Annual Report 2020

For people.
For tomorrow.

DEUTSCHE WOHNEN

Annual Report

Deutsche Wohnen is one of the leading publicly listed property companies in Germany and Europe. The company is listed in the DAX index of Deutsche Börse. Our focus is on managing and developing our portfolio, concentrating on metropolitan areas. Moreover, with our project development business we create new residential space in strategic core and growth regions. Our portfolio comprises around 160,000 residential and commercial units with a total fair value of approximately EUR 26.2 billion and nursing properties with around 10,580 beds and apartments for assisted living with a fair value of around EUR 1.2 billion.

GROUP KEY FIGURES DEUTSCHE WOHNEN SE

Profit and loss statement		2020	2019	Change
Contracted rental income	EUR m	837.6	837.3	0.0%
Earnings from Residential Property Management	EUR m	720.4	729.8	–1.3%
Earnings from disposals before valuation gains due to disposal	EUR m	308.7	186.1	65.9%
Earnings from Nursing and Assisted Living	EUR m	82.0	88.3	–7.1%
Corporate expenses	EUR m	–105.9	–101.4	4.4%
EBITDA (adjusted)	EUR m	1,010.1	901.2	12.1%
EBT (adjusted)	EUR m	818.6	709.1[4]	15.4%
EBT (as reported)	EUR m	2,243.7	2,104.6	6.6%
Earnings after taxes	EUR m	1,544.6	1,600.9	–3.5%
Earnings after taxes[1]	EUR per share	4.32	4.27	1.1%
FFO I	EUR m	544.1	553.1[2, 4]	–1.6%
FFO I (undiluted)[1]	EUR per share	1.56	1.54[2, 4]	1.3%
FFO I (diluted)[1]	EUR per share	1.56	1.54[2, 4]	1.3%
FFO II	EUR m	806.0	726.3[4]	11.0%
FFO II (undiluted)[1]	EUR per share	2.32	2.03[4]	14.3%
FFO II (diluted)[1]	EUR per share	2.32	2.03[4]	14.3%

Balance sheet		31/12/2020	31/12/2019	Change
Investment properties	EUR m	28,069.5	25,433.3	2,636.2
Current assets	EUR m	1,745.9	1,975.0	–229.1
Equity	EUR m	13,832.8	13,107.3	725.5
Net financial liabilities	EUR m	10,840.1	9,339.0	1,501.1
Loan-to-Value ratio (LTV)	in %	37.0	35.4	1.6
Total assets	EUR m	30,797.4	27,851.7	2,945.7

Share		31/12/2020	31/12/2019	Change
Share price (closing price)	EUR per share	43.69	35.64	22.6%
Number of shares (without own shares)	m	343.77	357.09	–3.7%
Market capitalisation (without own shares)	EUR bn	15.0	13.0	15.4%

EPRA Net Tangible Assets (NTA)		31/12/2020	31/12/2019	Change
EPRA NTA	EUR m	17,844.40	16,589.10	7.6%
EPRA NTA	EUR per share	51.91	46.46	11.7%

Market values		31/12/2020	31/12/2019	Change
Fair value properties[3]	EUR m	26,168	24,237	1,931
Fair value per sqm living and usable space[3]	EUR per sqm	2,683	2,394	12.1%

1 Based on the weighted average of some 347.85 million shares in circulation in 2020 (without own shares) or some 358.09 million in 2019
2 Calculation method changed: taxes due to disposals are no longer included in FFO I. Disclosures for prior years have been changed accordingly
3 Only includes residential and commercial buildings, without Nursing and Assisted Living and without right-of-use assets under leases measured according to IFRS 16
4 Previous year's figure changed due to exercise of IAS 23 option

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LETTER TO OUR SHAREHOLDERS

Dear shareholders,

An exceptional and challenging year lies behind us. The coronavirus pandemic has had an impact on each and every one of us – and, of course, on our business, too. So, it is all the more pleasing that Deutsche Wohnen has come through this crisis so well and has once again proved itself to be a socially responsible partner with a robust business model. At the same time, we used the financial year 2020 to initiate some important developments that set a course for future growth. Yet, as we move forward, we always keep sight of the interests of all our stakeholders and carefully weigh up the economic, ecological and social consequences of any measures under consideration.

Climate-neutral by 2040

We have set ourselves an ambitious target: Deutsche Wohnen's holdings are to be climate-neutral by 2040. After all, we know that the climate turnaround will be decided in the property sector because, currently, one-third of all CO_2 emissions are generated by buildings. So, as an industry, we have to set ourselves challenging targets and work determinedly to achieve them. Deutsche Wohnen is quite happy to take on this responsibility. Thanks to our continuous investment in building envelopes, building equipment and appliances, and energy-efficient refurbishment, we already have one of the most climate-friendly portfolios in the sector today. At present, the CO_2 intensity of 33 kg/sqm of our holdings is significantly below the German average.

The measures we have now agreed on aim, in particular, to minimise the energy requirements of our holdings, to use as little CO_2-intensive energy as possible, to generate more energy locally via CHPs (combined heat and power plants) and to cover any remaining primary energy requirements with renewables. By doing all of this, we can reduce the CO_2 intensity of our holdings to below 12 kg/sqm by 2040, which would mean that we would achieve climate-neutrality in our portfolio according to the definition set by the professional association IW.2050 [Initiative Wohnen.2050]. We already started years ago to modernise heating systems, to instal CHPs and to opt for an energy mix that was low in CO_2 emissions. We intend to build on this good starting position by making further investments in the coming years, particularly by installing CHPs and the use of renewable energies. And the widespread installation of solar energy systems will provide our neighbourhoods step by step with green energy. Finally, by building new, climate-friendly properties and extending the use of building automation and smart applications for regulating heating, we will make further progress towards our target of climate-neutrality.

Of course, we are taking our tenants with us on our journey towards climate-neutrality. We are convinced that we can only manage this complex of numerous societal challenges – such as climate protection, housing shortages and rising rents – and make a significant contribution to achieving our climate goals if we all work together.

Sustainable new builds

We are also taking on responsibility with regard to the existing housing shortage. As one of the largest residential property companies in Germany, we will intensify our efforts in the future to build new homes, particularly in attractive and dynamic metropolitan regions. In so doing, we will also be helping to achieve our climate targets and to ease the housing situation in cities. At the same time, our new-build activities will secure for the company future profitable growth that extends beyond the management of existing properties.

Last year we had already expanded our new-build activities significantly. To this end, we acquired the Munich-based project developer ISARIA with 13 construction projects and approximately 2,700 residential units. In addition, we acquired a 40% stake in QUARTERBACK Immobilien AG. Under their guidance, we are pooling our expertise and strengths to create an independent platform. Given the strategic course we have set, we are in an ideal position to make consistent progress towards the targeted expansion of our new-build pipeline and also to complete new-build projects more quickly and with greater cost efficiency.

In future, QUARTERBACK will realise all of Deutsche Wohnen's new-build projects, which, in turn, will be an ideal addition to our portfolio in terms of quality and location. Over the next few years, QUARTERBACK will build around 18,000 flats, particularly in the metropolitan regions of Berlin, Dresden/Leipzig, Munich and Stuttgart, of which approximately 9,000 will be for our holdings.

Lars Urbansky
Chief Operating Officer (COO)

Philip Grosse
Chief Financial Officer (CFO)

Michael Zahn
Chief Executive Officer (CEO)

Henrik Thomsen
Chief Development Officer (CDO)

Focused portfolio strategy

Megatrends like urbanisation and the increasing ageing of the population form the basis of our business model and our company strategy, which is long-term oriented and is also clearly focused on Germany's metropolitan regions, where the opportunities for future growth are particularly good – both for our housing portfolio and for our business segment of Nursing and Assisted Living.

The valuation gains of EUR 1.9 billion of our property portfolio in the financial year 2020 reflect the fact that our holdings continue to be highly attractive. Contributing to this are the ongoing improvements to quality that we have been pushing to achieve by adopting targeted measures – and also by carrying out acquisitions, disposals and modernisations as well as by building new properties.

And in the business segment of Nursing and Assisted Living our focus is on cities and regions with positive development prospects, and on the high quality both of our properties and the nursing and support provided there. Through our targeted expansion of this segment we are meeting the rising demand for places in care homes in Germany.

Financial stability

Despite the coronavirus crisis, we can look back on a successful financial year 2020 in which we were able to achieve what we forecast. At EUR 837.6 million, gross rental income was more or less at the level of the previous year. The figure FFO I (Funds from Operations without Disposals) per share – which is of key importance for us – rose by 1.3%, and EPRA NAV (Net Asset Value) increased by 12.3% per share. At 37%, the loan-to-value ratio (LTV) was within our target corridor of 35% to 40%. And adjusted earnings before interest, tax and depreciation (adjusted EBITDA) rose by 12.1% to approximately EUR 1 billion – particularly because of disposals.

In the financial year 2020, the Berlin rent cap led to a fall of 4.1% in rental income from our overall portfolio to an average rent of EUR 6.70 per m². We continue to be of the view that the Berlin rent cap does nothing at all to ease the strains in the housing market. On the contrary, it actually exacerbates the acute shortage of housing. Yet, the private sector is needed urgently – both to create (new) housing of high quality and for climate protection. A ruling by the Federal Constitutional Court on the constitutionality of the rent cap is expected in the first half of 2021.

Last year, the development of the Deutsche Wohnen share was very encouraging. It ended the year with a closing price of EUR 43.69, which represented an increase of 22.6% compared with the end of 2019. This also meant that the Deutsche Wohnen share outperformed the key stock market indices. A further piece of good news was the inclusion of Deutsche Wohnen SE in the DAX, Germany's leading share index, as of 22 June 2020. This, too, is proof of the successful development of our company during the past years. We also successfully completed our share buy-back programme in September 2020. By this means, we bought back approximately 16 million shares at a total price of EUR 597.3 million. This corresponds to a share of the issued capital of Deutsche Wohnen SE of 4.47%.

In addition to the positive development of the share price, our shareholders are benefitting from our consistent dividend policy. For the financial year 2020, the Management and Supervisory Boards propose that we pay out from the net profit a dividend of EUR 1.03 per bearer share. This will mean a return to our average pay-out ratio of 65%. Last year we reduced the pay-out ratio, which is based on FFO I, to 60% to enable us to set up our coronavirus relief fund in the amount of EUR 30 million.

We are using this relief fund particularly to protect residential and commercial tenants who have got into payment difficulties. We offer our support in situations where state support programmes do not apply. But the protection of our employees was also an important issue for us in 2020. Accordingly, shortly after the outbreak of the pandemic, we made it possible for all our staff members to work from home. Currently, 80% of them are making use of this option. And the coronavirus crisis has brought something home to us very clearly: how important good-quality housing is for each and every one of us. Deutsche Wohnen is making a valuable contribution here.

All of the successes we have described above would not be possible without the high level of commitment, hard work and passion of our employees – especially in these challenging times. So we would like to express our profound gratitude to them. Moreover, we will continue to work at being a consistently attractive employer.

Positive prospects for growth

The prospects for the German residential property market remain positive. This is confirmed by the current performance data, which we explain to you in greater detail in our financial report. Due to their long-term oriented strategy, Deutsche Wohnen remains a strong and reliable actor on the property market. We continue to gear our portfolio consistently to the growth in Germany's top cities. At the same time, we are using this stable foundation to drive our commitment to protecting the climate and building new housing.

We look optimistically to the financial year 2021 and anticipate solid progress in our most important company performance figures. Our forecast is for FFO I to be at the same level as the previous year and for further growth in our net asset value (NAV).

We would like to thank you, our esteemed shareholders, for your continuing support and for placing your trust in our company. We will be delighted if you continue to accompany us on our journey.

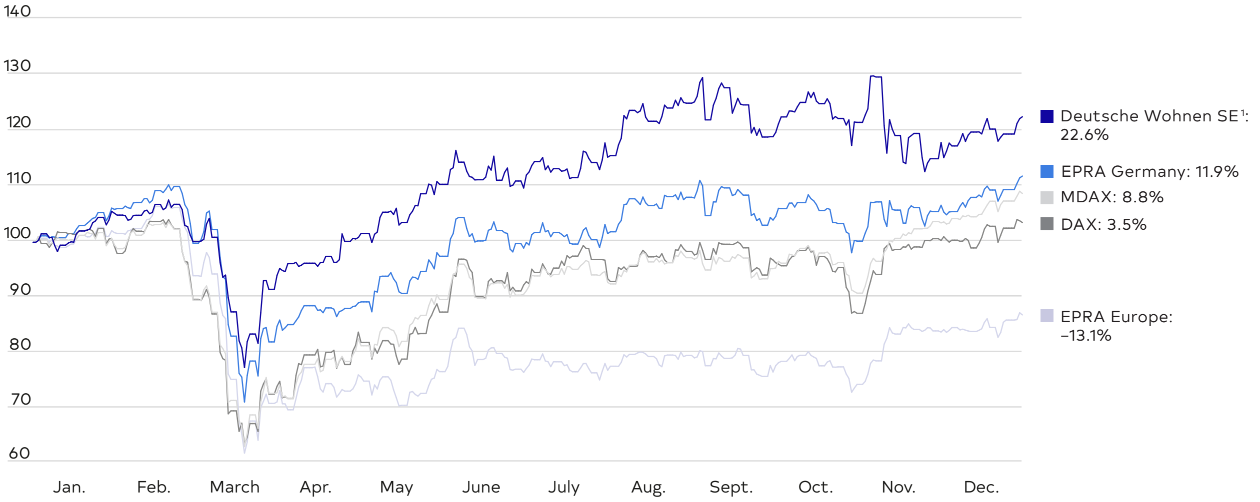
Berlin, 25 March 2021

Kind regards

Michael Zahn Chair of the Management Board	Philip Grosse Management Board	Henrik Thomsen Management Board	Lars Urbansky Management Board

DEUTSCHE WOHNEN ON THE CAPITAL MARKET

Share price performance, 2020 (indexed)



1 Share price, adjusted for dividend

Approval of coronavirus vaccines pushes DAX to all-time high

In spring 2020 the global impact of the coronavirus pandemic brought about a dramatic collapse on the stock markets. Over the course of the year, however, they gradually recovered, due in part to rapid loosening of lockdown restrictions and comprehensive support measures at home and abroad, such as German and EU rescue funds.

In the fourth quarter of 2020, the newly developed coronavirus vaccines gave stock markets a major boost. Approval of vaccines raised hopes that we will be able to get back to normality in the foreseeable future. The expansion of the ECB's bond-buying programme by EUR 500 billion, the EU reaching a new budget agreement, the Brexit agreement between the EU and the UK, and persistently strong economic figures coming out of China saw markets bounce back.

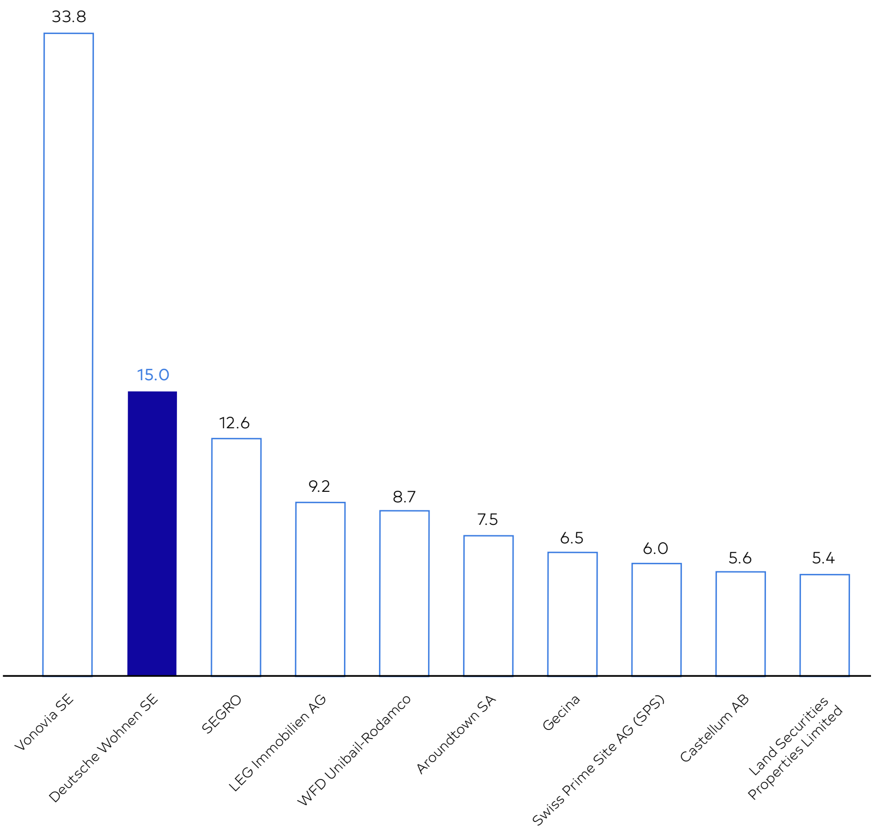
The DAX rose by 3.5% in 2020, reached an all-time high, and closed the year at 13,719 points. The MDAX climbed by 8.8% to close at 16,326 points.

