	–	–	–	–
Additions	5.3	–	–	–	5.3
Disposals	-19.2	–	–		-19.2
Transfers	3.3	–	–	–	3.3
As of Dec. 31, 2022	14.6	31.2	15.6	148.1	209.5
Accumulated amortization					–
As of Jan. 1, 2022	17.3	22.0	–	–	39.3
Additions due to business combinations			–	–	–
Amortization in reporting year	4.8	1.6	–	–	6.4
Impairment			–	8.1	8.1
Disposals	-12.3		–	–	-12.3
Transfers	3.2		–	–	3.2
As of Dec. 31, 2022	13.0	23.6	–	8.1	44.7
Carrying amounts					–
As of Dec. 31, 2022	1.6	7.6	15.6	140.0	164.8
Cost					
As of Jan. 1, 2021	24.8	31.2	15.6	319.7	391.3
Additions due to business combinations	–		–	–	–
Additions	2.1	–	–	–	2.1
Disposals	-2.1	–	–	-171.6	-173.7
Transfers	0.4	–	–	–	0.4
As of Dec. 31, 2021	25.2	31.2	15.6	148.1	220.1
Accumulated amortization					
As of Jan. 1, 2021	14.8	18.8		–	33.6
Amortization in reporting year	4.5	3.2	–	171.5	179.2
Disposals	-2.0	–	–	171.5	169.5
As of Dec. 31, 2021	17.3	22.0	–	–	39.3
Carrying amounts					
As of Dec. 31, 2021	7.9	9.2	15.6	148.1	180.8

Accounting Policies

Acquired other intangible assets are stated at amortized cost. **Internally generated other intangible assets** are stated at amortized cost provided that the requirements of IAS 38 for the capitalization of internally generated intangible assets are met. Acquired trademark rights that are identified have an indefinite useful life and are subject to regular impairment testing. The customer base recognized has a definite useful life of eight years. All of Deutsche Wohnen's miscellaneous other intangible assets have definite useful lives and are amortized on a straight-line basis over their estimated useful lives. Software and licenses are amortized on the basis of a useful life of three years.

In accordance with IAS 36 "Impairment of Assets," **other intangible assets** are tested for impairment whenever there is an indication of an impairment. Impairment testing is performed at least once a year. An impairment loss is recognized when an asset's recoverable amount is less than its carrying amount. If the recoverable amount cannot be determined for the individual asset, the impairment test is conducted on the cash generating unit (CGU) to which the asset belongs. Impairment losses are recognized as expenses in the income statement affecting net income.

An impairment loss recognized for prior periods is reversed if there has been a change in the estimates used to determine the asset's (or the CGU's) recoverable amount since the last impairment loss was recognized. The carrying amount of the asset (or the CGU) is increased to the newly estimated recoverable amount. The carrying amount is limited to the amount that would have been determined if no impairment loss had been recognized in prior years for the asset (or the CGU).

Customer Relationships and Similar Values

The "Pflege & Wohnen Hamburg" trademark already acquired in previous years continues to be recognized at a value of € 15.6 million (2021: € 15.6 million).

Goodwill

Accounting Policies

Goodwill results from a business combination and is defined as the amount by which the total consideration for shares in a company or group of companies exceeds the pro rata net assets acquired. The net assets are the total of the identifiable assets acquired that are valued at fair value in accordance with IFRS 3 as well as the assumed liabilities and contingent liabilities.

Goodwill is not subject to amortization, but rather is subjected to impairment testing on an annual basis. It is also tested for impairment whenever events or circumstances indicating an impairment arise.

The impairment testing of goodwill is performed at the level of cash generating units (CGUs) or a group of CGUs. A CGU is the smallest group of assets which generates cash inflows that are largely independent of the cash inflows generated by other assets or other groups of assets. Goodwill purchased as part of a business combination is allocated to the CGUs or groups of CGUs that are expected to produce benefits resulting from the synergy effects of the combination.

At Deutsche Wohnen, each property meets the requirements for classification as a CGU as a general rule. As part of operational management, these properties are grouped first of all to form geographically structured business units and then to form regional business areas. Since the regional business areas are the lowest level within the company at which goodwill is monitored for internal management purposes, the impairment test is performed at business area level and, as a result, in accordance with IAS 36.80 for a group of CGUs. The acquired assets are allocated to the business areas based on the geographical location of the properties. Further groups of CGUs for which goodwill is monitored for internal management purposes relate to the Value-add Business segment. The third group of CGUs, to which goodwill is allocated and for which goodwill is monitored for management purposes, relates to the Care and Assisted Living segment.

The groups of CGUs to which goodwill has been allocated are tested for impairment on a regular basis. This involves comparing the recoverable amount with the carrying amount of the group of CGUs. The recoverable amount of the group of CGUs is either its value in use or fair value less costs of sale, whichever is higher. When calculating the value in use, the estimated future cash flows are discounted to their cash value. Discount rates before tax are used that reflect the current market assessment of the interest rate effect and the specific risks associated with the regional business areas/the Value-add and Development segments, as well as the Care segment.

If goodwill has been allocated to a group of CGUs and its carrying amount exceeds the recoverable amount, the goodwill is to be written down in the amount of the difference in the first instance. Any need for impairment in excess of this amount is distributed among the other assets in the group of CGUs in proportion to their carrying amount. The individual fair value less costs to sell, value in use or zero must not be undercut in this regard.

Impairment losses that have been realized as part of the valuation of goodwill are not reversed in the following years.

Goodwill came to € 140.0 million as of December 31, 2022 (2021: € 148.1 million). This means that goodwill has dropped by € 8.1 million compared with December 31, 2021. The change can be attributed in full to impairment losses in the Value-add CGU.

The regular annual impairment test was performed in the fourth quarter. Due to the resegmentation, the existing goodwill was reallocated to the Care CGU in the amount of € 140.0 million and to the Value-add CGU in the amount of € 8.1 million. Due to the increased cost of capital and taking the reallocation into account, the goodwill for the Value-add CGU was written off in full.

As part of the impairment test and in accordance with IAS 36.19, first the value in use was calculated based on the Management Board-approved detailed plan with a planning period of five years. This was derived from the five-year plan at Group level approved by the Management Board and the Supervisory Board. The main parameters for calculating the value in use are the sustainable rate of increase, the weighted average total cost of capital (WACC) and the expected cash flows.

A constant growth rate of 1.0% was assumed for the Value-add and Care CGUs.

The weighted average cost of capital before tax is based on the risk-free interest rate calculated as a three-month average using the Svensson method, a market risk premium and a levered beta. The levered beta and the equity ratios used are determined on the basis of a peer comparison. They amount to 6.48% for the Care CGU and 6.16% for the Value-add CGU.

The impairment loss was recognized in the consolidated income statement under depreciation and amortization. The value in use for the Value-add CGU is € 65.3 million.

In the Care segment, impairment losses would have to be recognized in the event of an increase in WACC to 5.80% or if no growth were achieved. A full-write off would be required if WACC were to rise to 6.40% or if the economic development were negative in the long term.

25 Property, Plant and Equipment

in € million	Owner-occupied properties	Technical equipment, plant and machinery	Other equipment, fixtures, furniture and office equipment	Total
Cost				
As of Jan. 1, 2022	54.0	203.4	53.1	310.5
Additions	0.5	56.2	4.6	61.4
Capitalized modernization costs	2.9	4.8	0.8	8.5
Disposals	-10.0	-26.3	-7.8	-44.0
Transfers		2.6	-2.7	-0.2
As of Dec. 31, 2022	47.4	240.7	48.0	336.1
Accumulated depreciation				
As of Jan. 1, 2022	11.6	68.6	27.9	108.1
Depreciation in reporting year	3.0	21.8	7.3	32.1
Disposals	-4.0	-12.7	-6.9	-23.6
Other transfers	–	–	–	–
As of Dec. 31, 2022	10.5	77.7	28.3	116.6
Carrying amounts				
As of Dec. 31, 2022	36.9	162.9	19.7	219.6
Cost				
As of Jan. 1, 2021	55.2	183.8	52.0	291.0
Additions	3.3	32.0	10.0	45.3
Capitalized modernization costs	4.6	–	–	4.6
Disposals	-6.8	-17.7	-5.5	-30.0
Other transfers	-2.3	5.3	-3.4	-0.4
As of Dec. 31, 2021	54.0	203.4	53.1	310.5
Accumulated depreciation				
As of Jan. 1, 2021	10.1	60.2	24.7	95.0
Depreciation in reporting year	4.3	23.4	7.0	34.7
Disposals	-2.8	-15.0	-3.8	-21.6
Other transfers	–	–	–	–
As of Dec. 31, 2021	11.6	68.6	27.9	108.1
Carrying amounts				
As of Dec. 31, 2021	42.4	134.8	25.2	202.4

Accounting Policies

Items of property, plant and equipmentare carried at amortized cost less accumulated depreciation and are depreciated over their respective estimated useful lives on a straight-line basis. In accordance with IAS 36 "Impairment of Assets," impairment tests are performed whenever there is an indication of an impairment.

Subsequent costs of replacing part of an item of property, plant and equipment are capitalized provided it is probable that future economic benefits associated with the item will flow to Deutsche Wohnen and the cost can be estimated reliably.

The properties used by the company itself are subject to depreciation over a term of 50 years, with fixtures, furniture and office equipment subject to depreciation over a period of 3–13 years and technical equipment, plant and machinery over a period of 5–20 years.

As of December 31, 2022, the item "Owner-occupied properties" mainly includes the amortized cost for the construction of the Deutsche Wohnen headquarters.

Carrying amounts of owner-occupied properties amounting to € 30.1 million as of December 31, 2022 (December 31, 2021: € 28.0 million) are encumbered with land charges in favor of various lenders.

26 Investment Properties

in € million	
As of Jan. 1, 2022	**28,730.5**
Additions	363.9
Capitalized modernization costs	213.1
Transfers to real estate inventories	-955.7
Transfer to assets held for sale	-107.6
Disposals	-23.3
Net income from fair value adjustments of investment properties	-917.5
Revaluation of assets held for sale	-1.5
As of Dec. 31, 2022	**27,301.9**
As of Jan. 1, 2021	**28,069.5**
Additions	373.7
Capitalized modernization costs	244.2
Transfer from assets held for sale	265.2
Transfer to assets held for sale	-2,084.4
Net income from fair value adjustments of investment properties	1,734.8
Revaluation of residential properties held for sale	127.5
As of Dec. 31, 2021	**28,730.5**

Accounting Policies

When Deutsche Wohnen acquires properties, whether through a business combination or as part of a separate transaction, the intended use determines whether such properties are classified as investment properties or as owner-occupied properties.

Investment properties are properties that are held for the purpose of earning rental income or for capital appreciation or both and are not owner-occupied or held for sale in the ordinary course of business. Investment properties include undeveloped land, land and land rights including buildings and land with hereditary building rights of third parties. Investment properties also include right-of-use assets from rented, developed and undeveloped land (hereditary building rights) and from rented residential and commercial properties (interim leasing) within the meaning of IFRS 16 that are classified as investment properties.

Investment properties are initially measured at cost. Related transaction costs, such as fees for legal services or real estate transfer taxes, are included in the initial measurement. If properties are purchased as part of a business combination and if the transaction relates to a "business," then IFRS 3 applies as far as recognition is concerned. Transaction costs are recognized as an expense.

Following initial recognition, investment properties are measured at fair value. Any change therein is recognized as affecting net income in the income statement. If, during the land or project development phase, reliable measurement at fair value is not possible due to the lack of marketability and the lack of comparable transactions, recognition is at acquisition cost. In such cases, the cost model is continued until a reliable measurement can be carried out, but at the latest until the property in question is completed.

Investment properties are transferred to property, plant and equipment when there is a change in use evidenced by the commencement of owner-occupation. The properties' deemed cost for subsequent measurement corresponds to the fair value at the date of reclassification.

The total amount reported for investment properties as of December 31, 2022 includes right-of-use assets from recognized hereditary building rights and interim leasing arrangements (including right-of-use assets arising from leased and sublet care homes) in the amount of € 62.2 million (2021: € 45.4 million). In this respect, we also refer to chapter → **[E40] Leases**.

The majority of € 60.1 million is attributable to right-of-use assets from hereditary building rights (2021: € 42.9 million).

For the investment properties encumbered with land charges in favor of various lenders, see chapter → **[E39] Non-derivative Financial Liabilities**.

Directly Attributable Operating Expenses

Rental income from investment properties amounted to € 768.5 million during the fiscal year (2021: € 835.9 million). Operating expenses directly relating to these properties amounted to € 109.9 million during the fiscal year (2021: € 137.0 million). These include expenses for maintenance, ancillary costs that cannot be passed on to the tenants, personnel expenses from the caretaker and craftsmen's organizations, and income from the capitalized internal expenses. The capitalized internal expenses relate to the work performed by the Group's own craftsmen's organization and the management costs for major modernization projects.

Long-Term Leases

Deutsche Wohnen as a lessor has concluded long-term leases on commercial properties. These are non-cancelable leases. The minimum future lease receipts from these leases are due as follows:

in € million	Dec. 31, 2021	Dec. 31, 2022
Total minimum lease payments	19.3	16.2
Due within 1 year	5.4	5.1
Due in 1 to 5 years	12.7	10.5
Due after 5 years	1.2	0.6

Fair Values

The value of the entire portfolio of residential properties was determined on the basis of the International Valuation Standard Committee's definition of market value. Portfolio premiums and discounts, which can be observed when portfolios are sold in market transactions, were not included. Nor were time restrictions in the marketing of individual properties. Deutsche Wohnen determines fair value in accordance with the requirements of IAS 40 in conjunction with IFRS 13.

Deutsche Wohnen, in principle, measures its portfolio on the basis of the discounted cash flow (DCF) method. Under the DCF methodology, the expected future income and costs of a property are forecast over a detailed period of ten years and discounted to the date of valuation as the net present value.

The income in the DCF model mainly comprises expected rental income (current in-place rent, market rents as well as their development) taking vacancy losses into account. The expected rental income is derived for each location from the latest rent indices and rent tables (including Value AG, IVD]) as well as from studies on spatial prosperity (Federal Institute for Research on Building, Urban Affairs and Spatial Development [BBSR], Prognos, Value AG, the Federal Statistical Office of Germany, etc.).

On the cost side, maintenance expenses and administrative costs are taken into account. These are taken into account in accordance with II. Berechnungsverordnung (German Regulation on Calculations for Residential Buildings). II. Berechnungsverordnung (BV) is the German Regulation on Calculations for Residential Buildings in accordance with the Second Housing Construction Law, which stipulates how economic viability calculations for homes are to be performed. Further cost items are, for example, ground rents, non-allocable ancillary costs and rent losses. All cost items are inflated in the reporting period. Modernization measures carried out in the housing stocks are factored in by decreasing the current maintenance expenses and adjusting market rents.

On this basis, the forecast cash flows are calculated on an annual basis and discounted to the date of valuation as the net present value. Furthermore, the terminal value of the property at the end of the ten-year period is determined using the expected stabilized net operating income and again discounted to the date of valuation as the net present value. The discount rate applied reflects the market situation, location, type of property, special property features (e.g., hereditary building rights, rent restrictions), the yield expectations of a potential investor and the risk associated with the forecast future cash flows of the property. The derived market value is therefore the result of this net present value and includes standard market transaction costs such as real estate transfer taxes, agent and notary costs.

The commercial properties in the portfolio are mainly small commercial units for the supply of the local residential environment. Different cost approaches are used to those for residential properties, and discount rates were adjusted to reflect the market specifics.

The valuation is, in principle, performed on the basis of homogeneous valuation units. These meet the criteria of economically cohesive and comparable land and buildings. They include:

> Geographical location (identity of the microlocation and geographical proximity)
> Comparable types of use, building class, construction year class and condition of property
> Same property features such as rent restrictions, hereditary building rights and full or part ownership

The Deutsche Wohnen portfolio also contains project developments, existing areas with construction potential and land areas with inheritable building rights granted, as well as nursing care facilities. Project developments for subsequent management within its own portfolio are measured using the cost approach until the construction work is complete – subject to a review of the values applied if triggering events occur. Once the construction work is complete, measurement is at fair value using the DCF procedure described above. Inheritable building rights granted are valued in the same way as the property portfolio using a DCF method. The input parameters here are the duration and amount of ground rent and the value of the land. The right-of-use assets from leasehold contracts are recognized at their fair value. The fair value of the leasehold contracts corresponds to the present value of the standard market leasehold fee payments up until the end of the term of the hereditary building right in question. These are calculated based on the current amount of the ground rent. In order to calculate the present value, the leasehold fee payments are discounted using a property-specific interest rate.

Deutsche Wohnen determined the fair values of its real estate portfolio in Germany as of December 31, 2022 in its in-house valuation department on the basis of the methodology described above.

In addition to the internal valuation, Deutsche Wohnen's real estate portfolio was also valued by the independent property appraiser Jones Lang LaSalle SE. The market value resulting from the external report is consistent with the internal valuation result.

The fair value for the nursing care properties was calculated by the independent expert W&P Immobilienberatung GmbH using a DCF method and are adjusted, where appropriate, based on findings from market observation and transactions.

The contractually fixed remuneration for the valuation report is not linked to the valuation results.

The real estate portfolio of Deutsche Wohnen is to be found in the items investment properties, property, plant and equipment (owner-occupied properties), real estate inventories, contract assets and assets held for sale. The fair value of the portfolio comprising residential buildings, commercial properties, garages and parking spaces, project developments and undeveloped land, inheritable building rights granted and nursing care facilities was € 28,356.1 million as of December 31, 2022 (December 31, 2021: € 30,637.9 million). This corresponds to a net initial yield for the real estate portfolio of 2.2% (December 31, 2021: 2.1%), an in-place-rent multiplier of 33.2 (December 31, 2021: 33.5) and a fair value per m² of € 2,982 (December 31, 2021: € 2,894).