Deutsche Wohnen share again outperforms the indices

The Deutsche Wohnen SE share ended the year 2020 at a closing price of EUR 43.69, a gain of 22.6% on year-end 2019. The share price reached a high for the year at EUR 46.31 in early November, thus leaving the general negative trend in the first quarter well behind it. The share also outperformed the German share indices DAX (3.5%) and MDAX (8.8%) and the property indices EPRA Europe (–13.1%) and EPRA Germany (11.9%).

The market capitalisation of Deutsche Wohnen SE rose by around 15% on the previous year to EUR 15.0 billion.[1] This means Deutsche Wohnen is still the second-largest property company in Germany and ranks second in Europe.[2]

Market capitalisation of Deutsche Wohnen SE at year-end 2020 compared with European peer group
EUR billion[1]



1 By market capitalisation of free float, EPRA Europe as of December 2020

The liquidity of the Deutsche Wohnen share also grew over the past year. Average daily turnover in Xetra trading increased in 2020 by roughly 23.5% from EUR 33.8 million to EUR 41.8 million. The average Xetra trading volume of the Deutsche Wohnen share came to around 1.1 million shares per day. The trading volume for alternative platforms was slightly below this level.

1 Taking into account 359.8 million outstanding shares as of 31 December 2020 minus 16.1 million own shares
2 By market capitalisation of free float, EPRA Europe as of December 2020

Deutsche Wohnen promoted to the DAX

Deutsche Wohnen SE joined Germany's leading index, the DAX, on 22 June 2020. The German Stock Exchange took the decision based on the criteria for the fast-entry procedure. Since the company went public in 1999, the market capitalisation and trading volume of the Deutsche Wohnen share has grown continually and were now deemed to meet the technical requirements for joining the index.

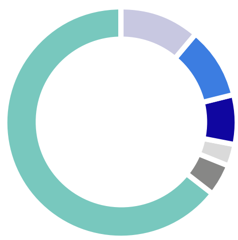
Key figures for the share	2020	2019
Number of shares in million	approx. 359.84	approx. 359.72
Of which own shares in million	approx. 16.07	approx. 2.71
Closing price at year-end[1] in EUR	43.69	35.64
Market capitalisation in EUR billion[2]	approx. 15.0	approx. 13.0
Twelve-month high[1] in EUR	46.31	43.39
Twelve-month low[1] in EUR	27.62	29.19
Average daily Xetra trading volume[3]	1,062,251	928,170

1 Closing price in XETRA trading as of 31 December 2020, 2019 number adjusted by dividend
2 By market capitalisation of free float
3 Shares traded
Source: Bloomberg, as of 5 January 2021

Shareholder structure largely unchanged

BlackRock, MFS, Norges and State Street currently[3] hold around 31% of the Deutsche Wohnen shares. Deutsche Wohnen acquired around 4.5% of its own shares as part of the share buyback programme. The remaining 64.3% of shares are held by German and foreign institutional investors and private shareholders who have not exceeded the statutory reporting threshold of 3%.

Shareholder structure[1]	
BlackRock[2]	11.48%
Massachusetts Financial Services Company (MFS)	9.94%
Norges Bank (Central Bank of Norway)[2]	6.93%
State Street Corporation[2]	3.10%
Total	**31.45%**
Own shares	4.47%
Other	64.3%



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

Notifications of voting rights

3 As of 6 January 2021

Broad analyst coverage continues

A total of 26 equity analysts are currently[3] monitoring the performance of Deutsche Wohnen SE. Current[3] price targets range from EUR 33.50 to EUR 60.00 per share. 15 analysts have set a target price equal to or above EUR 43.00 per share. The median of all analyst estimates is EUR 43.00[3] per share, which is roughly the same as the closing price at the end of the year 2020.

Rating	Number
Buy/Outperform/Overweight	16
Equal Weight/Hold//Neutral	5
Sell	5

Results of the Annual General Meeting and dividends

On 5 June 2020, the Annual General Meeting of Deutsche Wohnen SE took place online for the first time ever due to coronavirus restrictions. The Annual General Meeting was live-streamed for registered shareholders and voting rights were exercised electronically; 79.5% of the company's share capital was represented. The required majority of shareholders agreed to all proposals for resolution tabled on the agenda. These included the distribution of a reduced dividend of EUR 0.90 per bearer share for the 2019 financial year. The dividend ratio, based on FFO I, was reduced as a one-off this year from 65% to 60% in order to allow a coronavirus support fund worth EUR 30 million to be set up.

Considered alongside the volume-weighted average share price of EUR 36.45 in 2019, the dividend of EUR 0.90 per share produces a dividend yield of 2.5%.

For 2020, Deutsche Wohnen plans to return to its average dividend ratio of 65% of FFO I.

Share buyback programme terminated early

On 15 November 2019 the Management Board of Deutsche Wohnen SE, with the approval of the Supervisory Board, decided to buy back up to 25 million company shares for up to EUR 750 million. An early end to the share buyback programme was announced on 14 September 2020.

Deutsche Wohnen SE bought back a total of 16,070,566 shares for a total price of EUR 597.3 million in the course of the programme. This represents 4.47% of the share capital of Deutsche Wohnen SE. The average purchase price per share was EUR 37.17, which was around 42% below the current NAV per share of EUR 52.80.

3 As of 6 January 2021

Intensive dialogue with analysts and investors

The focus of our extensive investor relations work is on timely and transparent reporting, active and regular dialogue with our shareholders, analysts and potential investors, and expansion of our existing network of contacts in Germany and worldwide.

Deutsche Wohnen again maintained an intensive dialogue in financial year 2020. For this purpose the Management Board and the investor relations team made particular use of investor conferences and roadshows in Germany and abroad. The coronavirus pandemic and the ensuing precautions and travel restrictions meant that virtual meetings and conference calls were the rule in recent months. Altogether the investor relations team met over 500 investors in 2020.

We hold a telephone conference call on publication of our annual report and our quarterly reports. Investors and analysts can take this opportunity to address their questions directly to the Management Board. The conference calls are streamed as live webcasts and are then available to download from the Investor Relations section of our website. The latest financial reports and company presentations are also made available here.

Investor Relations

An overview of these dates can be found in the financial calendar in this annual report. It is updated regularly on our Investor Relations home page.

Financial calendar on page 249

Financial calendar

CORPORATE GOVERNANCE DECLARATION

Publicly listed companies have to make and publish an annual declaration on their corporate governance. The following declaration combines the corporate governance declaration for Deutsche Wohnen SE pursuant to section 289f German Commercial Code [HGB] and the corporate governance declaration for the Deutsche Wohnen Group pursuant to section 315d German Commercial Code [HGB]. The corporate governance declaration can be downloaded from www.deutsche-wohnen.com/declaration-corporate-governance

Declaration on Corporate Governance

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

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

The Management Board and Supervisory Board of Deutsche Wohnen SE have carefully reviewed its compliance with the standards of the German Corporate Governance Code taking into consideration the Code in the version of 7 February 2017 published in the Federal Gazette [Bundesanzeiger] on 24 April 2017 ("2017 Code") and the Code in the version of 16 December 2019 published in the Federal Gazette on 20 March 2020 ("2020 Code"), and adopted the following declaration of conformity under section 161(1) of the German Stock Corporation Act [AktG] in December 2020.

Since making its last declaration of conformity in December 2019, Deutsche Wohnen SE has complied with the recommendations of the German Corporate Governance Code (2017 Code) with the following exception:

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

Deutsche Wohnen SE complies with the recommendations of the German Corporate Governance Code (2020 Code) and will continue to comply with them in the future, with the following exceptions:

The Supervisory Board will decide upon a new remuneration system under the new section 87a of the German Stock Corporation Act [AktG] and submit it to the 2021 Annual General Meeting for resolution. The provisions on remuneration of Management Board members in existing employment contracts currently do not comply with all recommendations of the 2020 Code. Its recommendations will be applied in the future in the appointment and conclusion of employment contracts of new Management Board members. Existing contracts of employment will remain unchanged during their minimum term, with amendments made as they are renewed. The current applicable remuneration system and existing Management Board employment contracts include the following deviations from the 2020 Code:

- Recommendation G 8, which provides that subsequent changes to the target values or comparison parameters be excluded, was not fully complied with. In its meeting on 27 April 2020, the Supervisory Board approved the conclusion of agreements ("compensatory agreements") to compensate for the remuneration-distorting effects of the Berlin Residential Rent Cap and Reduction Act [MietenWoG Berlin, also known as the "Berlin rent cap"] announced by Berlin's government on 5 June 2019. These agreements are between the company and Management Board members Michael Zahn, Philip Grosse and Lars Urbansky, as well as former Management Board member Lars Wittan. The compensatory agreements provide firstly for an adjustment of the long-term incentive (LTI) performance period underlying the calculation of the LTI remuneration for the purposes of measuring relative share price performance. Before the resolution on 27 April 2020, the Supervisory Board determined that the announcement of the Berlin rent cap had had significant negative impacts on the market price of the company's shares, while the share price performance of the company's peers that was used when calculating key LTI figures was simultaneously unaffected by the Berlin government's announcement or only experienced a much more limited negative impact. The Supervisory Board believes there is a strong likelihood of there being an extraordinary recovery for the company's share price if the Federal Constitutional Court should judge the Berlin rent cap to be unconstitutional. In the view of the Supervisory Board, the long-term remuneration from the share options granted through the share option programme (SOP) in 2016 and, where applicable, 2017 would also have come to a considerably larger amount without the rent cap. The reason for this is that the exercise threshold for one of the targets (relative share price performance against the EPRA/NAREIT Germany Index; 20% weighting) would not have been missed. The Supervisory Board believes that the overall sustainability and incentivizing effect of long-term remuneration would be endangered if these one-time effects of the Berlin rent cap were not to be considered separately. In this context, the Supervisory Board considers it appropriate to make an extraordinary one-time adjustment of the LTI remuneration of these Management Board members in such a way that the announcement of the rent cap and the Federal Constitutional Court's decision about the rent cap always fall within the same LTI performance period, so as to record these extraordinary price-determining events in a single period. Furthermore, in certain conditions, the compensatory agreements provide for subscription rights being granted for share units that correspond to a minimum achievement level of the aforementioned SOP target. When drafting the compensatory agreements, the Supervisory Board made efforts to ensure that the positive effects created for the Management Board are only of the extent to which they are underpinned by corresponding share price developments that benefit the shareholders, and that the Management Board members concerned cannot profit from extraordinary share price fluctuation in view of the Federal Constitutional Court's decision but do not become unreasonably disadvantaged in keeping with this either.

- Recommendation G 10 is potentially not fully complied with. According to recommendation G 10, first sentence, Management Board members' variable remuneration is to be predominantly invested in company shares by the respective Management Board member or is to be granted predominantly as share-based remuneration, taking the respective tax burden into consideration. The Management Board employment contracts include the share ownership guidelines and provide for the amount of LTI remuneration to be calculated based on key LTI figures that are half calculated based on shares – through the relevant relative share performance – and half calculated based on a property yield defined in the contract. Consequently, the Management Board members have a stake in the performance of the company's shares that is sufficient to ensure that the Management Board members, like the shareholders, have an interest in the company's long-term development.

- The recommendation in G 11 is not complied with. This recommendation provides for the Supervisory Board to have the possibility to account for extraordinary developments to an appropriate extent and to retain or reclaim variable remuneration, if justified. The Supervisory Board can currently reduce all remuneration components, including variable remuneration, if the company's position deteriorates in accordance with section 87(2) of the German Stock Corporation Act [AktG]. Furthermore, the Supervisory Board can retain all remuneration components, including variable remuneration, in the event of a breach of obligation amounting to a loss for the company. Further reclamation entitlements have not been agreed.

- The recommendation in G 12 is not complied with. According to G 12, if a Management Board member's contract is terminated, the disbursement of any remaining variable remuneration components attributable to the period up until contract termination is to be based on the originally agreed targets and comparison parameters, and on the due dates or holding periods stipulated in the contract. The applicable Management Board employment contracts (in accordance with section 4.2.3, para. 5, of the 2017 Code) provide for the Management Board members to enjoy a one-time right to terminate the contract with three months' notice, counted from the end of a month, in the event of a change of control for the purposes of the contract. Upon exercising the termination right, the Management Board member receives an amount of up to three years' remuneration, capped at an amount equal to the remuneration otherwise payable after their employment ends. This severance pay becomes due for payment when the contract ends. The reason behind this provision for severance pay due to a change of control is that a change of control can be associated with changes that make it appear unjustified to make the calculation of variable remuneration components dependent on performance after the change of control and to comply with the due dates stipulated in the contract. The remuneration's alignment with sustainable and long-term company performance is not negatively impacted by this provision because the Management Board members cannot expect a change of control during their term. The departed Management Board member Lars Wittan was also considered when deciding on the compensatory agreements mentioned above related to recommendation G 8.

- The recommendation in G 13, first sentence, is not complied with only in the exceptional event of a change of control. Based on G 13, first sentence, any payments made to a Management Board member due to early termination of their Management Board activity is not to exceed twice the annual remuneration (severance cap) and is not to constitute remuneration for more than the remaining term of the employment contract. As described above, the Management Board employment contracts currently provide for an amount of up to three years' renumeration if a Management Board employment contract ends prematurely due to a change of control. The 2020 Code no longer includes an explicit provision regarding benefits in the event of a change of control. It is unclear if the general recommendation in G 13, first sentence, concerning severance pay amounts has effect in this respect. The company is therefore taking the precaution of declaring that it does not comply with recommendation G 13, first sentence.

Berlin, in December 2020

Management Board Supervisory Board

Disclaimer
The German version of this statement is legally binding. The company cannot be held responsible for any misunderstanding or misinterpretation arising from this convenience translation.

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

Declaration of Conformity

2. Relevant disclosures on corporate governance practices

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

Shareholders of Deutsche Wohnen SE exercise their rights at the Annual General Meeting. The Annual General Meeting decides on all matters assigned to it by law, particularly the use of profits, discharging the Management Board and Supervisory Board of liability, electing Supervisory Board members and auditors, changes to the articles of association, changes in company equity, control agreements, changes of legal structure and the remuneration of the Supervisory Board. According to the Act Transposing the Second Shareholder Rights Directive [ARUG II] of 12 December 2019, the Annual General Meeting will pass non-binding resolutions for the first time in 2021 on approving the remuneration system for Management Board members proposed by the Supervisory Board and for the first time in 2022 on approving the remuneration report for the previous financial year. In accordance with section 87 para. 4 AktG as introduced by ARUG I, the Annual General Meeting can reduce the maximum remuneration set by the Supervisory Board at the application of shareholders accounting collectively for one-twentieth of share capital or an amount of EUR 0.5 million.

Responsible management, aimed at long-term value creation, is a central element of corporate governance for the Management Board and the Supervisory Board, and is the model for all areas of the company. Our commercial activities are not only defined by following the law, but are also based on generally acknowledged standards and recommendations, particularly the UN Guiding Principles of Business and Human Rights. Our activities are based on our corporate culture, whose main pillars are respect, diversity, openness and high quality. We uphold values such as competence, transparency and sustainability. We believe that sustainable business activities will secure the future viability of the Deutsche Wohnen Group and also benefit our stakeholders.

Code of Conduct

To implement its values, principles and rules for responsible corporate governance in day-to-day business Deutsche Wohnen has defined a Code of Conduct that specifies and supplements the legal provisions and applies to all employees of Deutsche Wohnen. The Code of Conduct is reviewed regularly and revised and is available to all employees on the company intranet and online.

Deutsche Wohnen SE and its Group companies are landlords and business partners, and so are dependent on gaining and maintaining the trust of customers, buyers and business partners. For Deutsche Wohnen SE, its Management Board and Supervisory Board and its employees, compliance therefore not only means following the law and the articles of association, but also respecting internal instructions and commitments in order to put the values, principles and rules of responsible corporate governance into practice on an everyday basis. The Code of Conduct is embedded in the organisational structure of Deutsche Wohnen, which is all the more important since the company relies on the initiative and sense of responsibility of its managers and employees to carry out its work.

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

Expectations of our business partners

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

Management of opportunities and risks

Responsible handling of opportunities and risks is a key function of the Management Board, managers and all employees and is also an expression of good corporate governance. The aim is to identify risks early, to limit them and to exploit any resulting commercial opportunities as appropriate.

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

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

Transparency

Deutsche Wohnen attaches great importance to ensuring that shareholders and the interested public are informed uniformly, comprehensively, promptly and simultaneously about its economic situation and new facts. Shareholders and third parties are informed in particular by means of the annual report, the interim reports and statements and the sustainability report, as well as by face-to-face meetings and telephone conferences with analysts.

Important current information is also made public by way of press releases, corporate news bulletins and ad hoc announcements. All this information is provided on the Deutsche Wohnen website, which also has a wide range of other information about the company and the Deutsche Wohnen share.

The members of the Management Board and Supervisory Board of Deutsche Wohnen SE and persons closely associated with them are obliged under article 19 Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) to disclose transactions conducted on their own account relating to the shares or debt instruments of Deutsche Wohnen SE or to derivatives or other financial instruments linked to them, insofar as the total amount of the transactions conducted by the member or persons closely associated with them reaches or exceeds EUR 20 thousand within a calendar year. The transactions reported to Deutsche Wohnen SE in financial year 2020 were properly made public and are available on the company's website under www.deutsche-wohnen.com/directors-dealings-en

Directors' Dealing

When necessary, Deutsche Wohnen SE maintains the insider lists required by article 18 EU Market Abuse Regulation. The persons featuring on the insider lists were and are informed of the statutory obligations and penalties resulting for them.

Deutsche Wohnen compiles the planned dates of important recurring events and publications in a financial calendar, which is published on the company website and updated regularly.

Financial calendar on page 249

Financial calendar

Financial reporting and audits

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

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

3. Management Board

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

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

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

Henrik Thomsen is Chief Development Officer (CDO) and responsible for New Construction, Portfolio Investment, Technical Infrastructure and Digitalisation.

Lars Urbansky is Chief Operating Officer (COO) and is responsible for Customer Communication and Service Strategy, Commercial and Technical Inventory Management.

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

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

To ensure that business risks are handled responsibly, the Management Board has established an internal control system and appropriate activities based on the company's risk position, particularly a compliance management system, a risk management system and risk controlling. It ensures compliance with statutory provisions and internal policies and encourages compliance by Group companies.

The members of the Management Board are collectively responsible for managing the company. The Management Board has no committees. The division of responsibilities within the Management Board is defined by the members in a formal document. The CEO coordinates the work of the Management Board. The Supervisory Board has adopted rules of procedure for the Management Board. They include rules on meetings and resolutions, as well as on working with the Supervisory Board. The rules of procedure also include a list of transactions requiring approval.

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

Remuneration report from page 100

Remuneration report

4. Supervisory Board and its committees

The Supervisory Board of Deutsche Wohnen SE currently consists of six members. All six members are elected by shareholders at the Annual General Meeting. Their period of office is five years, in accordance with the statutory provisions and the articles of association. For new members of the Supervisory Board an Onboarding is conducted to familiarise them with the business model and corporate structures of the company.

The Supervisory Board is composed in such a way that its members collectively have the knowledge, skills and professional experience, particularly of capital markets and the German property market, required to fulfil their responsibilities correctly. The requirements for the composition of the Supervisory Board, which include a competence profile and a diversity concept, are described under 6. below.

CVs of the individual Supervisory Board members can be downloaded from www.deutsche-wohnen.com/board

Supervisory Board

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

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

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

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

Further information on the remuneration of the Management Board is included in the remuneration report, which is available online at www.deutsche-wohnen.com/remuneration-report

Remuneration report from page 100

Remuneration report

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

The Supervisory Board currently has the following three committees:

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

Members:
Matthias Hünlein (Chair),
Jürgen Fenk,
Arwed Fischer

- The **Audit Committee** is responsible for the preliminary review of documents for the separate and consolidated financial statements, and for preparing their adoption or approval, as well as preparing the Management Board's proposal for the use of profits. It discusses the quarterly reports and interim financial reports before they are published. In addition, the Audit Committee discusses with the Management Board the principles of financial reporting, compliance, risk identification, audit, risk management and the suitability and effectiveness of the internal control system. The Audit Committee also

Members:
Dr Florian Stetter (Chair),
Jürgen Fenk,
Kerstin Günther

prepares the Supervisory Board's proposal to the Annual General Meeting on the election of the auditor and makes a recommendation to the Supervisory Board after reviewing the necessary independence of the intended auditor. After the resolution has been passed by the Annual General Meeting the Audit Committee appoints the auditor and defines the main elements of the audit, which includes approval of additional services to be provided by the auditor. The Chair of the Audit Committee and the members of the Audit Committee have particular knowledge and experience in the application of accounting principles and internal control processes and are familiar with the auditing of financial statements. The Chair of the Audit Committee is not Chair of the Supervisory Board at the same time nor a former member of the Management Board. All members of the Audit Committee are independent (see comments in 6. below).

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

Members:
Tina Kleingarn (Chair),
Matthias Hünlein,
Arwed Fischer

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

Supervisory Board from page 24

Supervisory Board

The Supervisory Board has adopted rules of procedure. These rules of procedure govern the main working aspects of the Supervisory Board and its committees. The rules of procedure are publicly available at www.ir.deutsche-wohnen.com/websites/dewohnen/English/4900/articles-of-association-and-rules-of-procedure.html

The Management Board regularly attends the meetings of the Supervisory Board. It reports in writing and orally on the individual agenda items and proposals for resolution and answers questions from the Supervisory Board members. In addition, the Management Board is in regular contact with the Chair of the Supervisory Board. Their discussions cover current affairs and developments. The Supervisory Board meets also without the Management Board especially to discuss personnel and remuneration topics.

Proposals for resolution and documents about the agenda items are sent to the members of the Supervisory Board in good time for the next meeting. In isolated cases resolutions may also be passed outside meetings by order of the Chair of the Supervisory Board. Use is occasionally made of this option in urgent cases. The Chair of the Supervisory Board has the casting vote. The same applies to resolutions by the Supervisory Board committees.

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

The Supervisory Board members assess their own work in regular discussions within the Supervisory Board, using the criteria organisational structure, working methods, competence and performance. In 2020 neither the Management Board nor the Supervisory Board saw the need for specific changes. The steps taken in 2020 to support new members starting their term of office, and to provide training to Supervisory Board members, are described in the Supervisory Board report.

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

Remuneration report from page 100
Remuneration report

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

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

For the target period up to 30 June 2022 the percentage of women on the Supervisory Board has been set at 16.67%. As of the reporting date the target was exceeded. The Supervisory Board currently consists of two women and four men.

The target for the proportion of women members of the Management Board has been set at 20% for the target period ending 30 June 2025. The composition of the Management Board in financial year 2020 did not meet this target as of the reporting date.

For the target period ending 30 June 2025 the Management Board has defined a target of 20% for the first management level below the Management Board and a target of 40% for the second management level below the Management Board. As of the reporting date the proportion of women in the first management level has not yet met the target with 18%. For the second management level the target was with 41% achieved.

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

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

Diversity concept and succession planning for the Management Board

The diversity concept aims to ensure that the composition of the Management Board is as diverse as possible, that its members complement one another and that it matches the specific situation of the company. The Management Board in its entirety should have the knowledge, skills and professional experience necessary to fulfill its responsibilities correctly. The Supervisory Board decides in the company's best interests when appointing someone to a specific Management Board position and takes all aspects of the particular situation into account. In doing so the Supervisory Board also considers the following aspects:

- In addition to the specific knowledge and professional skills required, as well as management and leadership experience for the task at hand, the Management Board members should represent a range as wide as possible of knowledge and experience, educational and professional backgrounds.

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

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

In 2020 the members of the Management Board met these criteria. Proposals for any new appointments to the Management Board will be drawn up by the Supervisory Board to implement this concept.

In financial year 2020 there were no changes in the members of the Management Board.

Diversity concept for the Supervisory Board

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

These targets take potential conflicts of interest into account, the age limit set for Supervisory Board members and an appropriate proportion of women. A further objective is that at all times the Supervisory Board's members should collectively have the varied knowledge, skills and professional experience, particularly of capital markets and the German property market, required to fulfil their responsibilities correctly, and should be independent. At least one member of the Supervisory Board must also have expertise in financial reporting or auditing and the members as a whole must be familiar with the sector in which the company operates. Only individuals who have not reached the age of 73 years at the time of their appointment may be put forward for election to the company's Supervisory Board.

In 2020 the Supervisory Board met all the targets for its composition and the requirements of its competence profile. Proposals for any new appointments to the Supervisory Board will be drawn up to implement this concept.

In financial year 2020 there was one change in the members of the Supervisory Board of Deutsche Wohnen. The Annual General Meeting elected Kerstin Günther to the Supervisory Board to succeed Dr Andreas Kretschmer, whose period of office ended at the close of the Annual General Meeting on 5 June 2020.

After careful review the Supervisory Board has ascertained that all the Supervisory Board members are to be considered independent. The reasons for this conclusion are as follows: notwithstanding the fact that in some cases, namely Matthias Hünlein and Dr Florian Stetter, they have been members of the Supervisory Board for more than twelve years, they are to be considered independent because they have no personal or business relations with the company or the Management Board that would constitute a material and not only temporary conflict of interests. Length of tenure is only one of four indicators in the German Corporate Governance Code as amended on 16 December 2019 to be taken into account when judging the independence of Supervisory Board members and is not definitive on its own. The Supervisory Board believes that all relevant aspects must be considered collectively to ascertain the independence of its members. The other three indicators explicitly mentioned in the Code as amended on 16 December 2019 for ascertaining the independence of a Supervisory Board member are not met by the members Matthias Hünlein and Dr Florian Stetter. These indicators are namely whether the Supervisory Board member or a close family member

- was a member of the Management Board in the two years before their appointment,
- currently or in the year before their appointment has or had a material business relationship with the company or one of its affiliates, either directly or as a shareholder or in a responsible position of the company outside the Group,
- is a close family member of a Management Board member.

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

Berlin, March 2021

Management Board   Supervisory Board

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

2020 was a very particular year for Deutsche Wohnen SE because of the coronavirus pandemic and its impact on everyone's everyday life. We are proud that our company was able to cope with the challenges and bring the financial year to a successful close. Our business model proved to be robust under challenging conditions, including the regulatory intervention in Berlin, and our performance figures were in line with our forecasts. We also assumed our social responsibilities. Portfolio optimisation continued and the project development business was expanded.

Matthias Hünlein
Chair of the
Supervisory Board

Cooperation between Supervisory Board and Management Board

Deutsche Wohnen SE successfully closed the financial year.

In 2020 the Supervisory Board carried out with great diligence the tasks assigned to it by law, the articles of association, the German Corporate Governance Code and the Rules of Procedure. It regularly advised the Management Board on the management of the company and monitored its work. It was directly involved and at an early stage in all decisions of fundamental importance for the company.

The Management Board informed the Supervisory Board regularly, promptly and fully in writing and orally about all matters relevant to the company concerning company policy, corporate planning and strategy, the company's position, including opportunities and risks, the course of business, risk management and compliance. Any differences between forecasts and actual performance were explained in detail. The Management Board agreed important transactions with the Supervisory Board.

The Chair of the Supervisory Board and other members of the Supervisory Board were in regular contact with the Management Board to discuss important topics, also outside meetings of the Supervisory Board and its committees. These concerned the company's strategy, performance, risk management, and other matters. The Supervisory Board met regularly without the presence of Management Board members, to discuss staffing and remuneration matters, for example.

Supervisory Board meetings and resolutions

In financial year 2020 the Supervisory Board discussed the current course of business, important individual matters and transactions requiring approval in twelve meetings. All the meetings were held in the form of phone or video conferences in 2020 due to contact restrictions and anti-corona measures. Where necessary, the Supervisory Board gave its approval in the individual meetings as requested, after a thorough review and detailed discussions. A resolution amending the articles of association was adopted by circulation of documents on 21 January 2020 in response to the issue of company shares to external shareholders of GSW Immobilien AG and members of the Management Board in 2019. The average attendance rate at Supervisory Board meetings was 98.8%. The Supervisory Board and Management Board coordinated their activities in a joint workshop at the start of the financial year.

Individualized participation of meetings in financial year 2020

Member of the Supervisory Board	Supervisory Board	Executive and Nomination Committee	Audit Committee	Capital Markets and Acquisition Committee
Matthias Hünlein (Chair)	12/12	3/3	3/3	4/4
	100%	100%	100%	100%
Jürgen Fenk (Deputy Chair since 05/06/2020)	11/12	3/3	5/5	–
	92%	100%	100%	–
Arwed Fischer	12/12	0/0	–	4/4
	100%	–	–	100%
Kerstin Günther (Member since 05/06/2020)	6/6	–	2/2	–
	100%	–	100%	–
Tina Kleingarn	12/12	–	–	4/4
	100%	–	–	100%
Dr Florian Stetter	12/12	–	5/5	–
	100%	–	100%	–
Dr Andreas Kretschmer (Member and Deputy Chair until 05/06/2020)	6/6	3/3	–	0/0
	100%	100%	–	–

Focus areas

In the reporting year the Supervisory Board focused on business planning and the performance of Deutsche Wohnen SE, Management Board matters, company strategy, regulatory changes, acquisition and disposal projects and the integration of acquisitions, particularly in the Project Development business. Measures to combat the coronavirus pandemic and its effects were on the agenda throughout the year.

The coronavirus pandemic was also a key topic at the Supervisory Board meetings.

The Supervisory Board discussed regularly and in detail the performance of the segments Residential Property Management, Disposal, Nursing Operations, and Nursing Assets, as well as the financial and liquidity position of the Group. Another focus of the Supervisory Board's work was to review and advise the internal control system and risk management system of the Deutsche Wohnen Group.

Individual meetings

At the meeting on **2 March 2020** the Supervisory Board approved an acquisition project for some 1,400 units.

On **13 March 2020** the Supervisory Board discussed Management Board matters, especially the STI 2019 and 2020 and the current state of the coronavirus pandemic.

At the meeting on **19 March 2020** the Supervisory Board dealt particularly with reports of committee meetings, the separate and consolidated financial statements for 2019 and Management Board matters, particularly remuneration. Representatives of the auditors were present for the discussion of the financial statements for 2019; they explained items and carrying amounts in the financial statements of the company and the Group and discussed their audit of the non-financial group statement. Other core topics were the proposal for the election of auditors, approval of the Supervisory Board report and the corporate governance declaration, the implications of the coronavirus pandemic and other current topics and projects.

The use of profits was discussed again in view of the ongoing coronavirus pandemic at the Supervisory Board meeting on **24 March 2020** and a decision was taken to reduce the original dividend in order to create a relief fund. A resolution was passed changing the proposal to the Annual General Meeting on the use of profits accordingly.

The Supervisory Board meeting on **27 April 2020** focused on the Annual General Meeting, particularly the agenda and proposals for resolution, the proposed candidate for election to the Supervisory Board and the organisation of a virtual general meeting in accordance with the new coronavirus legislation. Management Board matters, specifically various remuneration issues, were also discussed and resolutions passed. The Management Board reported on the successful issue of corporate bonds.

The focus of the Supervisory Board meeting on **6 May 2020** was on committee reports, Management Board matters, particularly remuneration, current performance, approval of an investment project and various other projects.

The meeting on **5 June 2020** took place after the Annual General Meeting and so after the departure of Dr Andreas Kretschmer and the election of Kerstin Günther. New elections were held for the Supervisory Board committees and the virtual Annual General Meeting was discussed.

At the meeting held on **19 June 2020** the Supervisory Board examined and approved a disposal project.

The main elements of the meeting on **18 September 2020** were committee reports and the discussion of current performance in the first half of 2020, project development business, Management Board matters and the definition of a new target for the proportion of female Management Board members. The DPR audit of Deutsche Wohnen SE, its carbon footprint and other ESG topics were also discussed.

The meeting on **9 November 2020** concentrated primarily on committee reports, company performance, particularly on the basis of the third quarter 2020 report, approval to acquire development projects and data protection matters.

At its meeting on **15 December 2020** the Supervisory Board dealt particularly with approval of the business plan for 2021 and the joint declaration, with the Management Board, of compliance with the German Corporate Governance Code. Aspects of Management Board remuneration were also on the agenda.

The Supervisory Board meeting on **21 December 2020** continued the discussion of the declaration of compliance, which was adopted in agreement with the Management Board. The Supervisory Board also dealt with Management Board matters and a change to the Rules of Procedure for the Supervisory Board.

Supervisory Board committees

The Supervisory Board has formed committees in order to perform its responsibilities efficiently. They each have three members and their work, as well as the need for them, is reviewed continuously by the Supervisory Board.

There were three committees in the reporting year:

- Executive and Nomination Committee,
- Audit Committee, and
- Capital Markets and Acquisition Committee.

The members and tasks of the committees are described in detail in the Corporate Governance Declaration.

Corporate Governance Declaration from page 11

Generally speaking, the committees prepare the Supervisory Board resolutions and subjects for discussion by the full Supervisory Board. Decision-making authority has been delegated to individual committees by the Rules of Procedure or Supervisory Board resolutions, to the extent permitted by law. The committee chairs reported in the Supervisory Board meetings regularly and fully on the contents and results of committee meetings.

The **Executive and Nomination Committee** met three times in the reporting year. The contents of the meetings, which were held as conference calls, were succession planning and candidates for election to the Supervisory Board, as well as Management Board remuneration, particularly the AOP 2014. At the meetings in April 2020 the committee particularly dealt with its recommendation for the election of a Supervisory Board member.