* Existing portfolio of developed land excluding Care and Development.

The material valuation parameters for the investment properties (Level 3) in the residential real estate portfolio are as follows as of December 31, 2022, broken down by regional markets:

Regional market	Valuation results* Fair value (in € million)	thereof Investment properties (in € million)	thereof other types of assets (in € million)
Dec. 31, 2022			
Berlin	19,623.0	19,362.5	360.1
Rhine Main area	2,012.8	1,933.7	79.1
Dresden	1,168.0	1,168.0	-0.0
Leipzig	919.0	919.0	0.0
Rhineland	771.2	771.2	0.0
Hanover	742.3	742.3	0.0
Munich	271.1	271.1	0.0
Other strategic locations	303.9	303.9	0.0
Total strategic locations	**25,811.4**	**25,471.8**	**439.2**
Non-strategic locations	197.8	197.0	0.8
Total Deutsche Wohnen**	**26,009.2**	**25,668.8**	**440.1**

* Fair value of the developed land excluding undeveloped land and inheritable building rights granted, assets under construction, development and other, thereof € 1,633.1 million in investment properties.
** The nursing care facilities do not form part of this overview.

Regional market	Valuation results* Total fair value (in € million)	thereof Investment properties (in € million)	thereof other types of assets (in € million)
Dec. 31, 2021			
Berlin	21,227.1	19,633.4	1,593.7
Rhine Main area	2,008.3	2,002.9	5.4
Dresden	1,191.5	1,191.5	0.0
Leipzig	931.4	931.4	0.0
Rhineland	771.0	752.0	19.0
Hanover	754.7	740.0	14.7
Munich	223.4	223.4	0.0
Other strategic locations	317.4	317.4	0.0
Total strategic locations	**27,424.7**	**25,791.9**	**1,632.9**
Non-strategic locations	204.0	203.6	0.4
Total Deutsche Wohnen**	**27,628.7**	**25,995.4**	**1,633.3**

* Fair value of the developed land excluding undeveloped land and inheritable building rights granted, assets under construction, development and other, thereof € 1,101.8 million in investment properties.
** The nursing care facilities do not form part of this overview.

Valuation parameters investment properties (Level 3)						
Management costs residential (€ per residential unit p.a.)	Maintenance costs total residential (€ per m² p.a.)	Market rent residential (€ per m² per month)	Market rent increase residential	Stabilized vacancy rate residential	Total discount rate	Total capitalized interest rate
286	16.24	8.28	2.0%	0.9%	4.1%	2.3%
306	17.45	10.25	1.9%	1.2%	4.6%	3.0%
285	16.37	7.52	1.8%	2.1%	4.2%	2.8%
298	16.73	7.11	1.7%	4.1%	3.9%	2.6%
300	18.18	10.05	1.8%	1.8%	4.5%	2.9%
289	15.84	7.58	1.7%	2.2%	4.7%	3.4%
281	16.44	12.06	1.9%	1.2%	4.7%	2.9%
271	16.26	6.24	1.4%	4.5%	4.2%	3.4%
288	**16.39**	**8.32**	**2.0%**	**1.3%**	**4.2%**	**2.5%**
314	15.98	6.90	1.4%	3.1%	5.4%	4.4%
288	**16.39**	**8.30**	**2.0%**	**1.3%**	**4.2%**	**2.5%**

Valuation parameters investment properties (Level 3)						
Management costs residential (€ per residential unit p.a.)	Maintenance costs total residential (per m² p.a.)	Market rent residential (in € per m² per month)	Market rent increase residential	Stabilized vacancy rate residential	Total discount rate	Total capitalized interest rate
299	13.48	9.46	1.2%	1.0%	3.8%	2.6%
299	14.28	11.28	1.4%	3.1%	4.6%	3.4%
299	12.30	7.92	1.6%	1.8%	4.7%	3.5%
298	12.93	7.22	1.5%	2.9%	4.3%	3.1%
298	14.62	10.22	1.0%	2.8%	4.1%	3.0%
299	13.97	8.63	1.6%	2.1%	5.4%	4.0%
298	12.91	13.13	1.3%	1.3%	4.7%	3.3%
299	12.38	6.37	1.4%	1.7%	5.2%	4.0%
299	**13.47**	**9.34**	**1.3%**	**1.4%**	**4.0%**	**2.8%**
303	14.80	7.28	1.3%	3.0%	5.8%	4.6%
299	**13.49**	**9.31**	**1.3%**	**1.4%**	**4.0%**	**2.8%**

The inflation rate applied to the valuation procedure comes to 2.1%. Net income from the valuation of investment properties amounted to € -917.5 million in the 2022 fiscal year (2021: € 1,734.8 million).

The main input factors used for the valuation of nursing care properties are average market rent (2022: € 9.37/sqm; 2021: € 9.04/sqm), discount rates (2022: 4.8%; 2021: 4.4%) and maintenance costs (2022: € 12.32/sqm; 2021: € 11.60/sqm). A 5% reduction in the average market rent results in a -5% adjustment to the carrying amount of the nursing care facilities (2021: -5%), an increase in the discount rate by 0.1 pp produces a value adjustment of -2% (2021: -2%) and a 10% increase in maintenance costs results in a value adjustment of -1% (2021: -1%).

Sensitivity Analyses

The sensitivity analyses performed on Deutsche Wohnen's real estate portfolio show the impact of value drivers dependent upon market developments. Those influenced in particular are the market rents and their development, the amount of recognized administrative and maintenance expenses, cost increases, the vacancy rate and interest rates. The effect of possible fluctuations in these parameters is shown separately for each parameter according to regional market in the following.

Interactions between the parameters are possible but cannot be quantified owing to the complexity of the interrelationships. The vacancy and market rent parameters, for example, can influence each other. If rising demand for housing is not met by adequate supply developments, then this can result in lower vacancy rates and, at the same time, rising market rents. If, however, the rising demand is compensated for by a high vacancy reserve in the location in question, then the market rent level does not necessarily change.

Changes in the demand for housing can also impact the risk associated with the expected cash flows, which is then reflected in adjusted discounting and capitalized interest rates. The effects do not, however, necessarily have to have a favorable impact on each other, for example, if the changes in the demand for residential real estate are overshadowed by macroeconomic developments. In addition, factors other than demand can have an impact on these parameters. Examples include changes in the portfolio, in seller and buyer behavior, political decisions and developments on the capital market.

The table below shows the percentage impact on values in the event of a change in the valuation parameters. The absolute impact on values is calculated by multiplying the percentage impact by the fair value of the investment properties.

	Change in value in % under varying parameters		
	Management costs residential	Maintenance costs residential	Cost increase / inflation
Regional market	-10%/10%	-10%/10%	-0.5/+0.5 percentage points
Dec. 31, 2022			
Berlin	0.7/-0.7	2.2/-2.2	6.4/-6.4
Rhine Main area	0.6/-0.6	1.9/-1.9	4.1/-4.2
Dresden	0.6/-0.6	1.7/-1.7	3.8/-3.9
Leipzig	0.8/-0.7	2.5/-2.5	5.9/-5.9
Rhineland	0.4/-0.4	1.1/-1.1	3.0/-3.1
Hanover	0.8/-0.8	2.4/-2.4	5.0/-5.1
Munich	0.9/-0.9	3.1/-3.1	7.8/-7.5
Other strategic locations	1.3/-1.3	4.1/-4.1	8.5/-8.2
Total strategic locations	**0.7/-0.7**	**2.2/-2.2**	**6.1/-6.1**
Non-strategic locations	0.8/-0.8	2.4/-2.4	4.0/-4.1
Total Deutsche Wohnen*	**0.7/-0.7**	**2.2/-2.2**	**6.1/-6.1**

* The nursing care facilities do not form part of this overview.

Change in value in % under varying parameters			
Market rent residential	Market rent increase residential	Stabilized vacancy rate residential	Discounting and capitalized interest rates total
-2%/+2%	-0.2/+0.2 percentage points	-1/+1 percentage point	-0.25/+0.25 percentage points
-2.6/2.5	-10.3/12.7	1.6/-1.8	12.6/-10.1
-2.4/2.4	-7.9/9.3	1.6/-1.6	9.8/-8.2
-2.4/2.4	-7.9/9.2	0.9/-1.6	9.8/-8.2
-2.4/2.4	-8.2/9.8	1.8/-1.8	10.4/-8.6
-2.0/2.0	-7.0/8.4	1.2/-1.3	10.2/-8.4
-2.5/2.4	-7.2/8.3	1.8/-1.8	8.4/-7.2
-2.6/2.7	-9.3/11.4	2.0/-2.0	11.1/-9.2
-3.0/3.0	-8.6/10.1	2.6/-2.5	8.5/-7.3
-2.6/2.5	**-9.8/11.9**	**1.6/-1.8**	**11.9/-9.6**
-2.0/1.9	-4.8/5.3	1.6/-1.6	6.3/-5.7
-2.6/2.5	**-9.7/11.9**	**1.6/-1.8**	**11.9/-9.6**

Regional market	Change in value in % under varying parameters		
	Management costs residential	Maintenance costs residential	Cost increase / inflation
	-10%/10%	-10%/10%	-0.5/+0.5 percentage points
Dec. 31, 2021			
Berlin	0.6/-0.6	1.3/-1.3	4.4/-4.3
Rhine Main area	0.4/-0.4	1.0/-1.0	2.2/-2.3
Dresden	0.5/-0.5	1.1/-1.1	2.9/-2.9
Leipzig	0.6/-0.6	1.4/-1.4	4.0/-4.1
Rhineland	0.6/-0.5	1.3/-1.2	5.2/-4.8
Hanover	0.5/-0.5	1.3/-1.3	1.5/-1.7
Munich	0.4/-0.4	0.8/-0.8	2.3/-2.4
Other strategic locations	0.8/-0.8	1.7/-1.7	3.7/-3.7
Total strategic locations	0.6/-0.6	1.3/-1.3	4.0/-4.0
Non-strategic locations	0.5/-0.5	1.5/-1.5	2.7/-3.1
Total Deutsche Wohnen*	**0.6/-0.6**	**1.3/-1.3**	**4.0/-4.0**

* The nursing care facilities do not form part of this overview.

27 Financial Assets

in € million	Dec. 31, 2021		Dec. 31, 2022	
	non-current	current	non-current	current
Other investments	33.9	–	39.6	–
Other non-current loans	263.6	562.4	684.2	1,016.2
Receivables from finance leases	23.7	2.6	21.2	2.6
Derivatives	3.0	–	66.4	0.2
	324.2	**565.0**	**811.4**	**1,019.0**

	Change in value in % under varying parameters			
	Market rent residential	Market rent increase residential	Stabilized vacancy rate residential	Discounting and capitalized interest rates total
	-2%/+2%	-0.2/+0.2 percentage points	-1/+1 percentage point	-0.25/+0.25 percentage points
	-1.2/1.2	-7.4/8.6	1.1/-1.6	10.9/-9.0
	-1.4/1.4	-6.1/6.9	1.4/-1.4	8.6/-7.3
	-1.5/1.5	-6.1/6.8	1.4/-1.5	8.3/-7.1
	-1.6/1.6	-6.8/7.8	1.6/-1.6	9.4/-7.9
	-2.4/2.6	-6.1/7.6	1.6/-1.5	9.7/-8.1
	-1.4/1.3	-4.6/4.7	1.5/-1.5	6.6/-5.8
	-1.4/1.4	-6.7/7.8	1.3/-1.4	9.5/-7.9
	-1.6/1.6	-5.4/6.1	1.7/-1.8	6.9/-6.1
	-1.3/1.3	**-7.1/8.2**	**1.2/-1.6**	**10.4/-8.6**
	-1.0/1.1	-4.0/3.4	1.6/-1.6	6.1/-5.4
	-1.3/1.3	**-7.0/8.2**	**1.2/-1.6**	**10.3/-8.5**

Accounting Policies

Financial assets are recognized in the balance sheet when Deutsche Wohnen becomes a contracting party of the financial instrument. A financial asset is derecognized when the contractual rights to the cash flows from a financial asset expire, or the financial asset is transferred and Deutsche Wohnen neither retains control nor retains material risks and rewards associated with ownership of the financial asset.

In accordance with IFRS 9, the **classification of financial assets** takes into account both the business model in which financial assets are held and the characteristics of the cash flows of the assets in question. These criteria determine whether the assets are measured at amortized cost using the effective interest method or at fair value.

With regard to the business model criterion, all financial investments at Deutsche Wohnen are to be assigned to the "hold to collect" model pursuant to IFRS 9.4.1.2(a). Whenever financial investments are categorized as equity instruments, Deutsche Wohnen has exercised the irrevocable option to state future changes to the fair value in other comprehensive income in equity. Gains and losses recognized in other comprehensive income are never reclassified from total equity to the income statement on their disposal.

The carrying amount of financial assets corresponds to maximum risk of loss as of the reporting date.

The other investments of € 39.2 million (December 31, 2021: € 33.5 million) include shares in the QUARTERBACK Immobilien Group.

The other non-current loans include loan receivables with a nominal value of € 801.9 million (December 31, 2021: € 806.5 million) from the QUARTERBACK Immobilien Group granted in line with standard market conditions. The other non-current loans also include loan receivables with a nominal value of € 870.0 million (December 31, 2021: € - million) from Vonovia SE granted in line with standard market conditions.

The expected credit losses for the loans granted to the QUARTERBACK Immobilien Group were calculated in accordance with the IFRS 9 general approach. The loans generally feature a risk concentration. As the credit risk had increased considerably as of the reporting date as against the prior period, the calculations were performed based on the lifetime expected probability of default pursuant to IFRS 7.35M, resulting in expected credit losses of € 20.1 million. The new loans taken out as of the reporting date are excluded from a significant increase in credit risk and are still calculated on the basis of a twelve-month probability of default.

The receivables from finance leases are mainly due to the rental of certain broadband cable networks. There were receivables of € 23.8 million (December 31, 2021: € 26.3 million) and interest income of € 1.1 million on the reporting date (December 31, 2021: € 1.3 million). The debt maturity profile of the receivables is as follows:

in € million	Dec. 31, 2021	Dec. 31, 2022
Nominal value of outstanding lease payments	31.9	28.2
thereof due within one year	3.7	3.5
thereof due within one to two years	3.5	3.6
thereof due within two to three years	3.6	3.0
thereof due within three to four years	3.0	3.0
thereof due within four to five years	3.0	3.0
thereof due within more than five years	15.1	12.1
Plus unguaranteed residual values	0.2	0.2
Less financial income that has not yet been realized	-5.8	-4.6
Present value of outstanding lease payments	**26.3**	**23.8**

Positive market values of € 66.4 million (December 31, 2021: € 3.0 million) from other interest rate derivatives are reported within non-current derivatives.

28 Non-current Financial Assets Accounted for Using the Equity Method

As of the reporting date, Deutsche Wohnen held interests in 22 joint ventures and five associates (December 31, 2021: 22 joint ventures and five associates).

Deutsche Wohnen holds 40% of the non-listed QUARTERBACK Immobilien AG with registered office in Leipzig, which was classed as an associate as of December 31, 2022. QUARTERBACK Immobilien AG is a project developer with operations throughout Germany focusing on the central German region. The equity investment will strengthen the Deutsche Wohnen Group's development business.

Deutsche Wohnen also holds interests in eleven (December 31, 2021: eleven) non-listed financial investments of QUARTERBACK Immobilien AG, with equity interests of between 44% and 50% (QUARTERBACK property companies), that were classified as joint ventures.

The table below summarizes the financial information of QUARTERBACK Immobilien AG and the QUARTERBACK property companies as of December 31, 2022. The table also shows a reconciliation of the combined financial statements with the carrying amount of Deutsche Wohnen's interest in QUARTERBACK Immobilien AG and the combined QUARTERBACK property companies.

in € million	Dec. 31, 2021 QUARTER-BACK Immobilien AG	Dec. 31, 2022 QUARTER-BACK Immobilien AG	Dec. 31, 2021 QUARTER-BACK property companies	Dec. 31, 2022 QUARTERBACK property companies
Non-current assets	774.3	764.0	234.3	229.5
Current assets				
Cash and cash equivalents	112.7	104.9	15.7	21.1
Other current assets	1,133.6	1,510.3	567.9	589.3
Total current assets	1,246.3	1,615.2	583.6	610.4
Non-current liabilities	769.9	841.6	111.9	86.6
Current liabilities	908.7	1,186.2	462.2	510.3
Non-controlling interests	40.9	42.5	11.9	12.0
Net assets (100%)	**301.1**	**308.9**	**231.9**	**231.0**
Group share in %	40	40	44 to 50	44 to 50
Group share of net assets	120.4	123.6	108.8	106.6
Group adjustments	-1.6	-49.5	-4.6	-5.4
Goodwill	114.5		–	
Carrying amount of equity interests	**233.3**	**74.1**	**104.2**	**101.2**
Revenue	205.9	311.1	60.3	59.0
Changes in the portfolio	631.3	302.2	24.0	17.7
Interest income	4.3	20.6	9.1	8.4
Depreciation, amortization and impairment losses	-3.0	-4.3	-0.2	-0.2
Interest expenses	-48.3	-78.2	-17.1	-23.2
Income taxes	-13.7	-18.1	-1.9	-0.6
Profit from continuing operations (100%) and total comprehensive income for the fiscal year	**16.5**	**7.8**	**7.2**	**-3.1**

The adjustment of the investments in the QUARTERBACK Group using the equity method results in a negative result of € 8.5 million as of December 31, 2022 (2021: € 5.4 million).