The **Audit Committee** met five times in the reporting year to discuss relevant aspects of the Supervisory Board's work. They included the preliminary review of the separate and consolidated financial statements and the interim reports by Deutsche Wohnen SE, as well as discussions of the risk management system, compliance and internal auditing. It gave the Supervisory Board a recommendation on the election of auditors for 2020, obtained a statement of independence from them, monitored their work and discussed the focal points of the audit. Two resolutions on engaging the firm of auditors to perform non-audit services were also adopted in writing. The members of the Audit Committee have expertise and experience in the application of accounting principles and internal control procedures. The committee Chair fulfils all the requirements of section 100 para. 5 German Stock Corporation Act [Aktiengesetz – AktG].

The **Capital Markets and Acquisition Committee** met four times in the reporting year, always by phone or video conference. Tina Kleingarn was elected as committee Chair in June 2020 when the committee reconvened with new members. Discussions in September 2020 focused on terminating the share buyback programme. A debate on acquisitions and the Annual General Meeting 2021 was held in October 2020. At the meeting in December 2020 the committee dealt mainly with acquisition matters.

Corporate Governance

The Supervisory Board monitored and discussed the ongoing development of the company's own corporate governance standards, paying particular attention to the 2020 revision of the German Corporate Governance Code (GCGC). Detailed information about the company's corporate governance is provided in the Corporate Governance Declaration, and about the structure and amount of Supervisory Board and Management Board remuneration in the remuneration report. Both reports form part of the Annual Report and are published on the company website.

Corporate Governance Declaration from page 11

Remuneration report from page 100

The Management Board and Supervisory Board discussed the requirements of the applicable German Corporate Governance Code for the reporting year and the implementation of these requirements. They updated their joint declaration of compliance in accordance with section 161 German Stock Corporation Act [Aktiengesetz – AktG] in December 2020 and made it permanently available on the company website www.deutsche-wohnen.com/declaration-of-conformity

Declaration of Conformity

It is vital for the Supervisory Board that a reasonable number of its members is independent. After careful review it has ascertained that the all Supervisory Board members are to be considered independent. Further information on these considerations can be found in the Corporate Governance Declaration.

Corporate Governance Declaration from page 11

Any potential conflicts of interest are disclosed without delay by members and discussed by the Supervisory Board. There were no conflicts between the interests of individual board members and those of the company in 2020.

The Supervisory Board reviews the efficiency of its work on a regular basis, most recently in December 2019. Opinions were obtained by means of a questionnaire on meetings of the full Supervisory Board and its committees, the exchange of information with the Management Board, staffing competence, risk management and accounting. The Supervisory Board analysed the responses at the meeting on 13 December 2019 noted that the gremium was working effectively, and discussed the suggestions made.

New Supervisory Board members are supported by the company and the other Supervisory Board members when they begin their term of office and provided with the necessary information. Professional training and refresher courses are not organised collectively but are the responsibility of each individual board member, who receive appropriate support from the company on request. Members of the Supervisory Board attended professional training courses on an individual basis in 2020.

In line with the wishes of investors and the corresponding recommendation of the GCGC, the Chairman of the Supervisory Board held meetings with investors in 2020 on corporate governance topics affecting the Supervisory Board.

Audit of the separate and consolidated financial statements

KPMG provided an unmodified opinion.

The financial statements of Deutsche Wohnen SE as of 31 December 2020 and the consolidated financial statements together with the combined management report as prepared by the Management Board were audited by KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin; the auditors elected at the Annual General Meeting on 5 June 2020 and appointed by the Supervisory Board. The auditors raised no objections in their report. The auditors responsible were Haiko Schmidt and René Drotleff, responsible for the audit of the financial statements of the company and the group since 31 December 2016.

The financial statements of Deutsche Wohnen SE and the consolidated financial statements, the combined management report for Deutsche Wohnen SE and the Group, and the auditors' report were provided to all Supervisory Board members without delay. The auditors attended the meetings of the Audit Committee on 26 February 2021 and 22 March 2021 to prepare for the Supervisory Board meeting to discuss the financial statements. They reported on the main findings of their audit, particularly the key audit matters defined for this year, and provided additional information. The Supervisory Board also reviewed the non-financial group statement. It was supported by KPMG AG, Wirtschaftsprüfungsgsellschaft, which was appointed to perform a management review. After in-depth discussions the Audit Committee approved the result of the audit of the financial statements, the consolidated financial statements and the combined management report.

At the Supervisory Board meeting on 22 March 2021 the Chair of the Audit Committee reported in full on the financial statements and the audit. The auditors also presented the main results of their audit and were available to the Supervisory Board members to answer questions and provide further information. The Supervisory Board carried out a careful review of the financial statements, the consolidated financial statements, the combined management report, the non-financial group statement, the proposal for the use of net profit and the auditors' report. No objections were raised. In accordance with the recommendation of the Audit Committee the Supervisory Board then approved the separate and consolidated financial statements as of 31 December 2020 as prepared by the Management Board. The separate financial statements are thereby adopted.

The separate financial statements as adopted show a net profit. The Supervisory Board concurs with the Management Board's proposal for the use of net profit. A proposal to pass a resolution approving the distribution of a dividend of EUR 1.03 per share with dividend rights will therefore be made to the Annual General Meeting 2021.

Changes in the Supervisory Board and Management Board

The Annual General Meeting on 5 June 2020 elected Kerstin Günther to the Supervisory Board to succeed Dr Andreas Kretschmer, whose period of office ended at the close of the Annual General Meeting on 5 June 2020. The Supervisory Board elected Arwed Fischer to succeed Dr Andreas Kretschmer on the Executive and Nomination Committee and the Capital Markets and Acquisition Committee. The Supervisory Board elected Kerstin Günther to the Audit Committee to succeed Matthias Hünlein, who left the committee.

There were no changes in the members of the Management Board of Deutsche Wohnen SE in 2020.

Acknowledgements

On behalf of the Supervisory Board I thank the members of the Management Board and all employees of Deutsche Wohnen SE and all Group companies for their great dedication and all their hard work in a year defined by the challenges of the coronavirus pandemic.

Berlin, 22. March 2021

On behalf of the Supervisory Board

Matthias Hünlein

COMPOSITION OF THE MANAGEMENT BOARD

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

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

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

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

COMPOSITION OF THE SUPERVISORY BOARD

	Matthias Hünlein Chair	**Jürgen Fenk** Deputy Chair since 05/06/2020	**Arwed Fischer**
	Managing Director Tishman Speyer Properties Deutschland GmbH, Frankfurt/Main	CEO Stone Holding SASU, Paris, Frankreich (Primonial Group)	Member of various supervisory boards
Appointed until	Annual General Meeting 2024	Annual General Meeting 2022	Annual General Meeting 2022

	Kerstin Günther since 05/06/2020	**Tina Kleingarn**	**Dr Florian Stetter**
	Managing Director of Helmholtz Zentrum München Deutsches Forschungszentrum für Gesundheit und Umwelt (GmbH), Munich	Partner of Westend Corporate Finance, Frankfurt/Main	CEO of Rockhedge Asset Management AG, Krefeld
Appointed until	Annual General Meeting 2023	Annual General Meeting 2023	Annual General Meeting 2021

Resigned member of the Supervisory Board:

	Dr Andreas Kretschmer Deputy Chair until 05/06/2020
	Management consultant, Düsseldorf

Combined management report

FUNDAMENTAL ASPECTS OF THE GROUP

The Group's business model

Deutsche Wohnen SE, including its subsidiaries (hereinafter referred to as "Deutsche Wohnen" or "Group") is currently the second-largest publicly listed property company in Europe by market capitalisation. The company is listed in the DAX of the German stock exchange.

Its property portfolio comprises approximately 160,000 residential and commercial units and has a fair value of some EUR 26.2 billion[1]. Our property portfolio also includes nursing properties with a fair value of around EUR 1.2 billion comprising approximately 10,580 beds and apartments for assisted living. The focus of our investment is on residential properties in metropolitan areas and conurbations in Germany. Economic growth, positive net immigration and insufficient new building activity in these regions form the basis for the further development of our portfolio value. We see the addition of nursing properties as another growth area, particularly in view of the demographic trends.

EUR 26.2 bn
total fair value of our property portfolio

Organisation and Group structure

Deutsche Wohnen SE is structured as a classic holding company. A distinction is made in organisational terms between management and asset companies.

Deutsche Wohnen SE
Management and central units

Residential Property Management | Nursing and Assisted Living | Disposals/ Acquisitions

New construction

Strategic shareholdings

Residential Property Management

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

Our core business is the management of our own properties.

1 Excluding advance payments, units under construction and undeveloped land

Nursing and Assisted Living

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

Alongside Nursing and Assisted Living and Disposal / Acquisition, New Construction is another of our core business segments.

Disposals/Acquisitions

We release capital by means of privatisation programmes in strategic core and growth regions and so boost our liquidity. Given the currently positive market environment, we also carry out opportunistic block sales to institutional investors from our Core+ and Core regions.

At the same time we continuously review suitable acquisition opportunities for properties and land in metropolitan areas and conurbations.

New construction

By developing new projects with our subsidiaries Deutsche Wohnen Construction and Facilities GmbH and ISARIA München Projektentwicklungs GmbH we create new property portfolios in strategic core and growth regions. Properties are also developed for sale. The range of services includes land purchasing, legal preparations for the planning process, project conception, site management and the tracking of construction warranties.

With our subsidiaries, we are creating new property in the strategic core and growth regions.

Deutsche Wohnen also holds 40% of QUARTERBACK Immobilien AG, a project development company based in Leipzig.

Strategic shareholdings

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

Property-related services expand our value chain and strengthen our contact with our customers.

It enables us to ensure customer-focused portfolio management and offer property-related services. At the same time we can extend our value chain and secure access to innovative technologies. The business areas include energy management for our properties, multimedia business and technical facility management.

Group strategy

The German property market is experiencing an ongoing upswing. Metropolitan areas and conurbations are highly attractive as prosperous economic regions and are becoming population centres with a high population density. Immigration, growth rates and incomes are rising here, making these areas more innovative and more competitive. As a result demand for residential and commercial properties is high and currently not met by the corresponding level of new building activity.

We are also seeing demand for higher standards from our customers: modern fittings, new technologies and property-related services are all becoming increasingly important.

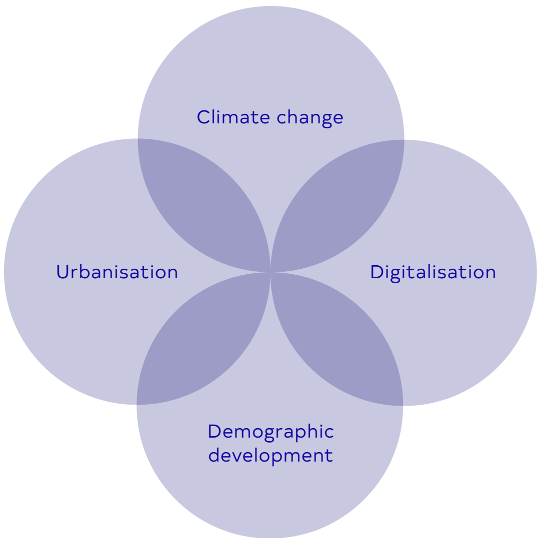
The immediate residential and working environment is also decisive for many people. Transport links, facilities for day-to-day needs, leisure opportunities, schools, childcare, cultural activities, medical facilities, etc. make a key contribution to the quality of life.

Changing needs and many challenges are shaping property markets.

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

Finally, the property industry is faced with a major task in terms of saving energy. This is a key lever for achieving global climate goals. Through energetic refurbishments and new construction Deutsche Wohnen is able to make an important contribution.

Challenges for the property market



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

By focusing on metropolitan areas and conurbations in Germany, Deutsche Wohnen has for years been concentrating its portfolio in fast-growing markets, in which it provides housing where it is needed. Around 93% of our properties by number are situated in our Core^{+} regions. Some 7% of the properties are in Core regions.

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

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

We take a holistic perspective on our neighbourhoods and aim to improve the quality of our service on an ongoing basis.

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

We strive for organic growth and improve the quality of our portfolio by active portfolio management. This includes the selective acquisition and disposal of assets. When buying assets we concentrate on high-quality properties where we see development potential. Acquisitions via our platform also enable us to achieve economies of scale. When disposing of assets we focus on properties which we think have less development potential and those where the quality and/or location is below average. The resulting cash flow is available for investments in our company, and particularly in our property portfolio and new construction.

Active portfolio management allows us to acquire the financial resources to invest in our property portfolio and new construction.

Acting with foresight

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

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

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

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

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

Our sustainable investment and dividend policy strengthens our position on the market.

Group management

The company is managed at several levels:

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

All primary performance indicators undergo a benchmark analysis every quarter.

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

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

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

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

The **Nursing Properties segment** mainly generates rental income. The profitability of nursing properties is mainly measured using EBITDA.

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

The Management Board is informed of trends in all management indicators every month.

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

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

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

The Group's performance is assessed based on regular reports.

Property portfolio

Overview of portfolio and portfolio strategy: residential properties

Deutsche Wohnen manages one of the largest property portfolios in Germany, comprising approximately 155,400 residential and 2,900 commercial units (approximately 4% of its overall usable space) and generating annualised rental income of around EUR 790 million. We focus on fast-growing metropolitan areas and conurbations, which are known as Core^{+} markets, and make up around 93% of the portfolio.

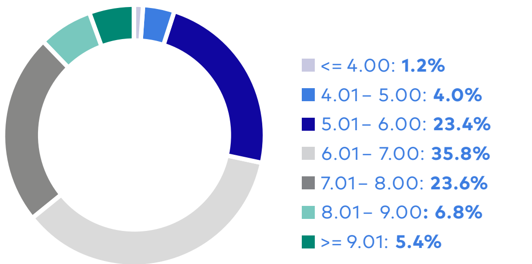
We manage one of the largest real estate portfolios in Germany.

At the end of 2020, the average in-place rent for the properties in Deutsche Wohnen's portfolio amounted to EUR 6.71 per sqm, with a consistently low vacancy rate of 1.7%.

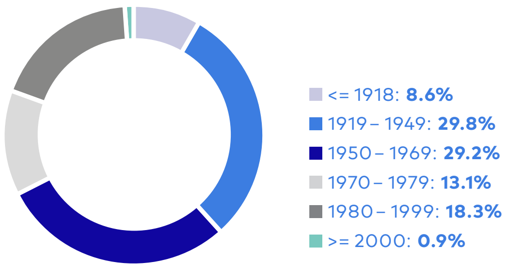
In line with our focused portfolio strategy, our properties are largely concentrated within prosperous metropolitan areas and conurbations with upwards of 500,000 inhabitants. Our core market is Greater Berlin, where approximately 114,200 residential units and approximately 1,800 commercial units are located. This represents around 73% of all our residential units and some 76% of total fair value. Existing rents for around 65% of our apartments are up to EUR 7.00 per sqm, putting us as landlords in the mid-market segment. One- and two-room apartments account for about 57% of our portfolio. The proportion of one- and two-person households is correspondingly high.

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

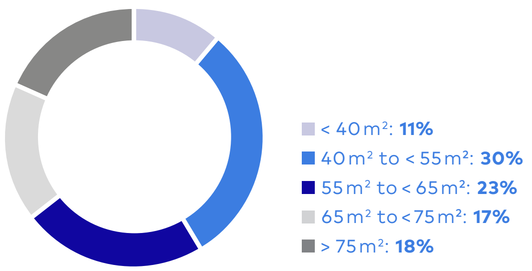
In-place rent EUR/sqm



Year built



Size of unit



The starting point for our portfolio management is the segmentation of our properties: we carry out a macroanalysis to divide the portfolio into Core⁺, Core and Non-Core locations on the basis of location studies. It analyses the appeal and future prospects of the locations based on macroeconomic, sociodemographic and property-specific data.

As part of the macrocluster update and revision of regional clusters, the following adjustments were made: due to streamlining disposals in the regional cluster Hanover/Brunswick, and based on continuing growth in the region, the cluster was upgraded from Core to Core⁺. The Rhineland and Mannheim/Ludwigshafen clusters have also been eliminated due to disposals and added to the "Other" cluster. The regional cluster Cologne/Düsseldorf has also been added. The cluster Rhine-Main was renamed to Frankfurt.

31/12/2020					Residential		Commercial
Macroclusters and regions	Residential units	Area	Share of total portfolio	In-place rent[1]	Vacancy rate	Commercial units	Area
	number	in thousand sqm	in %	EUR/sqm	in %	number	in thousand sqm
Core⁺	**144,812**	**8,668**	**93.1**	**6.75**	**1.7**	**2,699**	**387**
Greater Berlin	114,191	6,772	73.4	6.53	1.3	1,843	237
Dresden/Leipzig	10,585	690	6.8	6.35	3.0	552	81
Frankfurt	9,604	577	6.2	8.88	2.8	147	26
Hanover/Brunswick	5,915	367	3.8	6.47	2.8	69	31
Cologne/Düsseldorf	2,893	166	1.9	9.22	3.5	67	8
Other Core⁺	1,624	95	1.0	9.14	1.5	21	4
Core (other)	**10,378**	**661**	**6.7**	**6.19**	**1.9**	**177**	**23**
Non-Core	**218**	**14**	**0.1**	**5.93**	**2.3**	**0**	**0**
Total	**155,408**	**9,343**	**100.0**	**6.71**	**1.7**	**2,876**	**410**

1 Contractually owed rent for let apartments divided by let surface area

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

The share of the "hotspot" and "growth" clusters improved from around 71% in 2016 to around 81% in 2020, thanks to the acquisition and disposal policy (2019: 79%).

Property portfolio by location/microcluster

31/12/2020

Cluster	Micro location	Residential units	Share of fair value	In-place rent	Fair value	Vacancy rate
		number	in %	EUR/sqm	EUR/sqm	in %
Core+		**144,812**	**96.0**	**6.75**	**2,774**	**1.7**
	Hotspot	39,342	31.8	7.03	3,389	1.8
	Growth	71,236	46.1	6.93	2,774	1.9
	Stable	34,234	18.1	6.11	2,100	1.1
Core		**10,378**	**4.0**	**6.19**	**1,519**	**1.9**
	Hotspot	111	0.1	6.62	1,705	8.0
	Growth	8,760	3.4	6.28	1,560	1.7
	Stable	1,507	0.5	5.67	1,261	2.4
Non-Core		**218**	**0.1**	**5.93**	**1,059**	**2.3**
Total		**155,408**	**100.0**	**6.71**	**2,683**	**1.7**

Portfolio development

We optimised our portfolio further by means of selective acquisitions and disposals in 2020. Alongside acquisitions of property in Core+ regions, disposals were mostly made in Core locations.

Acquisitions

In 2020 we signed contracts for around 2,500 residential and commercial units for a total purchase price of approximately EUR 485 million. They are largely in Core+ markets. The acquisitions were mostly late 19th century *Gründerzeit* houses and post-war *Altbau* buildings in central locations, which make a further contribution to improving the quality of our portfolio.

Deutsche Wohnen also expanded its new construction business significantly in 2020. This included the acquisition of 13 construction projects from Munich-based ISARIA Wohnbau AG, with a total of some 2,700 planned residential units. Deutsche Wohnen also acquired a 40% equity stake in QUARTERBACK Immobilien AG. The project pipeline of the project developer from Leipzig comprises almost 85 projects with almost 9,000 planned residential units as of the reporting date.

Disposals

In 2020 we sold and transferred the risks and rewards for a total of 8,856 residential units. Of these, 233 apartments were sold as part of the privatisation programme while institutional sales accounted for 8,623. The majority of disposals result from a portfolio sale to LEG Immobilien AG, which primarily comprised locations in the regions Mannheim/Ludwigshafen, Rhineland and Hanover/Brunswick.

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

Disposals segment from page 61

Operating performance

In the context of cash-flow-based rent growth, like-for-like rent[1] rose by around 1.3% in 2020.

The effects of the Berlin rent freeze saw area-based like-for-like rent fall by 4.1% to EUR 6.70 per sqm for the total portfolio in the reporting period. Without the impact of the Berlin rent freeze cap, like-for-like rental growth was 1.6%.

The like-for-like vacancy for the whole portfolio was unchanged with 1.7% on a very low level. Of the total vacancies, 0.6% were due to refurbishment as part of our investment programme.

Like-for-like		31/12/2020	31/12/2019		31/12/2020	31/12/2019
Macroclusters and regions	Residential units	In-place rent[1]	In-place rent[1]	Change	Vacancy rate	Vacancy rate
	number	EUR/sqm	EUR/sqm	in %	in %	in %
Total	**152,494**	**6.70**	**6.99**	**–4.1**	**1.7**	**1.7**
Core+	**142,540**	**6.74**	**7.05**	**–4.4**	**1.7**	**1.7**
Greater Berlin	113,571	6.52	6.95	–6.1	1.3	1.4
Dresden/Leipzig	9,170	6.31	6.12	3.0	3.1	3.9
Frankfurt	9,599	8.88	8.76	1.3	2.8	1.7
Hanover/Brunswick	5,914	6.47	6.35	1.8	2.8	2.8
Cologne/Düsseldorf	2,662	9.25	9.18	0.8	3.5	5.2
Other Core+	1,624	9.14	9.05	1.0	1.5	0.9
Core (other)	**9,736**	**6.18**	**6.08**	**1.8**	**1.8**	**2.1**
Non-Core	**218**	**5.93**	**5.86**	**1.2**	**2.3**	**2.3**

1 Contractually owed rent for let apartments divided by let surface area

Portfolio investment

In the financial year 2020 we spent around EUR 365 million, or approximately EUR 36 per sqm, on maintenance and refurbishment.

In 2020 we invested around EUR 36 per sqm for maintenance and refurbishment measures.

EUR 105 million, or around one-third, was for maintenance and around two-thirds for refurbishment, which particularly includes energy-saving improvements to the fabric of the building and the technical installations. Of the total refurbishment costs of EUR 260 million, around EUR 104 million were for work completed between tenancies and EUR 156 million were for complex refurbishment projects. Complex refurbishment projects usually comprise around 70% capitalised maintenance and around 30% recoverable refurbishment expenses.

1 Self-managed units that were kept in the portfolio throughout the past twelve months

In comparison to the previous year refurbishments are down by 30%. This results on one hand from lower tenant churn, and on the other from restraints regarding complex refurbishments driven by regulatory uncertainty and delays in time due to the Covid 19 pandemic. In addition to the portfolio investments EUR 116.4 million were invested in new construction.

As part of our portfolio investments, we have spent around EUR 1.8 billion on portfolio refurbishment and conservation over the past five years.

The following table shows maintenance and refurbishment expenses for the past financial year and the same period in the previous year:

EUR m	2020	2019
Maintenance	**105.0**	**102.4**
in EUR per sqm	10.39[1]	9.92[1]
Refurbishment	**260.4**	**366.7**
in EUR per sqm	25.76[1]	35.53[1]
Maintenance and refurbishment	**365.4**	**469.1**
in EUR per sqm	36.15[1]	45.45[1]

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

For complex investments we believe it is important to proceed in a socially minded way and to engage in direct dialogue with our tenants. We have already successfully concluded several agreements with Berlin districts that include comprehensive strategies for socially responsible performance of maintenance and refurbishment projects. Furthermore, in the promise it made to its tenants on 1 July 2019, Deutsche Wohnen committed to ensuring that the gross rent, including heating charges, after refurbishment (section 559 German Civil Code – Bürgerliches Gesetzbuch [BGB]) does not exceed 30% of the household's net income.

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

Project development

With its acquisitions in project development, Deutsche Wohnen has an expected project pipeline with a total investment volume of around EUR 4.1 billion with a total of around 9,000 planned residential units and 1,000 commercial units. These projects are planned for the company's own portfolio. In addition, Deutsche Wohnen has a 40% share in QUARTERBACK Immobilien AG. QUARTERBACK Immobilien AG's project developments are primarily sold to institutional investors prior to completion. Increased investment in new residential construction reflects the necessity of tapping into growth potential outside of the increasingly scarce supply of existing portfolios. Deutsche Wohnen is therefore making a growing contribution to tackling the housing shortage.

Portfolio valuation

The strong demand for property persisted in 2020 in spite of the pandemic and was met with a consistently low level of supply. The pressure to invest specifically triggered by the extraordinary interest situation is reflected in a revaluation of our property portfolio to the amount of around EUR 1.7 billion in total as of 31 December 2020, whereby in Berlin, despite the "rent cap", price rises significant.

Demand for property remained high in 2020.

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

The overview below shows key valuation figures for our property portfolio as of 31 December 2020:

Macrocluster and regions	Residential	Fair value	Share of fair value	Fair value	Multiple in-place rent	Multiple market rent
	number	EUR m	in %	EUR/sqm		
Core+	**144,812**	**25,114**	**96.0**	**2,774**	**34.0**	**29.2[1]**
Greater Berlin	114,191	19,999	76.4	2,853	36.0	31.5[1]
Dresden/Leipzig	10,585	1,808	6.9	2,343	31.0	25.0
Frankfurt	9,604	1,798	6.9	2,979	28.3	22.2
Hanover/Brunswick	5,915	684	2.6	1,720	21.8	18.2
Cologne/Düsseldorf	2,893	573	2.2	3,302	30.8	25.1
Other Core+	1,624	254	1.0	2,545	23.3	19.6
Core (other)	**10,378**	**1,039**	**4.0**	**1,519**	**20.5**	**17.5**
Non-Core	**218**	**15**	**0.1**	**1,059**	**14.9**	**11.7**
Total	**155,408**	**26,168**	**100.0**	**2,683**	**33.1**	**28.4[1]**

1 Informative value is limited due to Mieten WoG Bln (Berlin rent freeze law).

Energy efficiency of properties

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

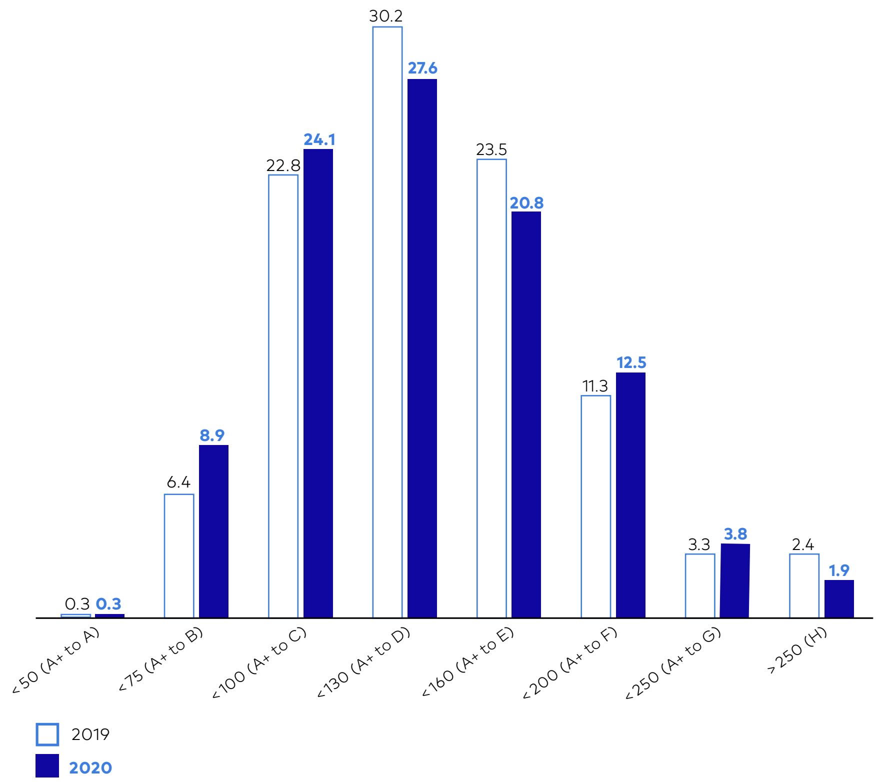
The current energy consumption of approximately 62.4% of our residential units is lower than the average in Germany.

The current consumption level of approximately 62.4% of our residential units is lower than the average for residential buildings in Germany (133.0 kWh/sqm per year[2]). Approximately 33% of our residential units are at a reasonable level, below 100 kWh/sqm per year (A+ to C). The average consumption of our holdings amounts to 125.1 kWh/sqm per year, a further improvement year-on-year (2019: 128.9 kWh/sqm).

2 Source: BMWi, 2019a, 107

Energy intensity of residential units

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



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

Nursing Assets

The Nursing and Assisted Living business field consists of 77 nursing properties with a total of some 10,580 beds. A total of 76 of these nursing assets are owned by Deutsche Wohnen. This makes us one of the largest owners of nursing assets in Germany.

We have two different business models for our nursing operations: 38 nursing facilities (approximately 5,440 beds) are operated by KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH and its subsidiaries, and by PFLEGEN & WOHNEN HAMBURG GmbH. The other 39 facilities (approximately 5,140 beds) are managed by various external operators on long-term contracts.

As in the residential segment, we focus our nursing care activities on cities and regions with positive development forecasts, since the need for nursing care and assistance services (full in-patient care and assisted living combined with outpatient and part-time in-patient care) is particularly high there. In this context we particularly ensure that we secure prime assets and high-quality nursing and residential care and service. We will therefore be increasing our investments in new construction projects and by means of selective acquisitions in our strategic target regions.

To streamline our portfolio we signed contracts for the disposal of 13 nursing assets with some 1,700 beds or assisted living units as of year-end 2019. This particularly entailed the disposal of nursing assets that are not situated in our strategic target regions and are subject to structural and regulatory restrictions. The transaction was completed in the second and third quarters of 2020.

Demographic developments mean that the market for nursing care in Germany will continue to grow in future. We intend to expand the Nursing segment up to 15% of Group EBITDA, primarily by means of selected acquisitions and new construction. As of year-end 2020 it contributed some 12% of EBITDA, including the new acquisitions.

German nursing care market on page 50

Nursing business: assets and operations

Nursing properties operated by KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG 2020

		Beds[1]				
Region	Facilities	Nursing	Assisted living	Total	Occupancy 31/12/2020[2]	Fair value 31/12/2020
	number	number	number	number	in %	EUR m
Hamburg region	17	3,170	160	3,330	82.9	354.1
Berlin region	12	1,070	360	1,430	96.0	207.0
Saxony region	9	620	60	680	86.7	49.8
Total participation model	**38**	**4,860**	**580**	**5,440**	**86.9**	**610.9**[3, 4]

1 The figure for beds is rounded to the nearest ten, because assisted living units can be used as care beds and double rooms used as single rooms, depending on market demand.
2 Occupancy in Hamburg is declining especially due to ongoing modernisation or rather new construction. Occupancy in Saxony includes a new facility just opened in December.
3 Relates to 37 facilities
4 Excluding advanced payments, units under construction, undeveloped land and rights of use in connection with leases, which are valued in accordance with IAS 16 or IAS 40

Nursing assets with other external operators 2020

		Beds[1]				
Federal state	Facilities	Nursing	Assisted living	Total	WALT[2]	Fair value 31/12/2020
	number	number	number	number		EUR m
Bavaria	12	1,480	50	1,530	8.6	123.9
North Rhine-Westphalia	9	1,000	240	1,240	12.6	179.6
Rhineland-Palatinate	3	390	120	510	11.0	52.9
Baden-Württemberg	4	490	10	500	8.4	45.6
Lower Saxony	1	110	0	110	9.8	17.0
Hesse	4	530	0	530	8.7	93.9
Other	6	720	0	720	6.9	76.1
Total external operators	**39**	**4,720**	**420**	**5,140**	**9.7**	**589.0**[3]
Total nursing	**77**	**9,580**	**1,000**	**10,580**		**1,199.9**

1 The figure for beds is rounded to the nearest ten, because assisted living units can be used as care beds and double rooms used as single rooms, depending on market demand
2 Weighted Average Lease Term
3 Excluding advance payments, units under construction and undeveloped land

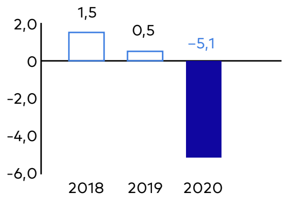
ECONOMIC REPORT

Economic environment

German economy hit by the coronavirus pandemic

German economy shrinks by 5.1%: The German economy was severely impacted by the pandemic in 2020, and suffered one of its biggest recessions in post-war history. While the summer saw a strong recovery, the subsequent rise in infection levels and new lockdown measures brought this to a temporary end. Numerous industries have seen their earnings take a huge hit. German exports have also been impacted by the struggling global economy.[1]

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



Labour market under huge pressure: The German labour market came under significant pressure in 2020 as a result of the pandemic. Levels of employment and work subject to social security contributions fell dramatically, while unemployment and underemployment (not including short-time working) shot up. Widespread uptake of short-time working measures had a stabilising effect. The unemployment rate was 5.9% in December 2020 – up 1.0% on the previous year. The yearly average number of people in work (based on working location) was down by 477,000 on the previous year, falling to 44.79 million. The last time employment fell was in 2005.[2]

Lower gross wages and salaries: Gross wages and salaries in Germany fell by 1.6% in 2020. This was largely down to the fall in employment caused by the pandemic. Net wages and salaries fell by 1.0% in the same period.[1]

Base rates reached record low levels: The European Central Bank (ECB) left the base interest rate at 0% in 2020, the record low in place since March 2016, and continued its expansionary monetary policy. This creates a favourable environment for investment and financing especially, and also in the property sector.