Based on the final purchase price allocation, the carrying amount of the QUARTERBACK Immobilien AG, accounted for using the equity method, was written down to € 74.1 million (2021: € 239.1 million) using a WACC adjusted by the base interest rate.

In addition to these investments, Deutsche Wohnen also holds interests in 15 (2021: 15) other entities that, when taken individually, are of minor importance and that are accounted for using the equity method; quoted market prices are not available. Deutsche Wohnen holds less than 20% of the voting rights in one of these companies, but has classified its influence as significant due to further contractual relationships. The following table shows, in aggregated form, the carrying amount and the share of profit and other comprehensive income of these companies.

Within other non-current equity investments, a need for impairment of € 2.3 million was identified for one non-current equity investment as part of the regular impairment test as of December 31, 2022.

in € million	Dec. 31, 2021	Dec. 31, 2022
Carrying amounts of shares in non-current financial assets accounted for using the equity method	35.8	32.6
Group share of net income from immaterial companies accounted for using the equity method	10% to 50%	10% to 50%
Pro rata total comprehensive income	**1.8**	**-0.7**

With regard to the other entities, Deutsche Wohnen has no significant financial obligations or guarantees with respect to joint ventures and associates.

29 Other Assets

	Dec. 31, 2021		Dec. 31, 2022	
in € million	non-current	current	non-current	current
Payments in advance on real estate projects	–	–	214.7	104.5
Receivables from insurance claims		1.6	0.2	0.1
Miscellaneous other assets	1.2	100.4	–	93.8
	1.2	**102.0**	**214.9**	**198.4**

The advance payments made for real estate projects include ongoing project developments by third parties (forward deals) in which the purchase price is paid in installments during the project development phase.

Miscellaneous other assets include the entitlement to the purchase price back-payment from the ongoing appraisal proceedings in connection with the control agreement concluded in 2014 between Deutsche Wohnen SE and GSW Immobilien AG in the amount of € 66.0 million (2021: € 63.9 million).

30 Income Tax Receivables

The income tax receivables disclosed relate to corporate income tax and trade tax receivables for the current fiscal year and prior years as well as capital gains tax.

The increase in the 2022 fiscal year results mainly from the rise in rebate entitlements on tax prepayments and capital gains tax to be credited.

31 Inventories

Accounting Policies

Inventories are valued at cost or at their net realizable value, whichever is lower.

Inventories include € 47.2 million (December 31, 2021: € - million) in work in progress relating to ancillary costs bills in 2023. The raw materials and supplies reported related primarily to equipment and aids for nursing care businesses.

32 Trade Receivables

The trade receivables break down as follows:

in € million	Impaired		Not impaired						Carrying amount
				Past due within the following time frames as of the end of the reporting period					
	Gross	Impairment losses	Neither impaired nor past due at the end of the reporting period	less than 30 days	between 30 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days	Corresponds to maximum risk of loss*
Receivables from the sale of investment properties			0.4						0.4
Receivables from the sale of real estate inventories									–
Contract assets									–
Receivables from rental	40.6	-25.6							15.0
Receivables from other management									–
Other receivables from trading			14.2						14.2
Receivables from affiliated companies			0.4						0.4
As of Dec. 31, 2022	**40.6**	**-25.6**	**15.0**	**-**	**-**	**-**	**-**	**-**	**30.0**
Receivables from the sale of investment properties	–	–	62.1						62.1
Receivables from the sale of real estate inventories									–
Contract assets	–	–	12.0						12.0
Receivables from rental	49.8	-21.9	–						27.8
Receivables from other management	–	–	–						–
Other receivables from trading	–	–	11.1						11.1
As of Dec. 31, 2021	**49.8**	**-21.9**	**85.2**	**-**	**-**	**-**	**-**	**-**	**113.0**

* The maximum default risk on the receivables from the sale of properties is limited to the margin and the transaction unwinding costs as the title to the properties remains with Deutsche Wohnen as security until receipt of payment.

Accounting Policies

Impairment losses on financial assets are determined based on the expected credit loss model. The guiding principle of the model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments, taking losses that are already expected into account.

The IFRS 9 approach includes the following measurement levels:

> Level 1: Twelve-month expected credit losses (ECLs), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
> Level 2: Lifetime ECLs (homogeneous debtor portfolios), which applies when a significant increase in credit risk has occurred on an individual or a collective basis of financial instruments.
> Level 3: Lifetime ECLs (based on an individual assessment): If an individual assessment of assets produces objective indications of a need for impairment, then an assessment of the entire maturity of the financial instrument is decisive.

The simplified impairment approach is used with regard to **trade receivables** (e. g., rent receivables, receivables from ancillary costs, receivables from the sale of properties) and for **contract assets** pursuant to IFRS 15. This means that there is no need to track the changes in credit risk. Instead, Deutsche Wohnen has to set up loan loss provisions in the amount of the lifetime expected credit losses both at the time of initial recognition and on each following reporting date.

The carrying amounts of current trade receivables correspond to their fair values.

In principle, all impaired trade receivables are due and payable. As regards the trade receivables that are neither impaired nor past due, there was no indication on the reporting date that the debtors would not meet their payment obligations.

Receivables from the sale of properties arise on economic transfer of ownership. The due date of the receivable may, however, depend on the fulfillment of contractual obligations. Some purchase contracts provide for the purchase price to be deposited in an escrow account. Impairment losses for doubtful debts are recorded up to the amount of the posted proceeds from sales.

Deutsche Wohnen's receivables from property letting generally arise at the beginning of the month, are of a short-term nature and result from claims in relation to tenants relating to operating business activities. Due to the (subsequent) measurement at amortized cost, an impairment test has to be performed. The receivables fall under the scope of the calculation of expected credit losses.

In accordance with the general provisions set out in IFRS 9, expected credit losses are to be recognized using the simplified approach for current trade receivables without any significant financing component.

Irrespective of their term, Deutsche Wohnen initially assigns receivables to Level 2 of the impairment model. In the further course, they need to be moved to Level 3 of the impairment model if there is objective evidence of impairment. The transfer from Level 2 to Level 3 is to be made at the latest when the contractual payments have been overdue for more than 90 days. This assumption can, however, be refuted in individual cases if there are no other objective indications pointing towards a default. Receivables always have to be transferred to the next level if a legally enforceable instrument has been obtained against the tenant as part of a dunning procedure. If the objective evidence of impairment ceases to apply, the receivable is transferred (back) to Level 2 of the impairment model.

If Deutsche Wohnen becomes aware of any major changes in market conditions and/or a debtor's circumstances, it reevaluates the expected credit losses without delay. This procedure ensures that receivables are transferred to the right level in the impairment model as soon as possible.

Deutsche Wohnen uses a credit loss matrix when calculating expected credit losses for trade receivables. The matrix is based on historical default rates and takes current expectations into account, including macroeconomic indicators (e.g., GDP). The matrix can be used to calculate the expected credit losses for various homogeneous portfolios.

In order to create portfolios for the purpose of assessing the probability of default, the individual clusters of receivables need to have homogeneous credit risk characteristics. As far as receivables from its operating business activities are concerned, i.e., the letting of rental properties, Deutsche Wohnen makes a distinction between receivables from existing tenants and receivables from former tenants. Both portfolios include current receivables that are exposed to a low level of volatility, as the company's core operating business is hardly exposed to any major fluctuations. Main effects on receivables in the past are attributable to corporate takeovers by Deutsche Wohnen.

Calculation Method for Receivables from Former Tenants

The calculation of the probability of default is based on the results of an analysis of the historical probability of default. Cash flows relating to outstanding receivables over the last three years have been analyzed and an average amount of incoming payments for the year in question was calculated on a monthly basis. The average monthly incoming payments were compared against the average monthly receivables for the year in question. Ultimately, Deutsche Wohnen sets up risk provisions corresponding to a rounded total of 95% for its receivables from former tenants.

The loss given default comprises the following:

The receivables of former tenants that are being analyzed (amount of the receivable at the time of default) are corrected to reflect retained deposits that serve as security for Deutsche Wohnen. This is already taken into account as part of the calculation method used for the probability of default.

The average receivables taken as a basis do not include receivables subject to specific valuation allowances that were written off in full.

Receivables from Existing Tenants

When it comes to determining the probability of default with regard to receivables associated with ongoing lease agreements, Deutsche Wohnen analyzes those receivables that have actually been derecognized over the last three years.

This is performed systematically by way of a receivables management system according to the aspects receivables relating to ancillary expenses, those connected to the product, rent adjustments and payment difficulties.

Impairment losses on trade receivables developed as follows:

in € million	
Impairment losses as of Jan. 1, 2022	21.9
Addition	5.6
Utilization	-0.9
Reversal	-1.0
Impairment losses as of Dec. 31, 2022	**25.6**
Impairment losses as of Jan. 1, 2021	20.1
Addition	8.6
Utilization	-5.7
Reversal	-1.1
Impairment losses as of Dec. 31, 2021	**21.9**

The following table shows the expenses for the full derecognition of receivables as well as income from the receipt of derecognized receivables:

in € million	Dec. 31, 2021	Dec. 31, 2022
Expenses for the derecognition of receivables	–	0.2
Income from the receipt of derecognized receivables	1.1	0.4

33 Cash and Cash Equivalents

Accounting Policies

Cash and cash equivalents include cash on hand, checks and deposits at banking institutions as well as marketable securities with an original term of up to three months.

Cash and cash equivalents are measured using the general impairment approach in accordance with IFRS 9.

Cash and cash equivalents include cash on hand, checks and deposits at banking institutions totaling € 184.3 million (December 31, 2021: € 676.7 million).

34 Real Estate Inventories

Accounting Policies

Properties from the sales-related development business and land and buildings intended for sale are reported within real estate inventories. The **sales-related development business** refers to subsidized or independently financed condominiums that are under construction or have already been completed. These properties are not held with the aim of generating rental income or achieving increases in value within the meaning of IAS 40, but rather are developed and constructed to be sold at a later date. These development projects are recognized depending on whether there is a customer contract for the residential units that are intended for sale. If this is not the case, the valuation is performed, due to the intention to sell according to IAS 2 at amortized cost or at net realizable value, whichever is lower, with a corresponding disclosure under real estate inventories.

Land and buildings intended for sale are properties that are sold in the ordinary course of business, which may exceed a period of twelve months. Initial measurement is at cost. Acquisition costs include the directly attributable costs of acquisition and provision, in particular the acquisitions costs for the land and the incidental acquisition costs.

Recognized real estate inventories in the amount of € 926.0 million (December 31, 2021: € 197.0 million) mainly concern development projects. These are projects to construct residential units planned for sale that are currently being built or that have been completed but have not yet been sold. The increase as against the previous year is mainly due to reclassifications from investment properties to real estate inventories due to the conversion of development-to-hold projects into development-to-sell projects.

35 Assets and Liabilities Held for Sale

Accounting Policies

To be classified as **held for sale**, the assets must be available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets, and it must be highly probable that a sale will take place. A sale is deemed to be highly probable if there is a commitment to a plan to sell the asset, an active program to locate a buyer and complete the plan has been initiated, the asset is being actively marketed for sale at a reasonable price, and a sale is expected to be completed within one year of the date on which the asset is classified as held for sale.

Deutsche Wohnen accounts for investment properties as assets held for sale when notarized purchase contracts have been signed or a declaration of intent to purchase has been signed by both parties as of the reporting date but transfer of title will, under the contract, not take place until the subsequent reporting period. Initially they are recognized at the contractually agreed selling price and subsequently at fair value following deductions for costs to sell, if the latter is lower.

In September 2021, Deutsche Wohnen sold around 11,000 residential and commercial units to public housing companies in Berlin based on an agreement reached with the Berlin State Government (asset and share deals). The transaction was closed in the first quarter of 2022. This reduced assets held for sale by a total of € 1.6 billion.

The assets held for sale include properties totaling € 2.4 million (December 31, 2021: € 46.3 million) for which notarized purchase contracts had already been signed as of the reporting date.

Section (E): Capital Structure

36 Total Equity

Accounting Policies

Other comprehensive income includes changes in total comprehensive income not affecting net income except that resulting from capital transactions with equity holders (e.g., capital increases or dividend distributions). Deutsche Wohnen includes under this item unrealized gains and losses from the fair value measurement of equity instruments and derivative financial instruments that are designated as cash flow hedges. The item also includes actuarial gains and losses from defined benefit pension commitments as well as certain currency translation differences.

The **other reserves** contain cumulative changes in equity not affecting income. At Deutsche Wohnen, the effective portion of the net change in the fair value of cash flow hedging instruments, the equity instruments at fair value as well as currency translation differences are recognized in other comprehensive income.

The other reserves from cash flow hedges and from currency translation differences can be reclassified. When the underlying hedged item of the cash flow hedge affects net income, the reserves attributable thereto are reclassified to profit or loss. If a foreign business is disposed of, the reserves attributable thereto are reclassified.

Subscribed Capital

The subscribed capital as of December 31, 2022 was unchanged at € 396.9 million. Share capital was unchanged as against the previous year at € 400,296,988.00. In addition, the number of the company's own shares are also unchanged at 3,362,003. These own shares account for share capital in the amount of € 3,362,000.00.

Capital Reserves

Capital reserves fell in the fiscal year from € 4,433.4 million as of December 31, 2021 to € 4,174.7 million as of December 31, 2022 due to withdrawals made by the Management Board in the amount of € 258.7 million.

Dividend

The Annual General Meeting held on June 2, 2022, resolved to pay a dividend for the 2021 fiscal year in the amount of € 0.04 per share.

The total amount of the dividend distributed in cash therefore came to € 15,877,399.40.

Authorized Capital

On the basis of the resolution passed by the Annual General Meeting on June 15, 2018, entered in the Commercial Register on August 16, 2018, the Management Board was authorized, with the consent of the Supervisory Board, to increase the company's share capital by an original amount of up to € 110.0 million by issuing new ordinary bearer shares in return for cash contributions and/or contributions in kind. This authorization was used in part by issuing 2,617,281 new shares in the amount of € 2,617,281.00. Having being utilized in part, the 2018/I Authorized Capital still available amounts to up to € 107,382,719.00 through the issue of up to 107,382,719 new ordinary bearer shares. Shareholders shall be granted a subscription right in connection with the Authorized Capital as a general rule. The Management Board is, however, authorized, with the consent of the Supervisory Board, to exclude shareholder subscription rights in certain cases subject to the detailed conditions set out in the Articles of Association.

Conditional Capital

The share capital is conditionally increased by up to € 93.0 million through the issue of up to around 93.0 million new ordinary bearer shares carrying dividend rights from the start of the fiscal year that is ongoing at the time they are issued as a general rule.

Retained Earnings

Retained earnings of € 11,715.6 million (December 31, 2021: € 11,907.6 million) were reported as of December 31, 2022. This figure includes actuarial gains and losses of € -4.7 million (December 31, 2021: € -28.4 million), which cannot be reclassified and therefore may no longer be recognized in profit or loss in subsequent reporting periods.

Other Reserves

The changes in other comprehensive income during the period amounting to € 23.0 million (2021: € 9.5 million) are due primarily to the difference from the development in cash flow hedges.

Non-Controlling Interests

Shares of third parties in Group companies are recognized under non-controlling interests.

Non-controlling interests decreased by € 2.1 million in the 2022 fiscal year, from € 476.1 million as of January 1, 2022, to € 474.0 million as of December 31, 2022.

37 Provisions

in € million	Dec. 31, 2021 non-current	Dec. 31, 2021 current	Dec. 31, 2022 non-current	Dec. 31, 2022 current
Provisions for pensions and similar obligations	104.8	–	73.2	–
Provisions for taxes (current income taxes excl. deferred taxes)	–	129.0	–	132.8
Other provisions				
Environmental remediation	0.7	9.5	9.6	–
Personnel obligations	1.5	22.8	1.9	23.4
Miscellaneous other provisions	42.0	15.6	19.9	63.9
Total other provisions	44.2	47.9	31.4	87.3
Total provisions	**149.0**	**176.9**	**104.6**	**220.1**

Provisions for Pensions and Similar Obligations

Accounting Policies

When valuing the **provisions for pensions**, the company pension obligations are determined using the projected unit credit method pursuant to IAS 19 "Employee Benefits," whereby current pensions and vested pension rights as of the reporting date as well as expected future increases in salaries and pensions, are included in the valuation. An actuarial valuation is performed at every reporting date.

The amount shown in the balance sheet is the total present value of the defined benefit obligations (DBO) after offsetting against the fair value of plan assets.

Actuarial gains and losses are accounted for in full in the period in which they occur and recognized in retained earnings as a component of other comprehensive income and not in profit or loss. The actuarial gains and losses are also no longer recognized with effect on net income in subsequent periods.

Service cost is shown in personnel expenses. The service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the reporting period.

The interest expense is recognized in the financial result. Interest expense is the increase during a period in the present value of a defined benefit obligation that generally arises due to the fact that the benefit obligation is one period closer to being discharged.

Reinsurance contracts that qualify as plan assets have been taken out to cover the pension obligations toward particular individuals. Where the value of those reinsurance contracts exceeds the related pension obligations, the excess is recognized as an asset and shown under other assets.

Obligations from joint defined benefit multi-employer plans at Versorgungsanstalt des Bundes und der Länder (VBL), a pension institution of the Federal Republic of Germany and the Federal States, are stated, in line with IAS 19.34, in the same way as obligations from defined contribution plans, insofar as the information required for the statement of defined benefit plans is not available. The obligations are based on the amounts to be paid for the current period.

Deutsche Wohnen's company pension scheme consists of defined benefit and defined contribution pension plans. The pension commitments – for which Deutsche Wohnen guarantees a certain level of benefit – are financed through provisions for pensions.

The pension commitments cover 2,046 (December 31, 2021: 2,048) eligible persons.