No population growth in Germany: According to current estimates from the Federal Statistical Office (Destatis), Germany had a population of 83.2 million at the end of 2020. This meant there was no growth in population for the first time since 2011. This is due to reduced net migration and an increased death rate, combined with a slightly lower forecast birth rate. Without the rises in immigration during recent years, the population would have fallen continually since 1972, as the number of people who died has exceeded the number of people born every year since.[3]

Housing drives the construction sector: Real investment in building increased by some 3.0% in the German housing industry in 2020. Accordingly, housing construction remains the central pillar of building investment. This is the result of ongoing advantageous conditions and attractive financing facilities, as well as the temporary VAT cut.[4]

1 DIW, weekly report 50/2020
2 Federal Statistical Office, monthly report on the labour and training market, December 2020
3 Federal Statistical Office, press release 016 from 12 January 2021
4 DIW, baselines of the economic development winter 2020

Berlin is also being hit by the pandemic: Following a significant collapse in the first half of 2020 caused by the outbreak of coronavirus, the Berlin economy recovered faster than expected in the third quarter. However, new restrictions on public and private life at the end of the year had a negative impact once again. Berlin's GDP is expected to record a fall of around 6% for 2020; however, in 2021, the economy is expected to recover by 4%. The labour market also felt the effects of the pandemic: in October 2020, the unemployment rate was 10.2%, far above the German national average. The number of employees subject to social security contributions, however, rose to 1.55 million in August 2020; Berlin led among the federal states, with figures 1.0% above the national average.[5]

The economy in Berlin is expected to recover by 4%.

German housing market remains stable despite the crisis

German residential property still in high demand: The German residential property investment market reached its second-highest transaction volume since 2015 in the past year. The transaction volume of residential properties and portfolios came to around EUR 21.7 billion and approximately 164,500 units, according to estimates from JLL. This represented a rise of 9% on the previous year and exceeded the start-of-year forecast of EUR 18.7 billion. The increase in units traded contributed significantly to the growth in volume, and is evidence of livelier market activity.[6]

Transaction volume of residential properties rose by 9%.

Continued focus on investment in Berlin: The first nine months of 2020 saw Berlin secure the second-largest share of all residential portfolio investments after North Rhine-Westphalia once again with 13.8%. Supply is also expected to grow in the capital in the coming months, where a large number of investors continue to consider long-term growth potential to be high.[7]

Shortage of available housing persists: The Federal Institute for Research on Building, Urban Affairs and Spatial Development [Bundesinstitut für Bau-, Stadt- und Raumforschung – BBSR] expects the number of households to increase by some 500,000 by 2030. This growth will see additional demand on the German housing market. Given that the number of persons per household is expected to fall further, the number of households in Germany is increasing at a faster rate than the population where 70% of the country's 37.4 million households are single or two-person households, with this figure rising to as high as 80% in major cities.[8]

Excess demand on the housing market: High levels of housing demand continue to be offset by a lack of supply, despite a slight increase in the number of residential units available for rent in Germany in the first half of 2020. The number of new builds was around 83% higher than a decade ago, yet remained at a historically low level. Around 293,000 residential units were completed in 2019 – up 2.0% on the previous year. However, this does not meet current demand for around 400,000 residential units per year. Among the top seven cities, Frankfurt/Main topped the list in the five-year average with 10.5 residential units per 1,000 households, followed by Munich and Hamburg. In Berlin, 7.2 residential units were completed per 1,000 households. There remains excess demand on the housing market as a result.[9]

The demand for around 400,000 residential units per year is not met.

5 Investitionsbank Berlin, Berlin's Economy, November 2020
6 JLL, press release as of 7 January 2021
7 NAI apollo, Transaction market for residential portfolios in Germany, Q3 2020
8 BBSR, Residential Property Market Forecasts 2030
9 Colliers International, Residential Investment Germany, residential and commercial properties overview, 2020/2021

Huge medium-term housing shortage in Berlin: Net migration in Berlin lay far below the five-year average, with the pandemic a contributing factor. This is met on the supply side by a significant increase in completed residential units: 19,000 residential units were completed in 2019, 13% up on the previous year. This means the completion rate in Berlin currently matches that of the late 1990s. Should net migration remain lower going forward, however, demand for additional residential units in Berlin will still be high. 20,450 residential units will be required every year until 2030. In the medium term, however, the number of completions is set to stagnate, as the number of approvals – 22,524 in 2019 – is in decline and land to build on is increasingly scarce. Furthermore, less is being invested in residential holdings due to the Berlin rent cap.[10]

20,450 residential units will be required every year until 2030.

Continued upswing in metropolitan areas

Rent rises unaffected by the pandemic: Demand on the housing market was not affected by the pandemic in 2020. In fact, housing became a higher priority due to lockdowns, reduced travel and more working from home. As a result, Germany's seven largest cities saw rent rises roughly on a par with the previous year. The average first-time occupancy rent in the top locations rose by around 3% to EUR 15.50 per m². However, this showed rises had tailed off slightly in comparison to the years 2016 to 2018. This is due to the expansion in housing construction, rent levels which are now very high, and slower population growth in the cities.[11]

Berlin rental market impacted by rent cap: In the past year, asking prices for rental properties in Berlin increased by 6.0% on the previous year to EUR 13.30 per m² per month. However, this rent rise is exclusively down to a shift in supply: while supply for rental units in the portfolio (built before 2014) fell by up to 70% on the previous year, supply for new-build properties only fell by 20%. Most landlords are currently putting available flats on the market with two different rents – according to the rent cap and the market rent – until the final ruling of the Federal Constitutional Court, expected in the second quarter of 2021.[12]

Prices for rental properties in Berlin increased by 6%.

Purchase price growth still dynamic: Prices for residential units in the eight biggest German cities – Berlin, Hamburg, Munich, Cologne, Frankfurt/Main, Stuttgart, Düsseldorf and Leipzig – rose by 9.3% in the second half of 2020. While the rise is down on the previous year's 10.2%, it is higher than the five-year average of 8.6%.

Prices for commonhold apartments in Berlin were up by some 6.0% in the second half of 2020. Accordingly, while the rise in prices fell below the previous year's increase of 8.4%, it still exceeds the five-year average of 10.1%.[12]

10 JLL, Residential City Profile Berlin, 1st half-year 2020
11 DZ HYP, Real Estate Market Germany 2020/2021
12 JLL, press release of 22 January 2021

Germany's Nursing Assets segment is strongest growth market

Germany's population is ageing: The ageing population in Germany poses major challenges. Ageing increases the likelihood of requiring nursing and inpatient care. Demographic change and the ongoing increase in life expectancy means that one in four Germans – around 20 million people – are now aged 60 or over. This trend is set to grow. The average life expectancy for boys and girls born today is 78.3 and 83.2 years respectively. In 2060, these figures are forecast to reach 84.8 and 88.8 years.

Increasing need for nursing care: The shift in demographic structures is constantly enhancing the significance of professional nursing services and facilities. By 2030, the number of people requiring care in Germany is projected to be 4.1 million, and by 2050 as many as 5.36 million. In 2017, the figure was 3.42 million. Accordingly, demand for nursing care services and suitable housing for seniors is set to skyrocket by 2030. Existing supply – almost 14,500 nursing homes and around 950,000 beds – is now being outstripped by rising demand. Occupation rates for full inpatient care beds had already reached 93% in 2017. This is also expected to continue to rise dramatically.

By 2030, the number of people requiring care in Germany is projected to be 4.1 million.

Nursing care hit by lack of supply: Demand for full- and part-time inpatient care beds is already higher than supply. Waiting lists are not uncommon as nursing homes fill up. Based on care and home quotas staying the same, several hundred thousand new beds will be needed by 2030. In addition, a large number of existing nursing homes have a maintenance backlog. According to ZIA, the level of new investment and reinvestment required amounts to around EUR 70.0 billion. There is also insufficient supply of alternative living facilities for people in need of care – particularly accessible housing. Around 95% of local authorities in Germany have a gap in supply – and this is a growing trend.

Persistently high demand on the transaction market: In order to combat the impending shortage in supply of adequate nursing and living facilities and avert the looming crisis in nursing care, the entire economy has a key role to play. The situation can no longer be tackled without the help of private investment. Today, 43% of approximately 14,500 nursing homes providing full inpatient care are run by private operators. This trend is on the rise, due to a severely fragmented market. Between 2013 and 2019, investment in the Nursing Assets segment and retirement homes across Germany totalled EUR 11.0 billion. In 2019, the transaction volume was around EUR 1.7 billion. To secure urgently needed investment for the future, regulatory barriers to investment must be removed going forward.[13]

Today, 43% of approximately 14,500 nursing homes providing full inpatient care are run by private operators.

13 Cushman & Wakefield, The market for nursing homes in Germany, 2020

Statement on the economic situation by the Management Board

Deutsche Wohnen continued its successful performance in a challenging regulatory environment, and largely achieved its objectives in the financial year 2020.

We largely achieved our targets also in 2020.

Earnings in the Residential Property Management segment came to EUR 720.4 million. This is a decline of EUR 9.4 million or 1.3% on the previous year. We did not quite achieve our forecast of EUR 730 million due to opportunistic disposals and higher expenses for maintenance and rental losses. We exceeded the forecast like-for-like rental increase with effect on income of 1% with a rate of 1.3%. Maintenance expenses of EUR 105.0 million or EUR 10.39 per sqm were slightly above our planning range (EUR 100 million, or EUR 9 to EUR 10 per sqm). The vacancy rate for residential units was 1.7% for the total portfolio as of year-end, which was below the previous year's already very low figure of 1.8%.

In the Disposals segment we realised proceeds of EUR 1.3 billion (previous year: EUR 0.8 billion). Profits on disposals came to EUR 308.7 million (previous year: EUR 186.1 million), including valuation gains on disposal. This meant the Disposals segment made an even greater contribution to Group profit in 2020 than in the previous year.

We realised higher proceeds in our Disposals and Nursing Operations and Nursing Assets segments.

For the Nursing Operations segment and Nursing Assets segment we forecast earnings of EUR 75 million, which we exceeded with a figure of EUR 82.0 million. This is largely due to a later transfer of risks and rewards for the 13 nursing facilities sold.

Adjusted EBITDA (without disposals) fell from EUR 718.6 million by EUR 13.8 million or –1.9% to EUR 704.8 million, which is near the figure of EUR 710 million planned for 2020.

We ensured that Deutsche Wohnen is solidly financed from various funding sources and issued another two unsecured corporate bonds in the reporting year. The LTV of 37.0% is within our target range of 35% to 40% as forecasted. Current interest expenses rose year-on-year by EUR 10.3 million to EUR 145.8 million, which is higher than the forecast figure of EUR 135 million for 2020, due to debt financing of acquisitions.

FFO I in 2020 came to EUR 1.56 per share and EUR 544.1 million in total. As forecasted the FFO I was thereby approximately at the previous year level (FFO I as reported in 2019 EUR 538.1 million and EUR 1.50 per share).

EPRA NAV (undiluted) came to EUR 52.80 per share as of year-end 2020, compared with EUR 47.02 per share the previous year. The increase of 12.3% is mainly due to the revaluation of the property portfolio, which contributed some EUR 1.86 billion in 2020. The persistent discrepancy between supply and demand in German metropolitan areas again resulted in price increases. In our future reporting we will provide information on the basis of EPRA NTA, which rose from EUR 46.46 per share by around 11.7% to EUR 51.91 per share.

12.3%
was the increase of EPRA NAV (undiluted) per share.

We continued to invest in new building in financial year 2020. We advanced existing investment projects and strengthened our position with the acquisition of the operating business and project pipeline of ISARIA Wohnbau AG, Munich. In the second half of 2020 we took a strategic stake of 40% in QUARTERBACK Immobilien AG, Leipzig, so securing access to numerous attractive new construction projects in our core markets. Also in the Nursing and Assisted Living segment, further new construction projects are coming.

Overall, the financial year 2020 went largely as planned for Deutsche Wohnen in operational terms, despite regulatory intervention and the general economic conditions due to the coronavirus pandemic. We believe that Deutsche Wohnen is still in a strong position. The ongoing positive fundamentals for German metropolitan regions, combined with increasing demand for apartments, confirms our long-term strategic focus on urban conurbations.

We continue to see Deutsche Wohnen in a good position.

Notes on the financial performance and financial position

Earnings

The profit for the period fell year-on-year by EUR 56.3 million to EUR 1,544.6 million. Operating earnings declined slightly, while the higher year-on-year result of the fair value valuation of investment properties was more than offset by the negative valuation result for the convertible bonds due to the positive share performance, each after deferred taxes.

The coronavirus pandemic has not had a material impact on the group's financial position and earnings to date.

The following overview shows the consolidated profit and loss statement for the financial year 2020 compared with the previous year:

EUR m	2020	2019
Income	2,742.2	2,246.0
Cost of materials and carrying amounts of properties sold	–1,768.9	–1,100.0
Staff expenses	–231.8	–211.6
Other operating expenses	–104.0	–154.7
Other operating income	56.3	96.5
Impairment losses on financial assets	–7.1	–3.1
EBITDA before gains/losses from the fair value adjustment of investment properties	**686.7**	**873.1**
Depreciation, amortisation and impairment	–40.0	–42.9
Gains/losses from the fair value adjustment of Investment properties	1,856.4	1,401.1[1]
Earnings before interest and taxes (EBIT)	**2,503.1**	**2,231.3**
Earnings from investments accounted for using the equity method	8.9	2.8
Financial result	–268.3	–129.5[1]
Earnings before taxes (EBT)	**2,243.7**	**2,104.6**
Income taxes	–699.1	–503.7
Profit/loss for the period	**1,544.6**	**1,600.9**

1 Previous year's figure changed due to exercise of IAS 23 option

Earnings before taxes rose year-on-year by EUR 109.5 million or 15.4% to EUR 818.6 million thanks to higher disposal profits.

EUR m	2020	2019
Earnings before taxes	**2,243.7**	**2,104.6**
Gains/losses from the valuation of properties[1]	–1,855.1	–1,400.7[2]
Valuation gains on disposal realised in the financial year	288.3	0.0
Amortisation of goodwill	0.0	2.0
Net income from fair value adjustment to financial instruments	106.9	–28.5
Non-recurring expenses and income	34.8	31.7
Adjusted earnings before taxes	**818.6**	**709.1[2]**

1 Including IAS 2
2 Previous year's figure changed due to exercise of IAS 23 option

Gains from the valuation of properties comprise the revaluation of investment properties, disposal-related valuation gains from the valuation of non-current assets held for sale at agreed sales prices, and valuation adjustments to land and buildings held for sale.

The disposal-related valuation gains from property sales with the transfer of risks and rewards in the reporting year are recognised as disposal gains.

The result of the fair value adjustment to financial instruments includes the net valuation realised through profit or loss of convertible bonds, interest rate hedges, other derivatives and equity interests classified as financial instruments. The main non-cash earnings contribution related to the convertible bonds (expenses of EUR 96.2 million; previous year: income of EUR 58.0 million). It is due to interest rate movements and the positive performance of the Deutsche Wohnen share. Expenses from the measurement of derivative financial instruments came to EUR 12.6 million (previous year: EUR 29.5 million).

Non-recurring expenses and income included financing costs (EUR 4.0 million; previous year: EUR 13.1 million), other expenses (EUR 33.8 million; previous year: EUR 87.2 million), financial income (EUR 3.0 million; previous year: EUR 9.1 million) and other income (EUR 0.0 million; previous year: EUR 59.5 million).

Non-recurring financing costs mainly related to expenses for the early repayment of loans and interest rate hedges (EUR 4.0 million; previous year: EUR 8.5 million) and in the previous year interest expenses for the corporate bond partially redeemed in the second quarter of 2019 (EUR 4.5 million).

Non-recurring other expenses in 2020 consisted mainly of project and transaction-related expenses. Of the total, EUR 22.0 million relates to land transfer taxes, which arose in connection with a business combination accounted for in accordance with IFRS 3. This business combination entails the acquisition of the project business of ISARIA Wohnbau AG ("ISARIA"), which was completed on 1 July 2020.

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

The following table shows the year-on-year change in income:

EUR m	2020	2019
Income from Residential Property Management	1,197.8	1,191.7
Income from Nursing Operations	226.1	222.9
Rental income from Nursing Assets	38.2	45.5
Other income	21.7	18.6
Income from sold properties	1,251.6	767.3
Income from sold properties (development)	6.8	0.0
Income	**2,742.2**	**2,246.0**

Income from Residential Property Management rose by 0.5% from EUR 1,191.7 million to EUR 1,197.8 million. Property disposals reduced income, whereas acquisitions, rental increases and higher income from operating costs led to an overall increase compared with the previous year.

Income from Nursing Operations was 1.4% up on the previous year. In the periods shown the Nursing Operations segment had a comparable number of facilities.

Rental income from Nursing Assets fell due to disposals by 16.0% from EUR 45.5 million to EUR 38.2 million.

Other income went up by 16.7% from EUR 18.6 million to EUR 21.7 million. It consists mainly of revenue from multimedia and other services by the SYNVIA Group (EUR 12.9 million; previous year: EUR 10.3 million) and from the rental of broadband connections (EUR 5.4 million; previous year: EUR 5.1 million).