The expenses for the benefits paid out under defined benefit plans are calculated using the projected unit credit method. Actuarial gains and losses are recognized in the Group's total comprehensive income, not affecting net income.

Deutsche Wohnen pays contributions to state pension insurance agencies under defined contribution plans on the basis of statutory provisions. The ongoing contribution payments are reported as social security contributions under personnel expenses. The Group has no further performance obligations upon payment of the contributions.

There is also a pension plan based on the regulations governing the public-sector supplementary pension scheme. It is based on the membership of a group company of Bayerische Versorgungskammer (hereinafter referred to as BVK) – pension institution of the Federal Republic of Germany and the Federal States (VBL). The supplementary pension scheme includes a partial or full pension for reduced earnings capacity. The levy charged by BVK and the VBL is calculated based on the employee remuneration that is subject to supplementary pension insurance. Structural changes or a decision to leave the VBL can result in significant claims for the equivalent amount. As a result, BVK and the VBL both constitute a defined benefit multi-employer plan which has been recognized as a defined contribution plan pursuant to IAS 19-30(a).

The pension obligations assumed as part of the BauBeCon acquisition are financed via the provident fund ufba – Unterstützungskasse zur Förderung der betrieblichen Altersversorgung e. V. – and recognized as plan assets.

The following actuarial assumptions were made at the reporting date – in each case related to the end of the year and with economic effect for the following year.

Actuarial Assumptions

In %	Dec. 31, 2021	Dec. 31, 2022
Actuarial interest rate	0.81	3.73
Pension trend	1.46	1.85
Salary trend	3.01	3.00

The 2018 G mortality tables of Prof. Dr. Klaus Heubeck have been taken for the biometric assumptions without any changes.

The defined benefit obligation (DBO) developed as follows:

in € million	2021	2022
DBO as of Jan. 1	**117.3**	**112.3**
Interest expense	0.7	1.2
Current service cost	1.5	1.6
Actuarial gains and losses:		
Changes in the biometric assumptions	-0.1	0.9
Changes in the financial assumptions	-3.7	-31.5
Benefits paid	-3.4	-3.9
DBO as of Dec. 31	**112.3**	**80.6**

The present value of the pension obligation is divided among the groups of eligible persons as follows:

in € million	Dec. 31, 2021	Dec. 31, 2022
Active employees	29.7	16.7
Former employees with vested pension rights	23.0	13.6
Pensioners	59.6	50.2
DBO as of Dec. 31	**112.3**	**80.6**

The fair value of the plan assets has developed as follows:

in € million	2021	2022
Fair value of plan assets as of Jan. 1	**7.7**	**7.5**
Actuarial gains:		
Changes in the financial assumptions	–	0.3
Benefits paid	-0.2	-0.4
Fair value of plan assets as of Dec. 31	**7.5**	**7.4**

The actual return on plan assets amounted to € 0.3 million during the fiscal year (2021: € 0.0 million).

The following table shows a reconciliation of the defined benefit obligation to the pension obligation recognized in the balance sheet:

in € million	Dec. 31, 2021	Dec. 31, 2022
Present value of funded obligations	7.5	7.4
Present value of unfunded obligations	104.8	73.2
Total present value of defined benefit obligations	112.3	80.6
Fair value of plan assets	-7.5	-7.4
Net liability recognized in the balance sheet	104.8	73.2
Other assets to be recognized	–	–
Provisions for pensions recognized in the balance sheet	**104.8**	**73.2**

In 2022, actuarial gains of € 30.7 million (excluding deferred taxes) were recognized in other comprehensive income (2021: € 3.8 million).

The average term of the commitments is 16.0 years (December 31, 2021: 17.4 years).

The following table contains the estimated, undiscounted pension payments of the coming five fiscal years and the total of those in the subsequent five fiscal years:

in € million	Projected pension payments
2023	4.6
2024	4.7
2025	4.7
2026	4.7
2027	4.8
2028–2032	24.5

Sensitivity Analyses

An increase or decrease in the material actuarial assumptions would have led to the following defined benefit obligation, providing the other assumptions did not change:

in € million		Dec. 31, 2021	Dec. 31, 2022
Actuarial interest rate	Increase by 0.5%	99.2	74.6
	Decrease by 0.5%	116.2	87.0
Pension trend	Increase by 0.25%	110.8	83.0
	Decrease by 0.25%	104.2	78.2

If several assumptions are changed simultaneously, the cumulative effect is not necessarily the same as if there had been a change in just one of the assumptions.

Other Provisions

Accounting Policies

Other provisionsare recognized when there is a present obligation, either legal or constructive, vis-à-vis third parties as a result of a past event if it is probable that a claim will be asserted and the probable amount of the required provision can be reliably estimated. Provisions are discounted if the resulting effect is material. The carrying amount of discounted provisions increases in each period to reflect the passage of time and the unwinding of the discount is recognized within interest expense. The discount rate is a pre-tax rate that reflects current market assessments.

Provisions for restructuring expenses are recognized when the Group has set up and communicated a detailed formal plan for restructuring and has no realistic possibility of withdrawing from these obligations.

Provisions for onerous contracts are recognized when the expected benefits from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is stated at the lower of the present value of the fulfillment obligation and the cost of terminating the contract, i.e., a possible indemnity or fine for breach or non-fulfillment of contract.

Provisions are reviewed regularly and adjusted to reflect new information or changed circumstances.

The **provisions for pre-retirement part-time work arrangements** are basically to be classified as other long-term employee benefits that are to be accrued over the employees' service periods.

The assets of the insolvency policy to secure fulfillment shortfalls arising from pre-retirement part-time work arrangements are offset against the amounts for fulfillment shortfalls contained in the provisions for pre-retirement part-time work arrangements.

A contingent liability is a possible obligation toward third parties that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events or a present obligation that arises from past events for which an outflow of resources is not probable or the amount of which cannot be estimated with sufficient reliability. According to IAS 37, contingent liabilities are not generally recognized.

Development of Other Provisions during the Fiscal Year

in € million	As of Jan. 1, 2022	Changes in scope of con-solidation	Additions	Reversals	Interest portion	Transfers	Utilization	As of Dec. 31, 2022
Other Provisions								
Environmental remediation	10.2	0.0	–	-0.5	0.0	0.0	-0.1	9.6
Personnel obligations	24.3	–	28.5	-1.6	–	-0.9	-25.0	25.3
Miscellaneous other provisions	57.6	-0.5	39.4	-12.2	–	21.0	-21.5	83.8
	92.1	**-0.5**	**67.9**	**-14.3**	**–**	**20.1**	**-46.6**	**118.7**

Development of Other Provisions during the Previous Year

in € million	As of Jan. 1, 2021	Changes in scope of con-solidation	Additions	Reversals	Interest portion	Transfers	Utilization	As of Dec. 31, 2021
Other provisions								
Environmental remediation	3.4	–	7.0	–	–	–	-0.2	10.2
Personnel obligations	27.9	-0.5	22.3	-2.5	–	–	-22.9	24.3
Miscellaneous other provisions	52.3	–	11.0	-3.0	–	–	-2.7	57.6
	83.6	**-0.5**	**40.3**	**-5.5**	**–**	**–**	**-25.8**	**92.1**

Reversals of provisions are generally offset against the expense items for which they were originally established.

The provisions for environmental remediation primarily refer to site remediation on the premises of the former Kabelwerk Köpenick cable factory. The cost estimates are based on expert opinions detailing the anticipated duration of the remediation work and the anticipated cost.

The personnel obligations largely relate to provisions for bonuses and severance payments, as well as other personnel expenses.

Miscellaneous other provisions include cost items for legal disputes of € 21.7 million (December 31, 2021: € 24.7 million), as well as litigation costs in the amount of € 15.8 million (December 31, 2021: € 15.4 million).

The Group expects to settle the lion’s share of the provision over the coming year.

38 Trade Payables

in € million	Dec. 31, 2021 non-current	Dec. 31, 2021 current	Dec. 31, 2022 non-current	Dec. 31, 2022 current
Liabilities				
from rental	–	34.4	–	31.5
Outstanding trade invoices	–	188.5	–	89.4
from other supplies and services	19.4	91.2	19.4	26.8
	19.4	**314.1**	**19.4**	**147.7**

39 Non-derivative Financial Liabilities

in € million	Dec. 31, 2021 non-current	Dec. 31, 2021 current	Dec. 31, 2022 non-current	Dec. 31, 2022 current
Non-derivative financial liabilities				
Liabilities to banks	5,408.0	22.4	4,646.0	464.5
Liabilities to other creditors	3,953.5	254.7	3,828.2	3.8
Deferred interest from non-derivative financial liabilities	–	33.2	–	33.4
	9,361.5	**310.3**	**8,474.2**	**501.7**

Accounting Policies

Deutsche Wohnen recognizes **non-derivative financial liabilities**, which mainly include liabilities to banks and to investors, at their fair value on the day of trading, less the directly attributable transaction costs (this generally corresponds to the acquisition cost). These liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities are derecognized when Vonovia's obligations specified in the contract expire or are discharged or canceled.

Liabilities bearing no interest or interest below market rates in return for occupancy rights at rents below the prevailing market rates are recorded at present value.

Deferred interest is presented as current in order to show the cash effectiveness of the interest payments transparently. In principle, the deferred interest is part of the non-derivative financial liability. Of the deferred interest from non-derivative financial liabilities, € 13.6 million (December 31, 2021: € 14.3 million) is from bonds reported under non-derivative financial liabilities to other creditors.

The non-derivative financial liabilities developed as follows in the fiscal year under review:

in € million	As of Jan. 1, 2022	New loans	Scheduled repayments	Unscheduled repayments	Adjusted for effective interest method	Other adjustments	As of Dec. 31, 2022
Bonds	1,806.1			-65.0	5.9	-11.3	1,735.7
Commercial Paper	150.0		-150.0				–
Registered bonds	471.8				0.5		472.3
Bearer bonds	1,344.7		-100.0		1.3		1,246.0
Promissory note loans	50.0						50.0
Mortgages	5,814.8	40.0	-52.3 *	-372.1	3.9		5,434.3
	9,637.4	**40.0**	**-302.3**	**-437.1**	**11.6**	**-11.3**	**8,938.3**

* Scheduled repayments include debt servicing not yet rendered not affecting cash in the amount of € 3.9 million.

The non-derivative financial liabilities developed as follows in the previous year:

in € million	As of Jan. 1, 2021	New loans	Scheduled repayments	Unscheduled repayments	Adjusted for effective interest method	Other adjustments	As of Dec. 31, 2021
Convertible bonds	1,762.8			-3.1	-162.8	-1,596.9	
Bonds	1,170.7	1,100.0	-100.0	-353.0	-11.6		1,806.1
Commercial Paper		150.0					150.0
Registered bonds	471.3				0.5		471.8
Bearer bonds	1,460.5	100.0	-200.0	-17.3	1.5		1,344.7
Promissory note loans	50.0						50.0
Mortgages	6,471.8	4.2	-49.5	-544.5	11.3	-78.5	5,814.8
	11,387.1	**1,354.2**	**-349.5**	**-917.9**	**-161.1**	**-1,675.4**	**9,637.4**

The nominal obligations associated with non-derivative financial liabilities have the following maturities and average interest rates in the fiscal year:

				Repayment of the nominal obligations is as follows:					
in € million	Nominal obligation Dec. 31, 2022	Maturity	Average interest rate	2023	2024	2025	2026	2027	from 2028
Bonds*	1,760.7	2030	1.15%	–	–	589.7		–	1,171.0
Registered bonds*	475.0	2029	1.53%	–	–	–	100.0	70.0	305.0
Bearer bonds*	1,260.2	2032	1.78%	–	–	–	–	33.5	1,226.7
Promissory note loans*	50.0	2030	0.80%	–	–	–	–	–	50.0
Mortgages**	5,447.5	2027	1.77%	466.8	201.1	928.5	788.3	779.0	2,283.9
	8,993.4			**466.8**	**201.1**	**1,518.2**	**888.3**	**882.5**	**5,036.6**

* Under the conditions of existing loan agreements, Deutsche Wohnen is obliged to fulfill certain financial covenants, which it fulfilled.
** For a portion of the mortgages, Deutsche Wohnen is obliged to fulfill certain financial covenants, which it fulfilled.

In the previous year, the maturities and average interest rates of the nominal obligations associated with non-derivative financial liabilities were as follows:

				Repayment of the nominal obligations is as follows:					
in € million	Nominal obligation Dec. 31, 2021	Duration	Average interest rate	2022	2023	2024	2025	2026	as of 2027
Bonds*	1,837.0	2030	1.13%				589.7		1,247.3
Commercial paper*	150.0	2022	0.00%	150.0					
Registered bonds*	475.0	2029	1.53%					100.0	375.0
Bearer bonds*	1,360.2	2031	1.64%	100.0					1,260.2
Promissory note loan*	50.0	2030	0.80%						50.0
Mortgages**	5,831.9	2027	1.34%	29.9	744.7	202.4	972.3	789.2	3,093.4
	9,704.1			**279.9**	**744.7**	**202.4**	**1,562.0**	**889.2**	**6,025.9**

* Under the conditions of existing loan agreements, Deutsche Wohnen is obliged to fulfill certain financial covenants, which it fulfilled.
** For a portion of the mortgages, Deutsche Wohnen is obliged to fulfill certain financial covenants, which it fulfilled.

The loan repayments shown for the following years contain contractually fixed minimum repayment amounts.

Of the nominal obligations to creditors, € 5,447.5 million (December 31, 2021: € 6,271.5 million) are secured by land charges and other collateral (account pledge agreements, assignments, pledges of company shares and guarantees of Deutsche Wohnen SE or other Group companies). In the event that payment obligations are not fulfilled, the securities provided are used to satisfy the claims of the banks.

Financial liabilities to banks and other creditors have an average interest rate of approximately 1.63%. The financial liabilities as a whole do not contain any significant short-term interest rate risks as they relate either to loans with long-term fixed interest rates or variable-interest liabilities that are hedged using suitable derivative financial instruments (see → **[G50] Financial Risk Management**).

Repayment of Bonds and Bearer Bonds

Deutsche Wohnen repaid commercial paper worth € 150.0 million and a bearer bond in the amount of € 100.0 million as scheduled in January 2022.

In addition, an unscheduled repayment was made on a registered bond in the amount of € 76.3 million in February 2022.

Repayment of Secured Financing of Deutsche Wohnen

Deutsche Wohnen repaid secured financing in the amount of € 284.2 millionpro rata and ahead of schedule in December 2022.

40 Leases

Accounting Policies

IFRS 16 "Leases," which has applied as a mandatory requirement since January 1, 2019, introduces only one accounting model (right-of-use) for lessees, based on which all leases are to be recognized in the balance sheet as a matter of principle. The distinction between operating and finance leases only remains in place for accounting as the lessor.

All contracts that give the Deutsche Wohnen Group the right to control the use of an identified asset over a certain period of time in return for consideration are considered **leases** within the meaning of IFRS 16.

For all lease contracts that meet the definition of leases according to IFRS 16, Vonovia recognizes lease liabilities equal to the present value of the future lease payments, discounted using the term-specific incremental borrowing rate. Correspondingly, right-of-use assets are recognized in the amount of the lease liabilities, plus any advance payments or any initial direct costs.

The lease liabilities are adjusted in line with financial principles. They are increased by the periodic interest expenses and reduced by the lease payments made.

The right-of-use assets are generally recognized at amortized cost, taking depreciation and impairments into account. Right-of-use assets that meet the definition of investment properties (IAS 40) are recognized at fair value in line with the recognition and measurement rules set out in IAS 40.

Changes within the lease term or within the lease payments lead to a remeasurement of the present value and, as a result, to an adjustment of the lease liability and the right-of-use asset.

Periods resulting from extension or termination options granted on an unilateral basis are assessed on a case-by-case basis and are only taken into account if their use is sufficiently probable – for example, due to financial incentives.

There is an accounting option available for short-term leases and leases of low-value assets. Deutsche Wohnen makes use of this option, meaning that such leases are not recognized. As far as measurement technology is concerned, portfolios are set up for leases with the same terms and a single discount rate is applied to these portfolios.

Such variable lease payments, which are not included in the measurement of the lease liabilities, as well as lease payments associated with short-term leases, with leases of low-value assets and with lease contracts that do not meet the definition of leases according to IFRS 16 are recognized as expenses on a straight-line basis over the lease term.

In addition to conventional vehicle leasing over a fixed lease term of three to five years, the Deutsche Wohnen Group also leases rented residential, commercial and care home properties for subleasing (interim rental agreements), heat generation plants to supply the Group's own properties with heat (contracting), water and heat meters (metering technology), leasing of land for the construction of owner-occupied commercial properties, as well as office buildings, office spaces, warehouse spaces and parking spaces (lease agreements). Under license agreements with public-sector institutions, Deutsche Wohnen is granted the right to use public properties as storage locations or parking spaces, to lay heating pipes or cables, or to construct playgrounds.

Development of Right-of-Use Assets

in € million	Dec. 31, 2021	Dec. 31, 2022
Right-of-use assets		
Hereditary building rights	42.9	60.1
Interim rental agreements (nursing care properties)	2.6	2.1
Right-of-use assets within investment properties	**45.4**	**62.2**
Lease agreements	8.9	1.4
Heating supply contracts	44.5	80.1
Vehicle leases	0.8	0.8
Measurement technology	39.2	22.6
Right-of-use assets within property, plant and equipment	**93.4**	**104.9**
	138.8	**167.1**

As of December 31, 2022, the right-of-use assets resulting from leases amount to € 167.1 million (2021: € 138.8 million).