Income from the disposal of properties increased by EUR 484.3 million from EUR 767.3 million to EUR 1,251.6 million. EUR 1,200.4 million of the higher amount (previous year: EUR 677.3 million) came from institutional sales, in particular two portfolio transactions for managed properties and one portfolio transaction for nursing assets.

Income from sold properties (development) were realised for the first time in 2020. They consist solely of income from the ISARIA Group, which has been fully consolidated since 1 July 2020, for ongoing development projects that have already been sold to third parties.

The following table shows the year-on-year change in the cost of materials and carrying amounts of properties sold:

EUR m	2020	2019
Carrying amount of properties sold	–1,221.0	–569.6
Carrying amount of development properties sold	–7.3	0.0
Cost of materials and services	–540.6	–530.4
Cost of materials and carrying amounts of properties sold	**–1,768.9**	**–1,100.0**

The carrying amounts of properties sold increased by EUR 651.4 million from EUR 569.6 million to EUR 1,221.0 million. They stem from the sale and transfer of risks and rewards of properties accounted for and measured in accordance with IAS 40, IAS 2 or IFRS 5. The year-on-year increase in the carrying amount of properties sold was due to the higher volume of disposals.

Carrying amounts of development properties sold relate to ongoing development projects at the ISARIA Group that have already been sold to third parties.

The cost of materials and services changed as follows:

EUR m	2020	2019
Operating costs	–362.6	–358.1
Maintenance	–133.1	–131.8
Other cost of materials	–44.9	–40.5
Cost of materials and services	**–540.6**	**–530.4**

Operating costs and maintenance related to the corresponding expenses in all segments.

Other cost of materials mainly consisted of deliveries of goods and services for nursing operations (EUR 27.0 million; previous year: EUR 26.6 million), sales costs (EUR 7.8 million; previous year: EUR 6.6 million) and input services at the SYNVIA Group (EUR 6.9 million; previous year: EUR 4.4 million).

Staff expenses incurred in all segments and Group functions were made up as follows:

EUR m	2020	2019
Wages and salaries	–194.1	–177.8
Social security contributions, retirement and other benefits	–37.7	–33.8
Staff expenses	**–231.8**	**–211.6**

Staff expenses went up by 9.5% from EUR 211.6 million to EUR 231.8 million, the majority of which was for the nursing operations (EUR 140.1 million; previous year: EUR 129.3 million). The increase in staff expense was due to new recruitment, pay increases, changes in the measurement of share-based variable bonuses and the full consolidation of the ISARIA Group as from 1 July 2020.

The following table shows the year-on-year change in other operating expenses:

EUR m	2020	2019
Operating and corporate expenses	–49.6	–48.9
Miscellaneous other operating expenses	–54.4	–105.8
Other operating expenses	**–104.0**	**–154.7**

Operating and corporate expenses in all segments and Group functions are made up as follows:

EUR m	2020	2019
IT costs	–12.9	–10.8
Legal, advisory and audit costs, insurance	–12.6	–11.9
Communication costs	–7.4	–7.1
Other staff costs	–5.1	–5.4
Cost of premises	–4.7	–3.5
Other operating and corporate expenses	–6.9	–10.2
Operating and corporate expenses	**–49.6**	**–48.9**

Miscellaneous other operating expenses were largely determined by transactions and non-recurring expenses. We refer to the notes on adjusted earnings.

Notes on adjusted earnings on page 53

Other operating income fell by EUR 40.2 million from EUR 96.5 million to EUR 56.3 million. It mainly included insurance payments in property management and capitalised own work for the management of construction projects. In 2020 it also included compensation of EUR 9.5 million from nursing care funds for loss of income and additional expenses as a result of the coronavirus pandemic. Non-recurring income of EUR 54.7 million was recognised in 2019 from the appraisal proceedings in connection with the control agreement signed in 2014 between Deutsche Wohnen SE and GSW Immobilien AG.

Depreciation, amortisation and impairment was as follows:

EUR m	2020	2019
Depreciation	–11.0	–10.9
Amortisation	–7.8	–10.2
Depreciation of right-of-use assets	–21.2	–19.8
Amortisation of goodwill	0.0	–2.0
Depreciation, amortisation and impairment	**–40.0**	**–42.9**

Depreciation and amortisation mainly consisted of depreciation of right-of-use assets held as property, plant and equipment in the context of lease accounting (EUR 21.2 million; previous year: EUR 19.8 million), as well as depreciation of level 4 broadband cable networks and the amortisation of customer contracts acquired in the course of the business combination with the PFLEGEN & WOHNEN HAMBURG Group.

Gains of EUR 1,856.4 million from the fair value adjustment of investment properties (previous year: EUR 1,401.1 million) consisted of EUR 1,653.9 million from revaluation (IAS 40 Investment Property) and EUR 203.6 million from measurement at sales prices (IFRS 5), as well as EUR –1.1 million from measurement changes for right-of-use assets.

Impairment losses on financial assets rose by EUR 4.0 million from EUR 3.1 million to EUR 7.1 million, and were mainly incurred in the Property Management segment for loss allowances and derecognition of rent receivables.

The financial result is made up as follows:

EUR m	2020	2019
Current interest expenses	–145.8	–135.5
Accrued interest on liabilities and pensions	–30.7	–25.9
Capitalised interest expenses	8.8	5.6[1]
Non-recurring expenses in connection with financing	–4.0	–13.1
Fair value adjustment to financial instruments	–10.7	–29.5
Fair value adjustment to convertible bonds	–96.2	58.0
	–278.6	**–140.4**[1]
Interest income	10.3	10.9
Financial result	**–268.3**	**–129.5**[1]

1 Previous year's figure changed due to exercise of IAS 23 option

Current interest expenses were higher, principally due to the higher volume of financial liabilities and corporate bonds.

Accrued interest on liabilities and pensions consisted mainly of expenses for the early repayment of loans.

Deutsche Wohnen made use of the option in IAS 23 of capitalising borrowing costs for qualifying assets accounted for at fair value for the first time for the investment properties. This concerns the project development business according to ISARIA Group, which has been fully consolidated in the Deutsche Wohnen Group since 1 July 2020. In line with IAS 8 the previous year's figures were changed accordingly for the effects of capitalising borrowing costs.

Non-recurring expenses in connection with financing stemmed mainly from the early repayment of loans and interest rate hedges.

Changes in long-term interest rates caused the negative market values of derivative financial instruments (interest rate hedges) to go up. To the extent that these financial instruments do not form part of an effective hedging relationship, the fair value adjustment is recognised as an expense in the financial result. In 2020 valuation changes for other derivatives and equity investments classified as financial instruments were also included here.

The year-on-year changes in the financial result are principally due to the increase in expenses from the fair value adjustment of convertible bonds with a total nominal value of EUR 1,600 million. The price of the convertible bonds follows the share price of Deutsche Wohnen SE. The convertible bonds are held at fair value in the consolidated balance sheet. The rise in the Deutsche Wohnen share price therefore resulted in a valuation loss on the convertible bonds of EUR 96.2 million (previous year: valuation gain of EUR 58.0 million).

The slight decline in interest income from EUR 10.9 million to EUR 10.3 million is due to non-recurring interest income in 2019 in connection with the ongoing GSW appraisal proceedings. Current interest income went up in 2020, by contrast, due to higher interest income from investee companies, particularly the QUARTERBACK Group (QUARTERBACK Immobilien AG, Leipzig, as well as other subsidiaries and investees).

The coverage ratio of EBITDA (adjusted) before disposals to current interest expenses less interest income went down due to the higher debt and is as follows:

EUR m	2020	2019
EBITDA (adjusted) before disposals	704.8	718.6
Current interest expenses and interest income[1]	136.9	126.1
Interest cover ratio (ICR)	**5.1**	**5.7**

1 Current interest expenses and interest income do not include interest income from finance leases for broadband cable networks

Earnings from investments accounted for using the equity method rose by EUR 6.1 million from EUR 2.8 million to EUR 8.9 million and includes for the first time the earnings contributions of the QUARTERBACK Group, the joint venture companies and associates attributable to Deutsche Wohnen. EUR 6.5 million of the increase came from the equity interests in entities in the QUARTERBACK Group, in which Deutsche Wohnen invested in the second half of 2020.

The following table shows the year-on-year change in income taxes:

EUR m	2020	2019
Current income taxes	-24.0	-30.3[1]
Income taxes due to disposals	-43.4	-9.4[1]
Income tax share of expenses for the capital increase	0.0	-0.1
Non-recurring income tax effects	-3.7	20.8
Deferred taxes	-628.0	-484.7
Income taxes	**-699.1**	**-503.7**

1 Previous year's figure amended

Income taxes resulted in expenses of EUR 699.1 million in 2020 (previous year: expenses of EUR 503.7 million). This consists of EUR 628.0 million in expenses from deferred taxes (previous year: expenses of EUR 484.7 million) and expenses for current and sales-related income taxes of EUR 67.4 million (previous year: EUR 39.7 million). The amount of deferred taxes was particularly due to the adjustment to the fair values of investment properties and convertible bonds. The one-off effects in income taxes in 2019 resulted largely from dissolving accruals.

The following table shows the earnings contributions of the individual segments:

EUR m	2020	2019
Segment earnings		
Earnings from Residential Property Management	720.4	729.8
Earnings from Disposals	20.4	186.1
Earnings from Nursing Operations	46.9	45.3
Earnings from Nursing Assets	35.1	43.0
Earnings not attributable to a segment	–136.1	–131.1
Depreciation, amortisation and impairment	–40.0	–42.9
Gains/losses from the fair value adjustment of investment properties	1,856.4	1,401.1
Earnings before interest and taxes (EBIT) / segment earnings	**2,503.1**	**2,231.3**

Earnings from Residential Property Management

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

	31/12/2020	31/12/2019
Residential and commercial units	158,284	164,044
Residential and commercial space in thousand sqm	9,753	10,139
Fair value per sqm residential and commercial areas in EUR	2,683	2,394
Current gross rental income for living space per sqm in EUR	6.71	6.94
Like-for-like rental growth in %	1.3	3.4
Residential vacancy rate in %	1.7	1.8
Maintenance costs per sqm/year in EUR[1]	10.39	9.92
Capital expenditure per sqm/year in EUR[1]	25.76	35.53

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

An overview of the portfolio as at 31 December 2020 can be found in the section entitled “Property portfolio”.

Overview of the portfolio on page 40

Earnings from Residential Property Management fell year-on-year by EUR 9.4 million or 1.3% to EUR 720.4 million, mainly due to higher rent collection and maintenance expenses. At the same time contracted rental income went down because of the effects of the Berlin rent cap and property disposals.

EUR m	2020	2019
Contracted rental income	837.6	837.3
Income from operating costs	365.4	359.4
Rental income	**1,203.0**	**1,196.7**
Operating costs	–356.2	–350.7
Rental loss	–11.5	–7.1
Maintenance	–105.0	–102.4
Other	–9.9	–6.7
Earnings from Residential Property Management	**720.4**	**729.8**
Staff, general and administration expenses	–54.0	–54.5
Operating result (NOI)	**666.4**	**675.3**
NOI margin in %	79.6	80.7
NOI in EUR per sqm and month[1]	5.49	5.45
Change in NOI in EUR per sqm and month in %	0.7	

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

We refer to our portfolio disclosures for changes in contracted rental income and capital expenditure.

Property portfolio on page 42

Income from operating costs exceeded the expenses for operating costs, because accounting for leases meant that various expenses were not included in the operating costs. In 2020 these related to lease expenses for metering and heat contracting of EUR 19.3 million (previous year: EUR 18.9 million). As a proportion of contracted rental income this represents an NOI margin of around 2.3% (previous year: 2.3%).

The losses arising from non-recoverable operating costs and rental loss amounted to 2.6% of gross rental income (previous year: 2.1%).

Rental losses increased due to higher expenses for write-downs. This is related to the rise in rent receivables.

The staff costs and general and administration expenses amounted to approximately 6.4% (previous year: 6.5%) of contracted rental income.

Net Operating Income (NOI) increased year-on-year by EUR 8.9 million, or 1.3%. The NOI margin in relation to contracted rental income went down from 80.7% to 79.6%.

Earnings from Disposals

In the Disposals business segment, we sold a total of 8,856 residential units (previous year: 7,181) and 13 nursing assets (previous year: none), with the transfer of risks and rewards taking place in financial year 2020.

EUR m	2020	2019
Income from sold properties	1,251.6	767.3
Cost of sales	–10.2	–11.6
Net sales proceeds	**1,241.4**	**755.7**
Carrying amount of properties sold	–1,221.0	–569.6
Earnings from Disposals	**20.4**	**186.1**
Valuation gains due to disposal	288.3	0.0
Earnings from disposals before valuation gains due to disposal	**308.7**	**186.1**

The valuation gains due to disposal relate to the measurement of non-current assets held for sale at the agreed sales price, to the extent that this effect is included in the carrying amounts of properties sold for the current period.

The following table shows the key performance figures and results separately for privatisations and institutional sales.

Privatisation

EUR m	2020	2019
Sales proceeds	**51.2**	**90.0**
Average sales price in EUR per/sqm	2,955	3,435
Volume in units	233	314
Cost of sales	–4.9	–8.1
Net sales proceeds	**46.3**	**81.9**
Carrying amounts of assets sold without valuation gains due to disposal	–38.2	–56.3
Gross margin in %	34.0	59.9
Earnings before valuation gains due to disposal	**8.1**	**25.6**
Carrying amounts without valuation gains due to disposal	38.2	56.3
Loan repayment	–1.5	–3.3
Liquidity contribution	**44.8**	**78.6**

The high average sales price per sqm in 2019 was due to a privatisation in a central location of Berlin. Adjusted for this privatisation, the average sales price per sqm in 2019 would have been EUR 2,696 and the gross margin would have been 36.6%. The average sales price rose in 2020 compared with the adjusted average sales price in 2019, and the gross margin fell slightly.

Institutional sales

EUR m	2020	2019
Sales proceeds	**1,200.4**	**677.3**
Sales price in EUR per sqm (without nursing assets)	1,743	1,614
Volume in units	8,623	6,867
Cost of sales	–5.3	–3.5
Net sales proceeds	**1,195.1**	**673.8**
Carrying amounts of assets sold without valuation gains due to disposal	–894.5	–513.3
Gross margin in %	34.2	32.0
Earnings before valuation gains due to disposal	**300.6**	**160.5**
Carrying amounts without valuation gains due to disposal	894.5	513.3
Loan repayment	–131.5	–1.8
Liquidity contribution	**1,063.6**	**672.0**

Sales proceeds also include the sale of 13 nursing assets with some 1,700 beds and assisted living units for slightly more than the carrying amount before valuation gains due to disposal. We only disposed of externally managed nursing properties that are not situated in our strategic target regions and are subject to structural and regulatory restrictions.

Two portfolio transactions accounted for the bulk of institutional sales of residential units. One is a portfolio sale to degewo AG, a state-owned housing company. This portfolio transaction comprises 2,143 residential units and 32 commercial units in Berlin, of which risks and rewards for 1,578 residential units were transferred in the second half of 2020 and for a further 565 units in the first quarter of 2021. The second transaction was a portfolio sale of 6,379 residential units and 38 commercial units in Brunswick, Hanover, Cologne and the Rhine-Neckar region to LEG Immobilien AG Group, of which the transfer of risks and rewards for 6,066 residential units took place in the fourth quarter of 2020 and is expected for another 313 residential units in the first quarter of 2021.

Earnings from Nursing Operations

EUR m	2020	2019
Income		
Nursing services	149.7	147.7
Rental income	59.1	59.5
Other	29.3	18.0
	238.1	**225.2**
Costs		
Nursing and corporate expenses	–43.7	–41.7
Staff expenses	–147.5	–138.2
Internal lease expenses	–26.9	–26.8
	–218.1	**–206.7**
Earnings from Nursing Operations	**20.0**	**18.5**
without internal rental expenses	46.9	45.3

Twenty-five nursing facilities are managed by the KATHARINENHOF Group, in which we hold a 100% equity interest as of February 2020 (previously 49%), and 13 nursing facilities by the PFLEGEN & WOHNEN HAMBURG Group, which has been a wholly owned subsidiary of Deutsche Wohnen since 2 January 2019. Of the 38 facilities, 37 are owned by Deutsche Wohnen.

Earnings from the Nursing Operations segment before internal rents (EBITDAR[14]) came to EUR 46.9 million (previous year: EUR 45.3 million). This represents an EBITDAR margin of 19.7% (previous year: 20.1%).

Earnings from Nursing Assets

EUR m	2020	2019
Income		
Rental income	38.3	45.4
Intragroup leasing income	26.9	26.8
	65.2	**72.2**
Costs	**–3.2**	**–2.4**
Earnings from Nursing Assets	**62.0**	**69.8**
without internal rental income	35.1	43.0

Earnings from Nursing Assets include lease earnings for 76 nursing facilities owned by Deutsche Wohnen as of the reporting date. A total of 37 nursing facilities have been leased within the Group; 24 to the KATHARINENHOF Group and 13 to the PFLEGEN & WOHNEN HAMBURG Group. A further 39 nursing facilities were leased to other well-known operators as of the reporting date.