Part of the right-of-use assets amounting to € 62.2 million is reported under **investment properties** and does not only result from agreements on subleased care home properties (€ 2.1 million), but mainly from leasehold contracts (€ 60.1 million). The increase is due to the disclosure of the value benefit associated with the underlying leasehold contracts, which had been included in the real estate valuation in the previous year. The other right-of-use assets totaling € 104.9 million are reported under **property, plant and equipment** and mainly include right-of-use assets resulting from heat contracting (€ 80.1 million), concluded lease agreements (€ 1.4 million), contracts connected with leased measurement technology (€ 22.6 million) and vehicle leases (€ 0.8 million). The increase in right-of-use assets associated with contracting is due to contract extensions with terms of up to 20 years. The drop relating to measurement technology is largely attributable to the planned purchase of smoke alarms that can no longer be passed on to tenants by law as of December 31, 2022. The drop relating to lease agreements is due to the termination of economic use.

Development of Lease Liabilities

Development of Lease Liabilities

in € million	Dec. 31, 2021 non-current	Dec. 31, 2021 current	Dec. 31, 2022 non-current	Dec. 31, 2022 current
Lease liabilities				
Leasehold contracts (IAS 40)	42.3	0.6	20.2	0.2
Interim rental agreements (nursing care properties)	2.2	0.6	1.5	0.5
Lease agreements	7.0	1.6	1.2	0.3
Heating supply contracts	34.2	11.1	71.1	9.9
Vehicle leases	0.4	0.4	0.5	0.4
Measurement technology	32.7	6.6	19.6	3.2
	118.8	**20.8**	**114.1**	**14.5**

As of December 31, 2022, the lease liabilities amount to € 128.6 million in total (2021: € 139.6 million).

Totaling € 63.0 million, almost half of the lease liabilities recognized as of December 31, 2022, are due after more than five years.

The following table shows the development of the right-of-use assets reported under property, plant and equipment:

in € million	Carrying amount right-of-use assets Jan. 1, 2022	Additions 2022	Depreciation 2022	Carrying amount of right-of-use assets Dec. 31, 2022	Interest expenses 2022
Contracting	44.6	49.2	-10.7	80.1	1.0
Vehicle leases	0.7	0.7	-0.5	0.8	0.0
Lease agreements	8.9	0.5	-2.1	1.4	0.1
Measurement technology	39.2	0.8	-5.4	22.6	0.2
	93.4	**51.2**	**-18.7**	**104.9**	**1.3**

in € million	Carrying amount right-of-use assets Jan. 1, 2021	Additions 2021	Depreciation 2021	Carrying amount of right-of-use assets Dec. 31, 2021	Interest expenses 2021
Heating supply contracts	54.0	4.6	-13.5	44.6	0.7
Vehicle leases	1.0	0.3	-0.5	0.7	–
Lease agreements	9.6	3.3	-3.5	8.9	0.1
Measurement technology	27.8	17.8	-4.5	39.2	0.2
	92.4	**26.0**	**-22.0**	**93.4**	**1.0**

The interest expenses recognized in the 2022 fiscal year resulting from leases pursuant to IFRS 16 amounted to € 1.9 million (2021: € 2.2 million).

In the 2022 fiscal year, a total of four lease contracts (2021: two) were classified as short-term leases and thus were not recognized in line with the accounting option available. The corresponding expenses, recognized in the 2022 fiscal year, amounted to € 0.0 million (2021: € 0.0 million). Expenses relating to leases of low-value assets amounting to € 0.1 million in the 2022 fiscal year (2021: € 0.7 million) mostly result from leased office equipment. Expenses totaling € 19.1 million were incurred in connection with variable lease payments in the 2022 fiscal year (2021: € 0.5 million). These have not been included in the measurement of lease liabilities.

In addition to variable lease payments as well as payments resulting from short-term leases and low-value assets, each included in the cash flow from operating activities, interest payments and repayments of lease liabilities totaling € 20.7 million were incurred in the 2022 fiscal year (2021: € 23.5 million). Thus, the total cash outflow for leases in the reporting year amounted to € 39.9 million (2021: € 24.7 million).

Total income from subleasing, mostly from measurement technology and leased care home properties, amounts to € 6.0 million (2021: € 5.1 million).

41 Liabilities to Non-controlling Interests

Accounting Policies

Liabilities to non-controlling interests, which include obligations from the guaranteed dividend agreements, in particular, are stated at fair value when they are recognized for the first time. The fair value is, in principle, determined by the value of the respective company; if a contractually agreed minimum purchase price is higher than this amount, this purchase price is recognized.

The liabilities to non-controlling interests relate especially to the obligations to pay several guaranteed dividends under valid profit-and-loss transfer agreements or co-investor agreements in an amount of € 196.3 million (December 31, 2021: € 199.0 million).

42 Other Liabilities

	Dec. 31, 2021		Dec. 31, 2022	
in € million	non-current	current	non-current	current
Advance payments received	–	38.6	–	13.5
Miscellaneous other liabilities	–	61.2	–	43.1
	–	**99.8**	**–**	**56.6**

Section (F): Corporate Governance Disclosures

43 Related Party Transactions

Deutsche Wohnen had business relationships with unconsolidated subsidiaries in the 2022 fiscal year. These transactions resulted from the normal exchange of deliveries and services and are shown in the table below:

	Services rendered		Purchased services		Receivables		Liabilities		Advance payments made	
in € million	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**
Associates	0.5	2.3	16.8	25.7	658.6	646.5	0.9	0.1	126.9	290.1
Joint ventures	7.6	6.3	226.7	265.8	154.0	173.1	2.9	6.3	8.9	17.4
Other related parties	–	11.3	–	0.3	–	870.0	–	–	–	
	8.2	**19.8**		**291.7**	**812.6**	**1,689.6**	**3.8**	**6.4**	**135.8**	**307.4**

In January 2022, Vonovia SE was granted a loan with a value of € 870.0 million as of December 31, 2022. The loan has an original maturity of three years and the current interest rate is 0.6%.

As of December 31, 2022, loan receivables were recognized in the amount of € 801.9 million (December 31, 2021: € 806.5 million), with € 692.2 million repayable in 12 months and € 109.7 million in 24 months. The average interest rate for the loans is 6.6%.

There are real estate project sales of the QUARTERBACK Group to Deutsche Wohnen in the amount of € 876.0 million (December 31, 2021: € 876.0 million), for which Deutsche Wohnen had made advance payments of € 307.4 million in total as of December 31, 2022 (December 31, 2021: € 135.8 million). In connection with agency services contracted by the QUARTERBACK Group in the amount of € 24.2 million (2021: € 16.6 million), Deutsche Wohnen has outstanding balances on liabilities of € 0.1 million as of December 31, 2022 (December 31, 2021: € 0.9 million). Services totaling € 0.2 million (2021: € 0.1 million) were rendered to the QUARTERBACK Group in the reporting period.

As of December 31, 2022, there is also a guarantee to secure non-current loan liabilities of the QUARTERBACK Group in the amount of € 12.3 million (December 31, 2021: € 12.3 million).

Deutsche Wohnen also has outstanding balances on liabilities of € 0.2 million vis-à-vis B&O Service Berlin GmbH, Berlin, as of December 31, 2022 (December 31, 2021: € 2.8 million) for services purchased in the period leading up to December 31, 2022 in the amount of € 119.7 million (2021: € 135.5 million).

As of December 31, 2022, Deutsche Wohnen has outstanding balances on receivables of € 0.6 million (December 31, 2021: € 2.3 million) vis-à-vis G+D Gesellschaft für Energiemanagement mbH, Magdeburg. In the reporting period, services worth € 3.7 million (2021: € 4.9 million) were provided to G+D Gesellschaft für Energiemanagement mbH, Magdeburg, while services worth € 144.2 million (2021: € 89.1 million) were purchased.

There were also loan receivables of € 13.5 million from OLYDO Projektentwicklungsgesellschaft mbH, Berlin, as of December 31, 2022 (December 31, 2021: € 2.1 million) which are to be repaid within two months of the reporting date. The loan has a fixed interest rate of 3%.

At Deutsche Wohnen, the individuals in key positions pursuant to IAS 24 include the members of the Management Board and the Supervisory Board of Deutsche Wohnen SE.

The emoluments to key management personnel, which are subject to a disclosure requirement under IAS 24, include the remuneration of the active members of the Management Board and Supervisory Board.

The active members of the Management Board and Supervisory Board received the following remuneration:

in € million	2021	2022
Short-term employee benefits (without share-based payment)	4.6	2.3
Termination benefits	7.3	
Share-based payment	-0.1	0.2
	11.8	**2.5**

The disclosure on share-based payments is based on the expenses in the fiscal year, which are also reported in chapter → **[F44] Share-Based Payments.**

The Management Board and Supervisory Board members were not granted any loans or advances.

44 Share-Based Payments

Accounting Policies

The **obligations arising from share-based payments** are calculated using standard valuation methods based on option pricing models.

Share-based payments settled through equity instruments are recognized at the grant date at the fair value of the equity instruments vested by that date. The fair value of the obligation is therefore recognized as personnel expenses proportionally over the vesting period and is offset directly against the capital reserves.

The cash-settled share-based payments are shown under other provisions and remeasured at fair value at each reporting date. The expenses are also recognized as personnel expenses over the vesting period (see → **[E37] Provisions).**

Management Board

The members of the Management Board are granted an annual LTIP over a four-year performance period, the amount of which depends on the achievement of specific financial targets and specific sustainability targets. Target achievement is determined using the financial performance criteria NAV per share and Group FFO per share. The two financial performance criteria create incentives for a long-term increase in the value of the company. In general, target achievement is also determined on the basis of sustainability criteria (ESG targets). As a result, this LTIP plan constitutes a form of share-based payment pursuant to IFRS 2; in turn, the payout claim can be lost entirely if the defined target achievement level has not been reached.

The LTIP program resulted in expenses pursuant to IFRS 2 totaling € 0.2 million in the 2022 reporting year (2021: € -0.1 million).

The value of the liability recognized as of December 31, 2022 was determined by an external appraiser using recognized actuarial methods and is composed as follows:

Tranche in €	End of Vesting Period	Dec. 31, 2022
2022–2025	Dec. 31, 2025	233,243

Executives Below Management Board Level

The LTIP plan for the first level of management was based largely on the LTIP in place for the Management Board regarding identical performance objectives and the calculation of the objective values with regard to the minimum value, the "target achievement value," and the maximum value. The LTIP plan for the first level of management was transitioned to the STIP in 2022 or was otherwise contractually replaced. This means that this form of share-based payment will no longer apply to executives below Management Board level in the future.

45 Remuneration

Remuneration of the Supervisory Board

The members of the Supervisory Board received total remuneration of € 0.8 million during the 2022 fiscal year (2021: € 0.8 million) for their work.

Total Remuneration of the Management Board

The total remuneration paid to the members of the Management Board comprises the following:

Total remuneration of the Management Board in €	Total remuneration	
	2021	2022
Non-performance-related remuneration	2,518,000	1,010,000
Performance-related remuneration	12,215,069	1,516,000
Special payments	10,467,773	20,875
Total remuneration	**25,200,843**	**2,546,875**

The remuneration paid to the Management Board members includes the remuneration for all mandates at Deutsche Wohnen Group companies, subsidiaries and participating interests.

Remuneration of Former Management Board Members and Their Surviving Dependents

There are no defined benefit obligations (DBO) to former members of the Management Board or their surviving dependents.

Total remuneration of former Management Board members and their surviving dependents amounts to € 3.6 million for the 2022 fiscal year (2021: € 2.6 million). These include the severance payment made to Management Board member Henrik Thomsen totaling € 3.6 million, including the settlement of Restricted Share Units (RSU) in the amount of € 0.4 million.

46 Auditors' Fees

In the fiscal year, the following fees (including expenses and excluding VAT) have been credited for the services rendered by the Group auditors KPMG Wirtschaftsprüfungsgesellschaft:

in € million	2021	2022
Audits	2.8	3.2
Other confirmation services	0.2	0.2
	3.0	**3.4**

All of the services rendered were consistent with the activities performed as the auditor of the annual financial statements and consolidated financial statements of Deutsche Wohnen SE.

The fees for other confirmation services comprise all confirmation services that are not services relating to the audit and are not used in the context of the audit. These primarily include audits under the Real Estate Agent and Commercial Contractor Regulation (MaBV) and reviews of reconciliations relating to the interest threshold pursuant to audit standard IDW PS 900, as well as a report on the provision of housing.

47 Declaration of Conformity with the German Corporate Governance Code

In December 2022, the Management Board and the Supervisory Board issued a Declaration of Conformity with the recommendations of the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) and made it permanently available on the **company's website**.

Section (G): Additional Financial Management Disclosures

Other Notes and Disclosures

48 Additional Financial Instrument Disclosures

Measurement categories and classes:

in € million	Carrying amounts Dec. 31, 2022
Assets	
Cash and cash equivalents	
Cash on hand and deposits at banking institutions	184.3
Trade receivables	
Receivables from the sale of properties	0.4
Receivables from rental	15.0
Other receivables from trading	14.2
Receivables from the sale of real estate inventories	–
Financial assets	
Investments valued using the equity method	208.0
Receivables from finance leases	23.8
Loans vis-à-vis affiliated companies	870.0
Other non-current loans to associates and joint ventures	830.4
Other investments	39.6
Derivative financial assets	
Cash flow hedges	23.9
Stand-alone interest rate swaps and caps	42.7
Liabilities	
Trade payables	167.1
Non-derivative financial liabilities	8,975.9
Derivative financial liabilities	
Deferred interest from derivatives	0.1
Lease liabilities	128.6
Liabilities to non-controlling interests	196.3

Amounts recognized in balance sheet in accordance with IFRS 9						
Amortized cost	Fair value affecting net income	Fair value recognized in equity with reclassification	Fair value recognized in equity without reclassification	Amounts recognized in balance sheet in acc. with IFRS 16/IAS 28	Fair value Dec. 31, 2022	Fair value hierarchy level
184.3					184.3	1
0.4					0.4	2
15.0					15.0	2
14.2					14.2	2
						2
				208.0		n/a
				23.8		n/a
870.0					870.0	2
830.4					830.4	2
			39.6		39.6	2
	0.1	23.8			23.9	2
	42.7				42.7	2
167.1					167.1	2
8,975.9					7,762.0	2
	0.1				0.1	2
				128.6		
196.3					196.3	2

Measurement categories and classes:

in € million	Carrying amounts Dec. 31, 2021
Assets	
Cash and cash equivalents	
Cash on hand and deposits at banking institutions	676.7
Trade receivables	
Receivables from the sale of properties	62.1
Receivables from rental	27.8
Other receivables from trading	11.1
Receivables from the sale of real estate inventories	12.0
Financial assets	
Investments valued at equity	373.3
Receivables from finance leases	26.3
Other non-current loans	
Other non-current loans to associates and joint ventures	826.0
Other investments	33.9
Derivative financial assets	
Stand-alone interest rate swaps and caps	3.0
Liabilities	
Trade payables	333.5
Non-derivative financial liabilities	9,671.8
Derivative financial liabilities	
Stand-alone interest rate swaps and caps	12.0
Cash flow hedges	12.1
Lease liabilities	139.6
Liabilities to non-controlling interests	199.0

The section below provides information on the financial assets and financial liabilities not covered by IFRS 9:

> Provisions for pensions and similar obligations: € 73.2 million (December 31, 2021: € 104.8 million).

	Amounts recognized in balance sheet in accordance with IFRS 9						
	Amortized cost	Fair value affecting net income	Fair value recognized in equity with reclassification	Fair value recog-nized in equity without reclassification	Amounts recognized in balance sheet in acc. with IFRS 16/IAS 28	Fair value Dec. 31, 2021	Fair value hierarchy level
	676.7					676.7	1
	62.1					62.1	2
	27.8					27.8	2
	11.1					11.1	2
	12.0					12.0	2
					373.3	373.3	n/a
					26.3	26.3	n/a
							2
	826.0					826.0	2
				33.9		33.9	2
		3.0				3.0	2
	163.9					163.9	2
	9,671.8					10,128.8	2
		12.0				12.0	2
		0.3	11.8			12.1	2
					139.6		
	199.0					199.0	2

The following table shows the assets and liabilities that are recognized in the balance sheet at fair value and their classification according to the fair value hierarchy:

in € million	Dec. 31, 2022	Level 1	Level 2	Level 3
Assets				
Investment properties	27,301.9			27,301.9
Financial assets				
Other investments	39.6		39.6	
Assets held for sale				
Investment properties (contract closed)	2.4		2.4	
Derivative financial assets				
Cash flow hedges	23.9		23.9	
Stand-alone interest rate swaps and caps	42.7		42.7	
Liabilities				
Derivative financial liabilities				
Deferred interest from derivatives	0.1		0.1	

in € million	Dec. 31, 2021	Level 1	Level 2	Level 3
Assets				
Investment properties	28,730.5			28,730.5
Financial assets				
Other investments	33.9		33.9	
Assets held for sale				
Investment properties (contract closed)	1,633.3		1,633.3	
Derivative financial assets				
Cash flow hedges	–		–	
Stand-alone interest rate swaps and caps	3.0		3.0	
Liabilities				
Derivative financial liabilities				
Cash flow hedges	12.1		12.1	
Stand-alone interest rate swaps and caps	12.0		12.0	

In general, Deutsche Wohnen measures its investment properties on the basis of the discounted cash flow (DCF) methodology (Level 3). The material valuation parameters and valuation results can be found in chapter → **[D26] Investment Properties**.

The investment properties classified as assets held for sale are recognized at the time of their transfer to assets held for sale at their new fair value, the agreed purchase price (Level 2).

No financial instruments were reclassified to different hierarchy levels as against the comparative period.

Securities and shares in listed companies included in other investments are generally measured using the quoted prices in active markets (Level 1).

For the measurement of financial instruments, cash flows are initially calculated and then discounted. In addition to the tenor-specific EURIBOR rates (3M; 6M), the respective credit risk is taken as a basis for discounting. Depending on the expected cash flows, either Vonovia's own credit risk or the counterparty risk is taken into account in the calculation.

For the consolidated financial statements, Deutsche Wohnen's own credit risk was fundamentally relevant for interest rate swaps. This credit risk is derived for material risks from rates observable on the capital markets and ranges of between 5 to 155 basis points, depending on the residual maturities of financial instruments. Regarding the positive market values of the cross currency swaps, a counterparty risk of 15 basis points was taken into account.

The fair values of the cash and cash equivalents, trade receivables and other financial receivables approximate their carrying amounts at the reporting date owing to their mainly short maturities. The amount of the estimated impairment loss on cash and cash equivalents was calculated based on the losses expected over a period of twelve months. It was determined that the cash and cash equivalents have a low risk of default due to the external ratings and short residual maturities and that there is no need for any material impairment of cash and cash equivalents.

The fair value of the purchase price liabilities from put options/rights to reimbursement granted to minority shareholders is generally based on the going concern value of the respective company; if a contractually agreed minimum purchase price is higher than this amount, this purchase price is recognized (Level 3). The unobservable valuation parameters may fluctuate depending on the going concern values of these companies. However, a major change in value is not likely, as the business model is very predictable.

				From subsequent measurement							
in € million	From interest	Income from other non-current loans	Dividends from other investments	Impairment losses and derecognized liabilities	Expected credit loss Other non-current loans to associates	Derecognized receivables	From measurement	Financial result affecting income 2022	Measurement cash flow hedges	Measurement equity instruments	Total financial result 2022
2022											
Financial assets carried at (amortized) cost	19.2	57.9	–	-4.6	-20.1	0.2	–	52.6	–	–	52.6
Derivatives measured at FV affecting net income with reclassification	47.4	–	–	–	–	–	–	47.4		–	47.4
Derivatives measured at fair value directly in equity under other comprehensive income – with reclassification	–	–	–	–	–	–	–	–	34.5		34.5
Equity instruments measured at fair value affecting net income	3.2	–	0.5	–	–	–	–	3.7	–	–	3.7
Financial liabilities measured at (amortized) cost	-118.2	–	–	-0.3	–	–		-118.5	–	–	-118.5
	-48.4	**57.9**	**0.5**	**-4.9**	**-20.1**	**0.2**	**–**	**-14.8**	**34.5**	**–**	**19.7**

				From subsequent measurement							
in € million	From interest	Income from other non-current loans	Dividends from other investments	Impairment losses and derecognized liabilities	Expected credit loss Other non-current loans to associates	Derecognized receivables	From measurement	Financial result affecting income 2021	Measurement cash flow hedges	Measurement equity instruments	Total financial result 2021
2021											
Financial assets carried at (amortized) cost	4.6	30.9	–	-2.1	–	1.1	–	34.5	–	–	34.5
Derivatives measured at FV affecting net income with reclassification	3.1	–	–		–	–	–	3.1		–	3.1
Derivatives measured at fair value directly in equity under other comprehensive income – with reclassification	–	–	–		–	–	–	–	12.6		12.6
Equity instruments measured at fair value affecting net income	-13.7	–	0.5		–	–	-354.6	-367.8	–	–	-367.8
Financial liabilities measured at (amortized) cost	-171.9	–	–	1.0	–	–		-170.9	–	–	-170.9
	-177.9	**30.9**	**0.5**	**-1.1**	**–**	**1.1**	**-354.6**	**-501.1**	**12.6**	**–**	**-488.5**

49 Information on the Consolidated Statement of Cash Flows

The statement of cash flows shows how Deutsche Wohnen's cash has changed during the reporting year as a result of cash inflows and outflows. In accordance with IAS 7 (Statement of Cash Flows), a distinction is made between changes in cash flow from operating activities, investing activities and financing activities.

The cash flow from operating activities is determined from the profit for the period using the indirect method, the profit for the period being adjusted for effects of transactions that are not cash-effective, any deferrals or accruals of past or future operating cash receipts or payments as well as items of income or expense associated with investing or financing cash flows.

The effects of changes in the scope of consolidation are shown separately. Therefore, direct comparison with the corresponding changes in the items of the consolidated balance sheet is not possible.

The proceeds from the disposal of intangible assets, property, plant and equipment and investment properties are shown in cash flow from investing activities.

Exercising the IAS 7 option, interest received is shown under cash flow from investing activities and interest paid is shown under cash flow from financing activities.

The item "Payments for acquisition of investment properties" mainly shows expenses for modernization measures.

50 Financial Risk Management

In the course of its business activities, Deutsche Wohnen is exposed to various financial risks. The Group-wide financial risk management system aims to identify any potentially negative impact on the financial position of the Group early on and take suitable measures to limit this impact. For the structure and organization of financial risk management, we refer to the management report (see → **Risk Management Structure and Instruments**).

Market Risks

Interest Rate Risks

In the course of its business activities, Deutsche Wohnen is exposed to cash-effective interest rate risks as a result of floating-rate debt as well as new and follow-on loans. Within this context, the interest markets are continually monitored by the Corporate Finance department. Its observations are incorporated into the financing strategy.

As part of its financing strategy, Vonovia uses derivative financial instruments, in particular interest rate swaps and caps, to limit or manage interest rate risks. Deutsche Wohnen's policies permit the use of derivatives only if they are associated with underlying assets or liabilities, contractual rights or obligations and planned, highly probable transactions.

A sensitivity analysis for cash flow hedges is provided under chapter → **[G52] Cash Flow Hedges and Stand-alone Hedging Instruments**.

Credit Risks

Deutsche Wohnen is exposed to a default risk resulting from the potential failure of a counterparty to fulfill its part of the contract. In order to minimize risks, major financial transactions are generally only executed with banks and partners whose credit rating has been found by a rating agency to be at least an investment grade rating. The counterparty risks are managed and monitored centrally by the Corporate Finance department.

Liquidity Risks

The companies of Deutsche Wohnen are financed by borrowings to a notable degree. Due to their high volume, the loans are in some cases exposed to a considerable refinancing risk. The liquidity risks arising from financing transactions with high volumes (volume risks) have become apparent in the financial sector, especially in the wake of the financial crisis. In order to limit these risks, Deutsche Wohnen is in constant contact with many different market players, continuously monitors all financing options available on the capital and banking markets and uses these options in a targeted manner. Moreover, Deutsche Wohnen subjects its existing financings to an early review prior to the respective final maturity date in order to ensure refinancing.

Under the conditions of existing loan agreements, Deutsche Wohnen is obliged to fulfill certain financial covenants such as the debt service coverage ratio or debt-equity ratio. If financial covenants are violated, the breach is not rectified within so-called cure periods and no mutually acceptable agreement can be reached with the lenders, the financing may be restructured and the cost structure changed. Should all commonly practiced solutions be unsuccessful, the lenders could call in the loan. The fulfillment of these financial covenants is continually monitored by the Corporate Finance department on the basis of current actual figures and budgetary accounting.

In order to ensure its ability to pay at all times, Deutsche Wohnen has put a system-supported cash management system in place. This system monitors and optimizes Deutsche Wohnen's cash flows on an ongoing basis and provides the Management Board with regular reports on the Group's current liquidity situation. Liquidity management is supplemented by short-term rolling, monthly liquidity planning for the current fiscal year, of which the Management Board is also promptly notified. In order to minimize credit risks, large amounts of cash on hand are avoided wherever possible. In the event that large reserves are necessary on a short-term basis due to pending investments or refinancing, these are distributed among various instruments and banking partners with good credit ratings.

The following table shows the forecast for undiscounted cash flows of the non-derivative financial liabilities and derivative financial instruments for the 2022 reporting year. The loan repayments shown for the following years contain only contractually fixed minimum repayment amounts:

in € million	Carrying amounts Dec. 31, 2022	2023 Interest	2023 Repayment	2024 Interest	2024 Repayment	2025 to 2029 Interest	2025 to 2029 Repayment
Non-derivative financial liabilities							
Liabilities to banks	5,110.5	101.0	463.0	92.8	179.9	281.5	4,088.1
Liabilities to other creditors	3,832.0	54.7	3.8	54.4	21.1	233.2	951.4
Deferred interest from other non-derivative financial liabilities	33.4	33.4	–	–	–	–	–
Lease liabilities	128.6	2.8	16.5	2.5	15.6	8.9	50.5
Derivative financial assets and liabilities							
Cash flow hedges/stand-alone interest rate derivatives	-66.6	7.9		7.6		15.4	–
Deferred interest from swaps	0.1	0.1	–	–	–	–	–

in € million	Carrying amounts Dec. 31, 2021	2022 Interest	2022 Repayment	2023 Interest	2023 Repayment	2024 to 2028 Interest	2024 to 2028 Repayment
Non-derivative financial liabilities							
Liabilities to banks	5,430.4	71.1	102.0	70.1	740.1	207.9	3,778.2
Liabilities to other creditors	4,208.2	56.5	254.7	56.4	4.6	251.9	891.8
Deferred interest from other non-derivative financial liabilities	33.2	33.2	–	–	–	–	–
Lease liabilities	139.6	1.8	19.0	1.6	17.1	6.0	54.8
Derivative financial liabilities							
Cash flow hedges/stand-alone interest rate derivatives	23.8	7.8	–	5.4	–	9.5	–
Deferred interest from swaps	0.3	0.3	–	–	–	–	–

Credit Facilities

There were a total of six framework credit agreements with various banks and a total volume of € 450 million at Deutsche Wohnen at the beginning of the year. Bills of exchange may also be issued under the terms of one of these agreements, concluded with Aareal Bank in a framework volume of € 30.0 million. As of the reporting date, bills of exchange with a total volume of around € 0.01 million were outstanding. The contractual term of these framework agreements expired in the course of 2022, or they were terminated. There is also a guarantee framework agreement with Euler Hermes in the amount of € 50.0 million, with a volume of some € 39.3 million having been issued as of the reporting date.

All in all, Deutsche Wohnen has cash on hand and deposits at banking institutions of € 184.3 million as of the reporting date (December 31, 2021: € 676.7 million). We refer to the information on financial risk management in the management report.

51 Capital Management

Deutsche Wohnen's management aims to achieve a long-term increase in value in the interests of customers, employees and investors. Within this context, maintaining a degree of financial flexibility in order to be able to pursue the company's growth and portfolio optimization strategy is crucial. The priority is to ensure sufficient liquidity resources and maintain an efficient ratio between secured and non-secured capital components.

As part of the opportunities and risk management of Deutsche Wohnen, the members of the Management Board are given monthly reports on the development of results and their potential effects on the capital structure.

The equity situation of the subsidiaries is regularly examined.

Deutsche Wohnen's equity developed as follows:

in € million	Dec. 31, 2021	Dec. 31, 2022
Total equity	17,203.4	16,775.1
Total assets	33,232.2	31,530.8
Equity ratio	51.8%	53.2%

Deutsche Wohnen plans to continue funding possible acquisitions by an optimal mix of debt capital and equity.

In order to protect itself against changes in interest rates, Deutsche Wohnen regularly contracts derivative hedging transactions in the case of liabilities with variable interest rates or liabilities in foreign currencies. The Corporate Finance department is responsible for implementing the approved financing strategy.

52 Cash Flow Hedges and Stand-alone Hedging Instruments

On the reporting date, the nominal volume of cash flow hedges held in euros amounts to € 291.4 million (December 31, 2021: € 291.4 million). Interest rates on hedging instruments are between 0.880% and 1.485% with original swap periods of between nine and ten years.

As the hedging transactions were sufficiently effective, only € 0.1 million was reclassified from deferred interest affecting net income in the reporting year.

All derivatives are included in netting agreements with the issuing banks.

No economic or accounting offsetting was performed in the reporting year.

Key parameters of the interest rate swaps were as follows:

in € million	Face value	Beginning of term from	End of term until	Current average interest rate (incl. margin)
DZ Bank				
Hedged items	55.0	August 15, 2018	July 31, 2028	3M EURIBOR margin +0.67%
Interest rate swaps	55.0	August 15, 2018	July 31, 2028	0.880%
LBBW/MBS				
Hedged items	3.5	July 30, 2014	June 30, 2025	3M EURIBOR margin +1%
Interest rate swaps	3.3	July 30, 2014	June 30, 2025	1.485%
HVB				
Hedged items	237.9	July 16, 2018	January 31, 2029	3M EURIBOR margin +0.74%
Interest rate swaps	233.1	July 16, 2018	January 31, 2029	0.937%

All in all, Deutsche Wohnen SE holds 16 euro interest rate swaps with a nominal volume of € 704.8 million.

The designation of the cash flow hedges as hedging instruments is prospectively determined on the basis of a sensitivity analysis, retrospectively on the basis of the accumulated dollar offset method. The fair value changes of the hedged items are determined on the basis of the hypothetical derivative method. In the reporting year – as in the prior year – the impact of default risk on the fair values is negligible and did not result in any adjustments of the balance sheet item.

In the reporting year, the cash flow hedges held in euros were shown at their clean fair values totaling € 23.9 million as of December 31, 2022 (December 31, 2021: € -11.8 million). The corresponding deferred interest amounted to € -0.1 million (December 31, 2021: € -0.3 million).

Financial liabilities also included positive fair values from stand-alone interest rate derivatives in the amount of € 42.7 million (December 31, 2021: € -12.0 million).

The impact of the cash flow hedges (after income taxes) on the development of other reserves is shown below:

in € million	As of Jan. 1	Changes in the period	Reclassification affecting net income	As of Dec. 31
2022	**10.6**	**-34.4**	**0.0**	**-23.8**
2021	**23.2**	**-12.6**	**0.0**	**10.6**

The impact of the cash flow hedges (including income taxes) on total comprehensive income is shown below:

Cash Flow Hedges

in € million	2021	2022
Change in unrealized gains/losses	12.6	34.5
Taxes on the change in unrealized gains/losses	-2.7	-10.5
Net realized gains/losses		
Taxes due to net realized gains/losses		
Total	**9.9**	**24.0**

In the reporting year, after allowing for deferred taxes, negative cumulative ineffectiveness for cash flow hedges amounted to € 0.0 million (2021: € 9.9 million). On the basis of the valuation as of December 31, 2022, Vonovia used a sensitivity analysis to determine the change in equity given a parallel shift in the interest rate structure of 50 basis points in each case:

	Change in equity		
in € million	Other reserves not affecting net income	Income Statement affecting net income	Total
2022			
+ 50 basis points	0.8	7.9	8.7
- 50 basis points	-0.8	-8.1	-8.9
2021			
+ 50 basis points	6.7	9.9	16.6
- 50 basis points	-7.0	-11.1	-18.1

53 Contingent Liabilities

Contingent liabilities exist for cases in which Deutsche Wohnen SE and its subsidiaries give guarantees to various contractual counterparts. The terms are in many cases limited to an agreed time. In some cases, the term is unlimited.

Contingent liabilities of Deutsche Wohnen are as follows:

in € million	Dec. 31, 2021	Dec. 31, 2022
Guarantees in connection with Development	27.5	21.5
Rent surety bonds	1.6	0.8
Other	1.6	3.5
	30.7	**25.9**

Deutsche Wohnen is involved in a number of legal disputes resulting from normal business activities.

In particular, this involves disputes under the law of tenancy and sales disputes. None of the legal disputes, taken in isolation, will have any material effects on the net assets, financial position or results of operations of Deutsche Wohnen.

54 Other Financial Obligations

The other financial obligations are as follows:

in € million	Dec. 31, 2021	Dec. 31, 2022
Other financial obligations		
Investment obligations	921.9	757.7
Purchase obligations	868.1	798.6
Obligation from modernization and new construction orders	536.3	330.7
IT service contracts	31.4	15.1
Other	6.9	1.5
	2,364.6	**1,903.6**

Berlin, March 15, 2023

Konstantina Kanellopoulos
(Co-CEO)

Lars Urbansky
(Co-CEO)

Olaf Weber
(CFO)

Information

List of Shareholdings of Deutsche Wohnen

as of December 31, 2022, according to Section 313 (2) HGB

Company	Company domicile	Interest %
Deutsche Wohnen SE	Berlin	
Consolidated Companies		
Germany		
AGG Auguste-Viktoria-Allee Grundstücks GmbH	Berlin	100.00 1)
Alpha Asset Invest GmbH	Berlin	100.00
Amber Dritte VV GmbH	Berlin	94.90 1)
Amber Erste VV GmbH	Berlin	94.90 1)
Amber Zweite VV GmbH	Berlin	94.90 1)
Aragon 13. VV GmbH	Berlin	94.90 1)
Aragon 14. VV GmbH	Berlin	94.90 1)
Aragon 15. VV GmbH	Berlin	94.90 1)
Aragon 16. VV GmbH	Berlin	94.90 1)
Aufbau-Gesellschaft der GEHAG mit beschränkter Haftung	Berlin	100.00
BauBeCon BIO GmbH	Berlin	100.00 1)
BauBeCon Immobilien GmbH	Berlin	100.00 1)
BauBeCon Wohnwert GmbH	Berlin	100.00 1)
Beragon VV GmbH	Berlin	94.90 1)
C. A. & Co. Catering KG	Wolkenstein	100.00
Ceragon VV GmbH	Berlin	94.90 1)
Communication Concept Gesellschaft für Kommunikationstechnik mbH	Leipzig	100.00
DELTA VIVUM Berlin I GmbH	Berlin	94.90 1)
DELTA VIVUM Berlin I GmbH	Berlin	94.90 1)
Deutsche Wohnen Asset Immobilien GmbH	Frankfurt am Main	100.00 1)
Deutsche Wohnen Berlin 5 GmbH	Berlin	94.90 1)
Deutsche Wohnen Berlin 6 GmbH	Berlin	94.90 1)
Deutsche Wohnen Berlin 7 GmbH	Berlin	94.90 1)
Deutsche Wohnen Berlin I GmbH	Berlin	94.00 1)
Deutsche Wohnen Berlin II GmbH	Berlin	94.90 1)
Deutsche Wohnen Berlin III GmbH	Berlin	94.90 1)
Deutsche Wohnen Berlin X GmbH	Berlin	94.80 1)
Deutsche Wohnen Berlin XII GmbH	Berlin	94.80 1)
Deutsche Wohnen Berlin XIII GmbH	Berlin	94.80 1)
Deutsche Wohnen Berlin XV GmbH	Berlin	94.80 1)
Deutsche Wohnen Berlin XVI GmbH	Berlin	94.80 1)
Deutsche Wohnen Berlin XVII GmbH	Berlin	94.80 1)

Company	Company domicile	Interest %
Deutsche Wohnen Berlin XVIII GmbH	Berlin	94.80 1)
Deutsche Wohnen Beteiligungen Immobilien GmbH	Frankfurt am Main	100.00 1)
Deutsche Wohnen Beteiligungsverwaltungs GmbH & Co. KG	Berlin	100.00 2), 3)
Deutsche Wohnen Care SE	Berlin	100.00
Deutsche Wohnen Construction and Facilities GmbH	Berlin	100.00 1)
Deutsche Wohnen Corporate Real Estate GmbH	Berlin	100.00 1)
Deutsche Wohnen Direkt Immobilien GmbH	Frankfurt am Main	100.00
Deutsche Wohnen Dresden I GmbH	Berlin	100.00 1)
Deutsche Wohnen Dresden II GmbH	Berlin	100.00 1)
Deutsche Wohnen Fondsbeteiligungs GmbH	Berlin	100.00 1)
Deutsche Wohnen Immobilien Management GmbH	Berlin	100.00 1)
Deutsche Wohnen Kundenservice GmbH	Berlin	100.00 1)
Deutsche Wohnen Management GmbH	Berlin	100.00 1)
Deutsche Wohnen Management- und Servicegesellschaft mbH	Frankfurt am Main	100.00 1)
Deutsche Wohnen Multimedia Netz GmbH	Berlin	100.00 1)
Deutsche Wohnen Reisholz GmbH	Berlin	100.00 1)
Deutsche Wohnen Technology GmbH	Berlin	100.00 1)
Deutsche Wohnen Zweite Fondsbeteiligungs GmbH	Berlin	100.00 1)
DW Pflegeheim Dresden Grundstücks GmbH	Munich	100.00 1)
DW Pflegeheim Eschweiler Grundstücks GmbH	Munich	100.00 1)
DW Pflegeheim Frankfurt am Main Grundstücks GmbH	Munich	100.00 1)
DW Pflegeheim Friesenheim Grundstücks GmbH	Munich	100.00 1)
DW Pflegeheim Glienicke Grundstücks GmbH	Munich	100.00 1)
DW Pflegeheim Konz Grundstücks GmbH	Munich	100.00 1)
DW Pflegeheim Meckenheim Grundstücks GmbH	Munich	100.00 1)
DW Pflegeheim Potsdam Grundstücks GmbH	Munich	100.00
DW Pflegeheim Siegen Grundstücks GmbH	Munich	100.00 1)
DW Pflegeheim Weiden Grundstücks GmbH	Munich	100.00 1)
DW Pflegeheim Würselen Grundstücks GmbH	Munich	100.00 1)
DW Pflegeresidenzen Grundstücks GmbH	Munich	100.00
DW Property Invest GmbH	Berlin	100.00 1)
DWRE Alpha GmbH	Berlin	100.00 1)
DWRE Braunschweig GmbH	Berlin	100.00 1)
DWRE Dresden GmbH	Berlin	100.00 1)
DWRE Halle GmbH	Berlin	100.00 1)
DWRE Hennigsdorf GmbH	Berlin	100.00 1)
DWRE Leipzig GmbH	Berlin	100.00 1)
Eisenbahn-Siedlungs-Gesellschaft Berlin mit beschränkter Haftung	Berlin	94.90
EMD Energie Management Deutschland GmbH	Berlin	100.00 1)
Eragon VV GmbH	Berlin	94.90 1)
FACILITA Berlin GmbH	Berlin	100.00
Faragon V V GmbH	Berlin	94.90 1)
Fortimo GmbH	Berlin	100.00 1)
Gehag Acquisition Co. GmbH	Berlin	100.00
GEHAG Beteiligungs GmbH & Co. KG	Berlin	100.00 2), 3)
GEHAG Dritte Beteiligungs GmbH	Berlin	100.00 1)

Company	Company domicile	Interest %
GEHAG Erste Beteiligungs GmbH	Berlin	100.00 1)
GEHAG Erwerbs GmbH & Co. KG	Berlin	99.99 2)
GEHAG GmbH	Berlin	100.00
GEHAG Grundbesitz I GmbH	Berlin	100.00 1)
GEHAG Grundbesitz II GmbH	Berlin	100.00 1)
GEHAG Grundbesitz III GmbH	Berlin	100.00 1)
GEHAG Vierte Beteiligung SE	Berlin	100.00 1)
GEHAG Zweite Beteiligungs GmbH	Berlin	100.00 1)
Geragon VV GmbH	Berlin	94.90 1)
GGR Wohnparks Kastanienallee GmbH	Berlin	100.00 1)
GGR Wohnparks Nord Leipziger Tor GmbH	Berlin	100.00 1)
GGR Wohnparks Süd Leipziger Tor GmbH	Berlin	100.00 1)
Grundstücksgesellschaft Karower Damm mbH	Berlin	100.00 1)
GSW Acquisition 3 GmbH	Berlin	100.00 1)
GSW Corona GmbH	Berlin	100.00 1)
GSW Gesellschaft für Stadterneuerung mbH	Berlin	100.00
GSW Grundvermögens- und Vertriebsgesellschaft mbH	Berlin	100.00 1)
GSW Immobilien AG	Berlin	94.90
GSW Immobilien GmbH & Co. Leonberger Ring KG	Berlin	94.00 2)
GSW Pegasus GmbH	Berlin	100.00 1)
GSW-Fonds Weinmeisterhornweg 170–178 GbR	Berlin	80.23
Hamburger Ambulante Pflege- und Physiotherapie "HAPP" GmbH	Hamburg	100.00
Hamburger Senioren Domizile GmbH	Hamburg	100.00
Haragon VV GmbH	Berlin	94.90 1)
Haus und Heim Wohnungsbau-GmbH	Berlin	100.00 1)
HESIONE Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.00
Holzmindener Straße/Tempelhofer Weg Grundstücks GmbH	Berlin	100.00 1)
HSI Hamburger Senioren Immobilien GmbH	Hamburg	100.00
HSI Hamburger Senioren Immobilien Management GmbH	Hamburg	100.00
Iragon VV GmbH	Berlin	94.90 1)
ISABELL GmbH	Berlin	100.00
ISARIA Dachau Entwicklungsgesellschaft mbH	Munich	100.00
ISARIA Hegeneck 5 GmbH	Munich	100.00
ISARIA Objekt Achter de Weiden GmbH	Munich	100.00
Isaria Objekt Erminoldstraße GmbH	Munich	100.00
ISARIA Objekt Garching GmbH	Munich	100.00
ISARIA Objekt Hoferstraße GmbH	Munich	100.00
ISARIA Objekt Norderneyer Straße GmbH	Munich	100.00
ISARIA Objekt Preußenstraße GmbH	Munich	100.00
ISARIA Objekt Schwedler Trio GmbH	Munich	100.00
ISARIA Stuttgart GmbH	Munich	100.00
IWA GmbH Immobilien Wert Anlagen	Munich	100.00
Karagon VV GmbH	Berlin	94.90 1)
KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH	Berlin	100.00
KATHARINENHOF Service GmbH	Berlin	100.00
Laragon VV GmbH	Berlin	94.90 1)
Larry I Targetco (Berlin) GmbH	Berlin	100.00 1)

Company	Company domicile	Interest %
Larry II Targetco (Berlin) GmbH	Berlin	100.00 1)
LebensWerk GmbH	Berlin	100.00
Main-Taunus Wohnen GmbH	Eschborn	99.99
Maragon VV GmbH	Berlin	94.90 1)
Objekt Gustav-Heinemann-Ring GmbH	Munich	100.00
Olympisches Dorf Berlin GmbH	Berlin	100.00
Omega Asset Invest GmbH	Berlin	100.00
PFLEGEN & WOHNEN HAMBURG GmbH	Hamburg	100.00
PFLEGEN & WOHNEN Service GmbH	Hamburg	100.00
PFLEGEN & WOHNEN Textil GmbH	Hamburg	100.00
PUW AcquiCo GmbH	Hamburg	100.00
PUW OpCo GmbH	Hamburg	100.00
PUW PFLEGENUNDWOHNEN Beteiligungs GmbH	Hamburg	100.00
Rhein-Main Wohnen GmbH	Frankfurt am Main	100.00 1)
Rhein-Mosel Wohnen GmbH	Mainz	100.00 1)
Rhein-Pfalz Wohnen GmbH	Mainz	100.00 1)
RMW Projekt GmbH	Frankfurt am Main	100.00 1)
RPW Immobilien GmbH & Co. KG	Berlin	94.00 2)
Seniorenresidenz "Am Lunapark" GmbH	Leipzig	100.00
SGG Scharnweberstraße Grundstücks GmbH	Berlin	100.00 1)
Sophienstraße Aachen Vermögensverwaltungsgesellschaft mbH	Berlin	100.00 1)
Stadtentwicklungsgesellschaft Buch mbH	Berlin	100.00
SYNVIA energy GmbH	Magdeburg	100.00
SYNVIA media GmbH	Magdeburg	100.00
SYNVIA mobility GmbH	Magdeburg	100.00
SYNVIA technology GmbH	Magdeburg	100.00
TELE AG	Leipzig	100.00
WIK Wohnen in Krampnitz GmbH	Berlin	100.00 1)
Wohnanlage Leonberger Ring GmbH	Berlin	100.00 1)
Zisa Grundstücksbeteiligungs GmbH & Co. KG	Berlin	94.90 2)
Zisa Verwaltungs GmbH	Berlin	100.00
Zweite GSW Verwaltungs- und Betriebsgesellschaft mbH	Berlin	100.00
Other Countries		
Algarobo Holding B.V.	Baarn/NL	100.00
Long Islands Investments S.A.	Luxembourg/LU	100.00

Joint ventures consolidated using the equity method		
B & O Service Berlin GmbH	Berlin	24.94
Casa Nova 2 GmbH	Grünwald	50.00
Casa Nova 3 GmbH	Grünwald	50.00
Casa Nova GmbH	Grünwald	50.00
Deutsche KIWI.KI GmbH	Berlin	49.00
DWA Beteiligungsgesellschaft mbH	Berlin	50.00
Funk Schadensmanagement GmbH	Berlin	49.00
G+D Gesellschaft für Energiemanagement mbH	Magdeburg	49.00

Company	Company domicile	Interest %
GSZ Gebäudeservice und Sicherheitszentrale GmbH	Berlin	33.33
IOLITE IQ GmbH	Berlin	33.33
LE Property 2 GmbH & Co. KG	Leipzig	49.00
LE Quartier 1 GmbH & Co. KG	Leipzig	46.50
LE Quartier 1.1 GmbH & Co. KG	Leipzig	49.00
LE Quartier 1.4 GmbH	Leipzig	50.00
LE Quartier 1.5 GmbH	Leipzig	44.00
LE Quartier 1.6 GmbH	Leipzig	50.00
LE Quartier 5 GmbH & Co. KG	Leipzig	44.00
OLYDO Projektentwicklungsgesellschaft mbH	Berlin	50.00
Projektgesellschaft Jugendstilpark München mbH	Leipzig	50.00
Siwoge 1992 Siedlungsplanung und Wohnbauten Gesellschaft mbH	Berlin	50.00
Telekabel Riesa GmbH	Riesa	26.00
WB Wärme Berlin GmbH	Schönefeld	49.00
Associated companies consolidated using the equity method		
Comgy GmbH	Berlin	10.28
KIWI.KI GmbH	Berlin	21.11
Krampnitz Energie GmbH	Potsdam	25.10
QUARTERBACK Immobilien AG	Leipzig	40.00
Zisa Beteiligungs GmbH	Berlin	49.00

[1] Exemption according to Section 264 (3) HGB.
[2] Exemption according to Section 264b HGB.
[3] At these companies, the shareholder with unlimited liability is a company included in the consolidated financial statements.

Company	Company domicile	Interest %	Total equity in € thou. Dec. 31, 2021	Net income in € thou. Dec. 31, 2021
Other investments with more than 10% of Deutsche Wohnen's share in the capital				
Erste JVS Real Estate Verwaltungs GmbH	Berlin	11.00	6,842	6,985
Füchse Berlin Handball GmbH	Berlin	18.60	858	576[4]
GbR Fernheizung Gropiusstadt	Berlin	46.10	545	-43[3]
QUARTERBACK Premium 6 GmbH (formerly GBL Projekt 1 S.à r.l.)	Luxembourg/LU	11.00	442	-685[5]
GLB Projekt 7 S.à r.l.	Luxembourg/LU	11.00	442	-685[5]
GETEC mobility solutions GmbH	Hanover	10.00	-34	57
Implementum II GmbH	Grevenbroich	11.00	-564	-257
LE Central Office GmbH	Leipzig	11.00	-27	-90
QUARTERBACK Premium 1 GmbH	Berlin	11.00	-398	-321
QUARTERBACK Premium 10 GmbH	Frankfurt am Main	11.00	-13,157	-5,807
QUARTERBACK Premium 4 GmbH	Leipzig	11.00	-104	-117
Quartier 315 GmbH	Leipzig	15.00	5,216	178
Sea View Projekt GmbH	Leipzig	11.00	5,947	367
Seniorenwohnen Heinersdorf GmbH	Berlin	10.10	13	-9[2]
SIAAME Development GmbH	Berlin	20.00	-227	-109
VRnow GmbH	Berlin	10.00	1,960	342[1]
WasE-2 GmbH	Offenbach	11.00	-1,228	-386
Westside Living GmbH	Leipzig	11.00	-527	-175
WirMag GmbH	Grünstadt	14.85	1,239	-646[2]
Zuckerle Quartier Investment S.à r.l.	Luxembourg/LU	11.00	-1,833	-1,818[5]

[1] Total equity and the result for the fiscal year correspond to December 31, 2018.
[2] Total equity and the result for the fiscal year correspond to December 31, 2019.
[3] Total equity and the result for the fiscal year correspond to December 31, 2020.
[4] Total equity and the result for the fiscal year correspond to June 30, 2021.
[5] Total equity and the result for the fiscal year correspond to local commercial law.

Further Information About the Bodies

Management Board

Up until March 31, 2022, the Management Board of Deutsche Wohnen SE had four members. By December 31, 2022, it had three members.

Konstantina Kanellopoulos, Co-CEO

Function: Co-Chief Executive Officer
Responsible for Strategy, Technical Infrastructure, IT, New Construction and Portfolio Investments, Legal and Compliance, Sustainability and Public Affairs.

Lars Urbansky, Co-CEO

Function: Co-Chief Executive Officer
Responsible for Property Management, Customer Communications and Strategy, Human Resources, Investment Management, Integration and Care.

Philip Grosse, Member of the Management Board (until March 31, 2022)

Function: Chief Financial Officer
Responsible for: Accounting, Controlling, Investor Relations and Tax.

Appointments:
> QUARTERBACK Immobilien AG (Member of the Supervisory Board)[1, 6]
> GSW Immobilien AG (Chairman of the Supervisory Board) (until June 13, 2022)[3]
> Eisenbahn-Siedlungs-Gesellschaft Berlin mbH (Chairman of the Supervisory Board) (until April 27, 2022)[2]

Olaf Weber, Member of the Management Board

Function: Chief Financial Officer
Responsible for: Finance, as of April 1, 2022 also Accounting, Tax, Controlling and Investor Relations.

Appointments:
> GSW Immobilien AG (Chairman of the Supervisory Board) (June 13, 2022 to February 28, 2023)[3]
> Eisenbahn-Siedlungs-Gesellschaft Berlin mbH (Chairman of the Supervisory Board) (as of April 27, 2022)[2, 4]
> Vonovia Finance B.V. (Member of the Supervisory Board) (until January 9, 2023)[2, 4]

[1] Supervisory Board mandates in accordance with Section 100 (2) of the German Stock Corporation Act (AktG).
[2] Membership in comparable German and foreign supervisory bodies of commercial enterprises.
[3] Exempted Group mandates in accordance with Section 100 (2) no. 2 of the German Stock Corporation Act (AktG).
[4] Other Group bodies.
[5] Listed.
[6] Related party of the Deutsche Wohnen Group.

Supervisory Board

The Supervisory Board consists of six members, five of whom were selected by the 2022 Annual General Meeting. The terms of office range from one to three years.

Helene von Roeder, Chair

Member of the Management Board of Vonovia SE

Appointments:
> AVW Versicherungsmakler GmbH (Member of the Supervisory Board)[2]
> E. Merck KG (Member of the Council of Shareholders)[2]
> Merck KGaA (Member of the Supervisory Board)[1, 5]
> Vonovia Finance B.V. (Member of the Supervisory Board) (until December 31, 2022)[2, 4]

Dr. Florian Stetter, Deputy Chair

Chairman of the Supervisory Board of RockHedge Asset Management AG

Appointments:
> C&P Immobilien AG, Austria (Member of the Supervisory Board)
> Intelliway Services AD, Bulgaria (Member of the Administrative Board)
> Noratis AG (Deputy Chairman of the Supervisory Board)

Dr. Fabian Heß

General Counsel/Head of Legal at Vonovia SE

Appointments:

> Wohnungsgesellschaft Ruhr-Niederrhein mbH (Chairman of the Supervisory Board)[4]
> Eisenbahn-Wohnungsbaugesellschaft Köln mbH (Chairman of the Supervisory Board)[4]
> BWG Frankfurt am Main Bundesbahn-Wohnungsgesellschaft mbH (Chairman of the Supervisory Board)[4]
> Eisenbahn-Wohnungsbau-Gesellschaft Karlsruhe GmbH (Chairman of the Supervisory Board)[4]
> Bundesbahn-Wohnungsbaugesellschaft Kassel GmbH (Chairman of the Supervisory Board)[4]
> "Siege" Siedlungsgesellschaft für das Verkehrspersonal mbH (Chairman of the Supervisory Board)[4]
> Eisenbahn Siedlungsgesellschaft Augsburg mbH (Chairman of the Supervisory Board)[4]
> Baugesellschaft Bayern mbH (Chairman of the Supervisory Board)[4]
> Eisenbahn-Wohnungsbaugesellschaft Nürnberg GmbH (Chairman of the Supervisory Board)[4]
> Bundesbahn-Wohnungsbaugesellschaft Regensburg mbH (Chairman of the Supervisory Board)[4]
> GAGFAH GmbH (Chairman of the Supervisory Board)[4]
> GAGFAH M Immobilien-Management GmbH (Chairman of the Supervisory Board)[4]
> Vonovia Finance B.V. (Member of the Supervisory Board) (until January 9, 2023)[2, 4]
> Wohnungsgesellschaft Norden mbH (Chairman of the Supervisory Board)[4]
> Wohnungsbau Niedersachsen Gesellschaft mit beschränkter Haftung (Chairman of the Supervisory Board)[4]
> WOBA DRESDEN GMBH (Chairman of the Supervisory Board)[4]
> Eisenbahn-Siedlungsgesellschaft Stuttgart gGmbH (Chairman of the Supervisory Board)[4]
> BUWOG Holding GmbH, Austria (Chairman of the Supervisory Board)[4]
> GSW Immobilien AG (Chairman of the Supervisory Board) (as of March 1, 2023)[3]

Peter Hohlbein

Managing Partner,
Hohlbein & Cie. Consulting

Christoph Schauerte

Head of Accounting, Vonovia SE

Appointment:
> BUWOG Holding GmbH, Austria (Chairman of the Supervisory Board)[4]

Simone Schumacher

Expert Structured Finance at BMW AG

[1] Supervisory Board mandates in accordance with Section 100 (2) of the German Stock Corporation Act (AktG).
[2] Membership in comparable German and foreign supervisory bodies of commercial enterprises.
[3] Exempted Group mandates in accordance with Section 100 (2) no. 2 of the German Stock Corporation Act (AktG).
[4] Other Group bodies.
[5] Listed.

Independent Auditor's Report

To Deutsche Wohnen SE, Berlin

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of Deutsche Wohnen SE, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the report on the position of the company and the Group (hereinafter referred to as the "combined management report") of Deutsche Wohnen SE for the financial year from January 1 to December 31, 2022.

In accordance with German legal requirements, we have not audited the content of those components of the combined 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) of the German Commercial Code (HGB) 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, 2022, and of its financial performance for the financial year from January 1 to December 31, 2022, and

> the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined 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 combined management report does not cover the content of the section titled → **"Other Information"** of the combined management report mentioned above.

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 combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and 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 these requirements and standards are further described in the section of our auditor's report titled → **"Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management 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 combined 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 to December 31, 2022. 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.

Measurement of Investment Properties

Please refer to → **notes 11** and → **26** to the consolidated financial statements as well as the section on → **opportunities and risks** in the combined management report.

The Financial Statement Risk

In the consolidated financial statements of Deutsche Wohnen as of December 31, 2022, investment properties with a carrying amount of € 27.3 billion are reported and represent a significant share of the company's assets, accounting for 86.6% of total assets.

Deutsche Wohnen measures investment properties at fair value in accordance with IAS 40 in conjunction with IFRS 13. In the past fiscal year, net income from fair value adjustments of investment properties in the amount of € -0.9 billion was recognized in the consolidated income statement.

Deutsche Wohnen determines the fair values using internal valuation models. This does not include nursing care properties and undeveloped land.

The fair values of the residential and commercial properties are determined internally by means of a discounted cash flow (DCF) method based on homogeneous valuation units of aggregated commercially related and comparable land and buildings. In addition, an independent expert provides an appraisal, which is used to verify the internal valuation results. As far as project developments are concerned, the fair value is calculated internally provided that fair value can already be reliably measured during the land or project development phase. The fair value for the nursing care properties and undeveloped land are calculated based on opinions prepared by independent experts using a DCF method and are adjusted, where appropriate, to reflect findings from current market observation and transactions.

The measurement of investment properties is complex and incorporates numerous assumptions and data relevant to measurement that involve considerable estimation uncertainties and judgment. Even minor changes in the assumptions and data relevant to measurement may have a material effect on the resulting fair values. The most significant assumptions and data are market rents, including the expected market rent increase, the planned maintenance costs and discount/capitalization rates. When determining the discount/capitalization rates, Deutsche Wohnen also takes into account the difference in dynamic of movements in real estate prices compared to rental rates.

Due to existing estimation uncertainties and judgments, there is the risk for the consolidated financial statements that the fair values of properties are not within a reasonable range.

Moreover, there is the risk for the consolidated financial statements that the disclosures on investment properties in the notes required pursuant to IAS 40 and IFRS 13 are incomplete and inadequate.

Our Audit Approach

For the residential and commercial properties, and with the involvement of our own property valuation experts, using partly control-based and partly substantive audit procedures, we assessed the accuracy and completeness of the property portfolio data used in the internal valuation methods. In addition, we assessed the internal valuation techniques with a view to compliance with IAS 40 in conjunction with IFRS 13, the homogeneity of defined valuation units and the appropriateness of the assumptions and data used for measurement. We also used external market data to assess the assumptions and data used for measurement, such as the discount/capitalization rates applied, market rents and expected market rent increase as well as planned maintenance costs.

We compared Deutsche Wohnen's valuations against our own calculations for a representative selection, plus a number of elements that were deliberately selected as part of a risk-oriented approach. We used the standardized capitalization model pursuant to the German Real Estate Appraisal Regulation (ImmoWertV) for this purpose. We also conducted on-site visits of the properties in the sample in order to verify the property's condition.

We were satisfied with the skills, ability and objectivity of the external experts commissioned by Deutsche Wohnen, who audited the valuation methods used for the appraisal with regard to compliance with IAS 40 in conjunction with IFRS 13, assessed the material assumptions and data for measurement, and compared the internal measurements with those of the respective external appraisal.

In addition, we verified the computational and financial accuracy of the valuation model.

With regard to the nursing care properties, we were satisfied with the skills, ability and objectivity of the external experts commissioned by Deutsche Wohnen, assessed the valuation methodology applied and evaluated the completeness and accuracy of the quantity structure. We assessed the valuation report with regard to the key valuation assumptions based on properties that were deliberately selected in line with a risk-oriented approach. We also evaluated the appropriate consideration of findings from current market observations and transactions. We involved our property valuation specialists in the audit.

As far as project developments are concerned, we reviewed the appropriateness of the key assumptions as well as the calculation method involving our own property valuation specialists in the process. We used external market data, among other things, to assess the key assumptions. We also verified Deutsche Wohnen's assessment using our own calculations, and analyzed any deviations, for the purposes of assessing the appropriate implementation of the valuation model in methodological and financial terms for elements that were deliberately selected as part of a risk-oriented approach.

We also assessed the completeness and adequacy of disclosures on investment properties required in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13.

Our Observations

The valuation methods implemented by Deutsche Wohnen are appropriate and suitable for measuring fair value in compliance with IFRS. The assumptions and data used for valuation of the investment properties are appropriate. The disclosures on investment properties in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13 are complete and appropriate.

Other Information

Management and the Supervisory Board are responsible for the other information. The other information comprises the following parts of the combined management report, whose content was not audited:

> the combined corporate governance declaration of the company and the Group referred to in the combined management report, and

> those disclosures in the combined management report that do not belong to the management report and have been marked as unaudited.

The other information also includes the other parts of the annual report. The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined 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 abovementioned other information and, in so doing, to consider whether the other information

> is materially inconsistent with the consolidated financial statements, with the information in the combined management report audited for content or our knowledge obtained in the audit, or

> otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of 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 due to fraudulent acts (i.e., manipulation of accounting and misappropriation of assets).

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 combined 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 combined 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 combined 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 combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements due to fraud or error, and whether the combined 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 combined 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 institute of public auditors (IDW) will always detect a material misstatement. Misstatements can arise from fraudulent acts or errors 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 combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

> Identify and assess the risks of material misstatements of the consolidated financial statements and of the combined management report 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 system relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined 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 combined 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 presentation, structure and content of the consolidated financial statements as a whole, 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 statutory 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 combined 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 combined 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 combined 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 action taken or safeguards put in place to resolve any risks to our independence.

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

Report on the Audit of the Electronic Reproduction of the Consolidated Financial Statements and the Combined Management Report for the Purpose Of Disclosure Under Section 317 (3a) HGB

Pursuant to Section 317 (3a) HGB, we performed a reasonable assurance audit to determine whether the reproduction of the consolidated financial statements and the combined management report contained in the file provided, "DWSE_ESEF_Package_31.12.2022.zip" (SHA256 hash value: FF551A5E86D8D3E45549B3FF1FFBAD2E78FE649565C4563C3AE31C723E0BB7A2) and prepared for the purposes of disclosure (hereinafter also referred to as "ESEF Documents") complies in all material respects with the electronic reporting format ("ESEF Format") requirements set out in Section 328 (1) HGB. In accordance with German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF Format, meaning that neither the information contained in these reproductions nor any other information contained in the abovementioned file is included in the audit.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the abovementioned file and prepared for the purposes of disclosure complies in all material respects with the electronic reporting format requirements set out in Section 328 (1) HGB. Beyond this opinion and our opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from January 1 to December 31, 2022 included in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above, we do not express any opinion on the information in this reproduction or on the other information contained in the abovementioned file.

We audited the reproductions of the consolidated financial statements and the combined management report included in the above file in accordance with Section 317 (3a) HGB, taking into account the IDW Auditing Standard: Audit of electronic reproductions of financial statements and management reports produced for the purpose of disclosure in accordance with Section 317 (3a) HGB (IDW PS 410) (June 2022). Our responsibility in this context is further described below. Our audit practice applied the requirements for quality assurance systems set out in the IDW Assurance Standard: quality assurance requirements in audit practice (IDW QS 1).

The company's management is responsible for preparing the ESEF documents containing the electronic reproductions of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 no. 1 HGB and for marking up the consolidated financial statements in accordance with Section 328 (1) sentence 4 no. 2 HGB.

In addition, the company's management is responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material breaches of the provisions of Section 328 (1) HGB regarding the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the process for the preparation of the ESEF documents as part of the financial reporting process.

Our objectives are to obtain reasonable assurance about whether the ESEF documents are free from material breaches of the provisions of the requirements of Section 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

> Identify and assess the risks of breaches of the requirements of Section 328 (1) HGB, 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.

> Obtain an understanding of the internal control relevant to the audit of the ESEF documents to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of this control.

> Assess the technical validity of the ESEF documents, i.e., whether the file provided that contains the ESEF documents complies with the requirements regarding the technical specification for this file as set out in the Commission Delegated Regulation (EU) 2019/815 in the version valid at the end of the reporting period.

> Assess whether the ESEF documents allow an identical XHTML reproduction of the audited consolidated financial statements and the audited combined management report.

> Assess whether the markup of the ESEF documents using Inline XBRL technology (iXBRL) allows for an appropriate and complete machine-readable BRL copy of the XHTML reproduction in accordance with Articles 4 and 6 of the Commission Delegated Regulation (EU) 2019/815 in the version valid at the end of the reporting period.

Further Information Pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on June 2, 2022. We were engaged by the Supervisory Board on November 7, 2022. We have been Deutsche Wohnen SE's group auditor continuously since the 2016 financial year.

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).

Other Matter – Use of the Auditor's Report

Our auditor's report is always to be read in connection with the audited consolidated financial statements, the audited combined management report and the audited ESEF documents. The consolidated financial statements and combined management report converted into ESEF format – including the versions to be published in the German Federal Gazette – are simply electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not replace them. In particular, the ESEF report and our audit opinions contained therein are to be used only in conjunction with the audited ESEF documents provided in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Gunnar Brandt.

Berlin, March 22, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Hasenburg Wirtschaftsprüfer [German Public Auditor]	Brandt Wirtschaftsprüfer [German Public Auditor]

Responsibility Statement

Balance Sheet Oath

“To the best of our knowledge and belief, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the company’s net assets, financial position and results of operations, and the combined management report includes a fair review of the business development and position of the company, including the results, together with a description of the principal opportunities and risks associated with the expected development of the company in the remainder of the fiscal year.”

Berlin, March 15, 2023

Konstantina Kanellopoulos
(Co-CEO)

Lars Urbansky
(Co-CEO)

Olaf Weber
(CFO)

Financial Calendar

May 8, 2023
Press release on the first quarter of 2023

June 15, 2023
Annual General Meeting (virtual)

August 8, 2023
Publication of the interim financial report for the first half of 2023

November 7, 2023
Press release on the third quarter of 2023

Contact

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Note
This Annual Report is published in German and English. The German version is always the authoritative text. The Annual Report can be found on the website at www.deutsche-wohnen.com.

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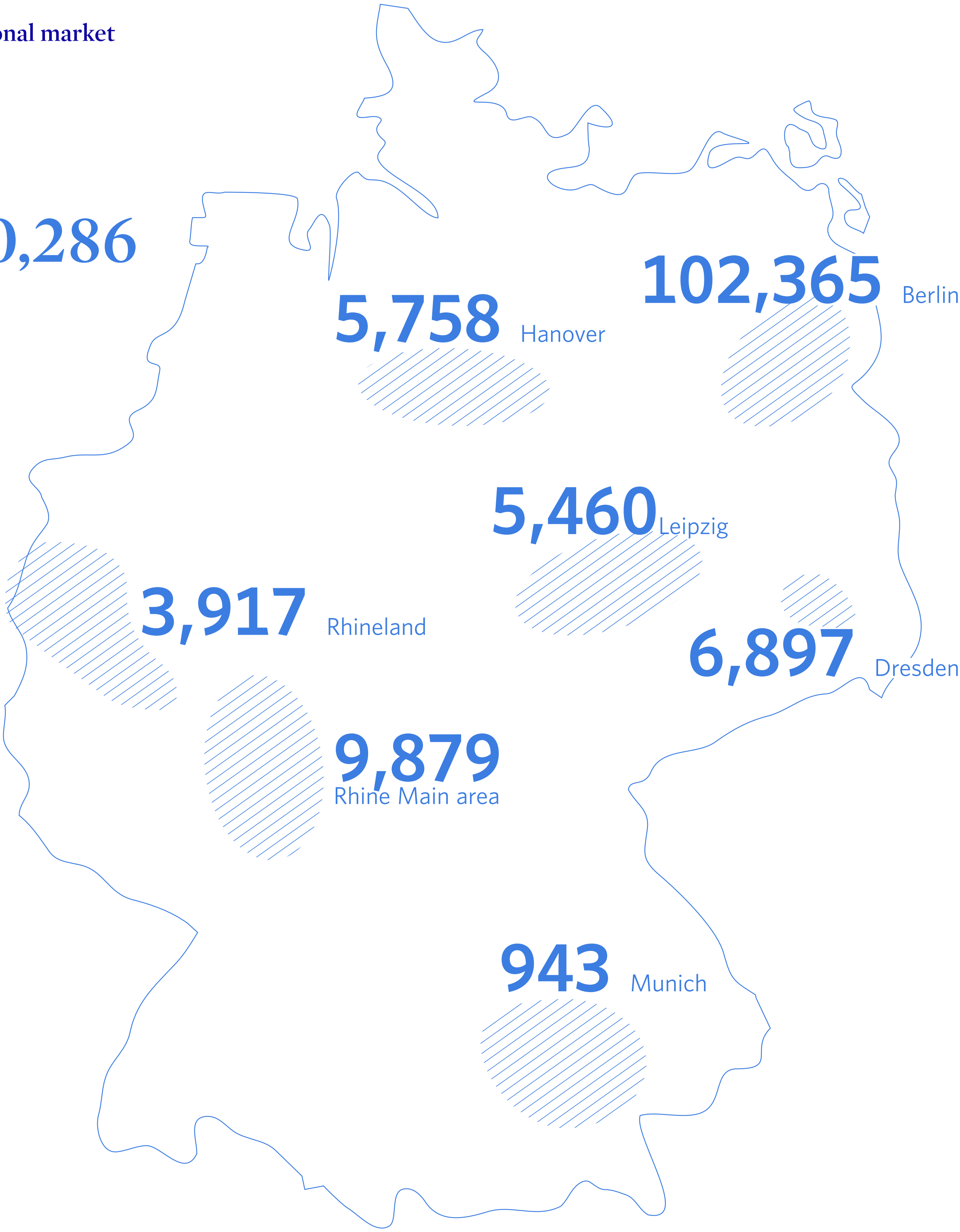
Deutsche Wohnen Portfolio

by regional market

Germany
140,286
units*



* Including 3,443 residential units at other strategic locations and 1,624 residential units at non-strategic locations.

www.deutsche-wohnen.com/en