The year-on-year decline in external lease income stems from the disposal of 13 nursing facilities for which the transfer of risks and rewards took place in mid-2020.

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

Earnings not attributable to a segment

Net earnings not attributable to a segment totalled EUR –136.1 million (previous year: EUR –131.1 million). This consists primarily of corporate expenses and other transaction-related operating expenses and income:

EUR m	2020	2019
Corporate expenses	–105.9	–101.3
Other income	21.6	18.6
Cost of materials and services	–10.0	–7.2
Miscellaneous staff costs	–3.5	–2.7
Miscellaneous other operating expenses	–49.7	–103.5
Miscellaneous other operating income	11.4	65.4
Impairment losses on financial assets	0.0	–0.4
Earnings not attributable to a segment	**–136.1**	**–131.1**

Corporate expenses include staff and operating expenses, without the segments Nursing Operations and Nursing Assets:

EUR m	2020	2019
Staff expenses	–69.8	–65.0
Long-term remuneration component (share-based)	0.1	0.0
Operating costs	–36.2	–36.4
Total corporate expenses	**–105.9**	**–101.4**

Staff, general and administration expenses in connection with disposals amounted to EUR 3.4 million, on a par with last year. The increase in staff costs is due particularly to the measurement of the long-term incentive (LTI) for the Management Board members and managers. As of 31 December 2019 the minimum performance levels for the target component share price performance in the 2018 and 2019 tranches were not achieved. These hurdle rates were exceeded again as of 31 December 2020, so staff costs of some EUR 1.3 million were incurred in 2020.

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

Other income, the cost of materials and miscellaneous staff costs are mainly related to revenues from multimedia and similar services at the SYNVIA Group.

For the non-recurring and transaction-related miscellaneous other operating expenses and income we refer to the comments on adjusted earnings.

Notes on adjusted earnings on page 53

Assets and financial position

Here are some selected figures from the consolidated balance sheet:

	31/12/2020		31/12/2019	
	EUR m	in %	EUR m	in %
Investment properties	28,069.5	91	25,433.3	91
Other non-current assets	982.0	3	443.4	2
Total non-current assets	**29,051.5**	**94**	**25,876.7**	**93**
Current assets	1,162.6	4	1,289.4	5
Cash and cash equivalents	583.3	2	685.6	2
Total current assets	**1,745.9**	**6**	**1,975.0**	**7**
Total assets	**30,797.4**	**100**	**27,851.7**	**100**
Equity	**13,832.8**	**45**	**13,107.3**	**47**
Financial liabilities	6,525.1	21	6,327.7	23
Convertible bonds	1,768.7	6	1,682.8	6
Corporate bonds	3,129.6	10	2,014.1	7
Tax liabilities	60.5	0	26.2	0
Pension obligations	109.6	0	107.2	1
Deferred tax liabilities	4,412.0	15	3,713.8	13
Other liabilities	959.1	3	872.6	3
Total liabilities	**16,964.6**	**55**	**14,744.4**	**53**
Total assets	**30,797.4**	**100**	**27,851.7**	**100**

Investment properties remain the largest balance sheet item. It increased compared with 31 December 2019, mainly because of acquisitions and revaluaions capitalised refurbishment expenses, which exceeded the amount of disposals and reclassifications to current assets. A significant portion of the acquisitions related to project developments at the ISARIA Group, which was fully consolidated as of 1 July 2020.

Other non-current assets increased following equity investments in companies in the QUARTERBACK Group and the goodwill created by the acquisition of the ISARIA Group.

Group equity rose by EUR 725.5 million in absolute terms in 2020. The equity ratio of around 45% was somewhat lower (previous year: 47%). In the reporting period some 55,800 bearer shares in Deutsche Wohnen SE were issued following the exercise of share options and another 72,100 bearer shares in Deutsche Wohnen SE were issued in exchange of some 30,600 bearer shares in GSW Immobilien AG. This share swap took place in accordance with the provisions of the control agreement between the two companies on the put options held by outside shareholders. In addition, total comprehensive income of EUR 1,542.9 million for 2020 also increased the capital of Deutsche Wohnen. Group equity fell by EUR 497.9 million as of the reporting date due to the purchase of own shares, and by a further EUR 312.6 million following the payment of a dividend by Deutsche Wohnen SE.

45%

was the equity ratio as at the reporting date.

Financing

Financial liabilities fell by EUR 533.0 million following the repayment of borrowings. This was offset by new borrowing of EUR 571.5 million and the non-cash takeover of EUR 138.1 million in liabilities belonging to the ISARIA Group.

The Loan-to-Value ratio of 37% is within our target range.

Liabilities from convertible bonds rose due to market fluctuations. The nominal amount of outstanding convertible bonds came to EUR 1,600 million as of the reporting date, as in the previous year.

Liabilities under corporate bonds fell by EUR 873.8 million due to redemptions and increased by EUR 1,998.2 million due to the proceeds of new issues. EUR 200.0 million of the repayment related to a short-term bearer bond issued in 2019 and EUR 278.8 million to the remainder of the bond issued in 2015. Proceeds of new issues in 2020 included two long-term corporate bonds with a nominal value of EUR 1,190.0 million, plus other long-term bearer bonds (EUR 513.0 million) and short-term commercial paper (EUR 295.2 million).

Even with the new funding, the average interest rate remained stable year-on-year at around 1.2%. The average capital repayment rate of 0.5% is the same as the previous year. The average term to maturity of the Group's loans, convertible bonds and bonds is 6.8 years. The hedging ratio came to approximately 89% as at 31 December 2020 (previous year: 88%).

Deutsche Wohnen SE received a long-term issuer rating from the two international rating agencies Standard & Poor's and Moody's. The rating from Standard & Poor's was unchanged at A- (as of 14 December 2020) and that from Moody's was unchanged at A3 (as of 22 December 2020), both currently with a negative outlook.

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

EUR m	31/12/2020	31/12/2019
Financial liabilities	6,525.1	6,327.7
Convertible bonds	1,768.7	1,682.8
Corporate bonds	3,129.6	2,014.1
	11,423.4	**10,024.6**
Cash and cash equivalents	–583.3	–685.6
Net financial liabilities	**10,840.1**	**9,339.0**
Investment properties	28,069.5	25,433.3
less right-of-use assets held as investment properties from leases	–51.6	–62.8
Non-current assets held for sale	163.6	571.2
Land and buildings held for sale	472.2	468.9
Investments in property and land companies	361.9	4.6[1]
Loans to property and land companies	252.3	0.0[1]
	29,267.9	**26,415.2**[1]
Loan-to-Value ratio in %	**37.0**	**35.4**

1 Calculation method has been changed to include equity investments in and loans to property companies.

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

EUR m	31/12/2020	31/12/2019
Derivative financial instruments	57.3	52.1
Trade payables	429.9	300.5
Other	471.9	520.0
Total other liabilities	**959.1**	**872.6**

Statement of cash flows

The most important cash flows are shown in the following:

EUR m	2020	2019
Net cash flow from operating activities	504.5	460.1[1]
Net cash flow from investing activities	–899.6	–679.8[1]
Net cash flow from financing activities	292.8	572.5
Net change in cash and cash equivalents	**–102.3**	**352.8**
Opening balance cash and cash equivalents	685.6	332.8
Closing balance cash and cash equivalents	**583.3**	**685.6**

1 Previous year's figure changed due to exercise of IAS 23 option

In 2020 Deutsche Wohnen was able to meet its financial obligations in full of all times.

Cash flow from operating activities is subject to fluctuations because of the cash inflows and outflows from the purchase and sale of investment properties held for sale. Net cash from operating activities came to EUR 48.7 million in 2020 (previous year: EUR 13.3 million).

In the reporting period, cash flow from investing activities included payments for property investments of EUR 1,069.0 million (previous year: EUR 1,348.7 million) and other assets of EUR 644.5 million (previous year: EUR 27.4 million). EUR 676.3 million of the property investments were for acquisitions (previous year: EUR 917.4 million), EUR 267.5 million for refurbishment (previous year: EUR 369.7 million) and EUR 125.2 million for new building (previous year: EUR 61.6 million, including change in IAS 23 option). This was offset by proceeds from the disposal of investment properties and properties held for sale of EUR 1,266.0 million. After deducting cash holdings, a net total of EUR 517.1 million was paid for the acquisition of the ISARIA Group. Investments in other assets related mainly to equity investments, specifically the acquisition of equity interests amounting to EUR 268.6 million as well as the purchase of loan receivables and the issuance of loans amounting to EUR 349.9 million, each related to QUARTERBACK Group. Other proceeds of investing activities consisted mainly of loan repayments.

Cash flow from financing activities essentially comprises all payments in connection with refinancing (loan repayments and new borrowing, convertible bonds and corporate bonds together with the related one-off payments), cash inflows from equity activities, outflows for the purchase of treasury shares and dividend payments.

In the reporting period, cash flow from financing activities included proceeds from the issue of corporate bonds of EUR 1,998.2 million (previous year: EUR 1,159.5 million) and from borrowing of EUR 571.5 million (previous year: 508.1 million). Capital repayments related to loans (EUR 533.0 million; previous year: EUR 380.5 million), bonds (EUR 278.8 million; previous year: EUR 221.2 million), bearer bonds (EUR 300.0 million; previous year: none) and commercial paper (EUR 295.0 million; previous year: EUR 120.0 million). EUR 507.0 million (previous year: EUR 93.3 million) was paid to purchase own shares. Deutsche Wohnen SE also paid a dividend of EUR 312.6 million for 2019 in the first second quarter of 2020. Of the dividend of EUR 310.6 million for financial year 2018 voted at the Annual General Meeting, EUR 225.7 million was paid in cash in 2019. The difference was paid in shares, since shareholders could choose between a cash or share dividend.

Funds from Operations (FFO)

Slight increase in FFO I per share to EUR 1.56

Funds from Operations without disposals (FFO I) is the key figure for us. As described in the financial performance section above, Deutsche Wohnen made use of the option according to IAS 23 of capitalising borrowing costs for qualifying assets accounted for at fair value for the first time for the investment properties. In line with IAS 8 the figures in the previous year's consolidated financial statements were changed accordingly for the effects of capitalising borrowing costs. This led to an absolute increase of EUR 5.6 million in FFO I for 2019. We decided to change the calculation method for FFO I again because the volume of property disposals went up.

Whereas current income taxes were included in full in FFO I in the past, the income taxes incurred due to property disposals are now logically shown in FFO II. Applying this systematic change to FFO I for 2019 increased the figure in absolute terms by EUR 9.4 million.

FFO I fell year-on-year in absolute terms by 1.6%, mainly due to disposals, and went up by 1.3% per share (undiluted).

EUR m	2020	2019
EBITDA before gains/losses from fair value adjustments of investment properties	**686.7**	**873.1**
Measurement of current assets (properties)	1.3	0.4
Valuation gains due to disposal	288.3	0.0
Other non-recurring expenses and income	31.1	23.8
Restructuring and reorganisation expenses	2.7	3.9
EBITDA (adjusted)	**1,010.1**	**901.2**
Earnings from Disposals	–20.4	–186.1
Valuation gains due to disposal	–288.3	0.0
Staff, general and administration expenses of disposals	3.4	3.5
EBITDA (adjusted) before disposals	**704.8**	**718.6**
Long-term remuneration component (share-based)	–0.1	0.0
Finance leasing broadband cable networks	3.1	2.9
At-equity valuation	2.4	2.8
Interest income/expenses	–132.4	–130.9[4]
Income taxes	–24.0	–30.3[3]
Minority interests	–9.7	–10.0
FFO I	**544.1**	**553.1**[3,4]
Earnings from Disposals	20.4	186.1
Staff, general and administration expenses of disposals	–3.4	–3.5
Valuation gains due to Disposals	288.3	0.0
Income taxes due to Disposals	–43.4	–9.4[3]
FFO II	**806.0**	**726.3**[4]
FFO I per share in EUR (undiluted)[1]	1.56	1.54[3,4]
FFO I per share in EUR (diluted)[2]	1.56	1.54[3,4]
FFO II per share in EUR (undiluted)[1]	2.32	2.03[4]
FFO II per share in EUR (diluted)[2]	2.32	2.03[4]

1 Based on the weighted average of some 347.85 million shares in circulation in 2020 (without own shares) or some 358.09 million in 2019
2 Based on a weighted average of approximately 347.85 million shares in circulation in 2020 (without own shares) and approximately 358.09 million in 2019, assuming conversion of in-the-money convertible bonds in each case
3 Calculation method changed: taxes due to disposals are no longer included in FFO I – disclosures for prior years have been changed accordingly
4 Previous year’s figure changed due to exercise of IAS 23 option

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

EPRA performance measures

The European Public Real Estate Association (EPRA) is an organisation based in Brussels, Belgium, which represents the interests of listed companies within the European property sector. EPRA's primary objective is to ensure the further development of the sector, in particular by improving the transparency of reporting structures. The following key figures have been calculated in accordance with the standards recommended by EPRA.

EPRA standards

Overview of EPRA performance measures

	2020	2019
EPRA NAV in EUR m[1]	18,151.0	16,791.3
EPRA NAV in EUR per share[1]	52.80	47.02
EPRA NTA in EUR m	17,844.4	16,589.1
EPRA NTA in EUR per share	51.91	46.46
EPRA NRV in EUR m	20,343.4	18,877.4
EPRA NRV in EUR per share	59.18	52.86
EPRA NDV in EUR m	12,675.7	12,325.8
EPRA NDV in EUR per share	36.87	34.52
EPRA Earnings in EUR m	457.0	484.7[2]
EPRA Earnings in EUR per share	1.33	1.36[2]
EPRA Net Initial Yield in %	2.3	2.7
EPRA "topped-up" Net Initial Yield in %	2.3	2.7
EPRA vacancies in %	2.0	2.2
EPRA cost ratio (incl. direct vacancy costs) in %	24.2	23.1[2]
EPRA cost ratio (excl. direct vacancy costs) in %	23.2	22.0[2]

1 EPRA NAV is still shown after the revision of EPRA key performance indicators, since it was defined as an indicator for Management Board remuneration in the LTI 2018.
2 Previous year's figure amended

EPRA Net asset value figures

Revised NAV performance indicators were presented when the EPRA Best Practice Recommendations were published in October 2019. The three new indicators, Net Tangible Assets, Net Reinstatement Value and Net Disposal Value, replace EPRA NAV and EPRA NNNAV as previously communicated, and are applied for the first time for financial year 2020. These new indicators are briefly described below.

EPRA Net Tangible Assets (NTA)

EPRA NTA reflects current net asset value including acquisitions and disposals. Deferred taxes for investment properties are adjusted accordingly. NTA largely corresponds to the EPRA NAV previously communicated, adjusted for goodwill, and is particularly relevant for Deutsche Wohnen. Deutsche Wohnen did not exercise the option of adding land transfer tax, and so works from the (net) IFRS carrying amounts.

New EPRA indicators as financial year 2020.

EPRA Net Reinstatement Value (NRV)

EPRA Net Reinstatement Value (NRV) represents the value that would be required to reproduce the entity's assets with the same capital structure. Deutsche Wohnen did not exercise the option of valuing intangible off-balance-sheet assets.

EPRA Net Disposal Value (NDV)

EPRA Net Disposal Value (NDV) represents the value to shareholders assuming the disposal of all assets and the early redemption of all liabilities. The method of calculating NDV is similar to that for EPRA NNNAV as reported to date, which it replaces in future.

EUR m	EPRA NRV 31/12/2020	EPRA NTA 31/12/2020	EPRA NDV 31/12/2020	EPRA NAV 31/12/2020	EPR NNNAV 31/12/2020
Equity (before non-controlling interests)	13,391.7	13,391.7	13,391.7	13,391.7	13,391.7
i) Hybrid bonds and dilution effects from the conversion of in-the-money convertible bonds	0.0	0.0	0.0	0.0	0.0
Diluted NAV	**13,391.7**	**13,391.7**	**13,391.7**	**13,391.7**	**13,391.7**
plus					
iv) Revaluation of inventory properties after deferred taxes	43.9	43.9	43.9	0.0	0.0
Diluted NAV at market values	**13,435.6**	**13,435.6**	**13,435.6**	**13,391.7**	**13,391.7**
less					
v) deferred taxes for valuation gains on investment properties	4,737.6	4,711.8	–	4,704.6	–
vi) Market value of derivative financial instruments	54.7	54.7	–	54.7	–
vii) Goodwill resulting from deferred taxes	–69.5	–	–	–	–
viii.a) Goodwill accounted for in the IFRS consolidated financial statements	–	–319.7	–319.7	–	–
viii.b) Intangible assets as accounted for in the IFRS consolidated financial statements	–	–38.0	–	–	–
plus					
ix) Difference between market value and book value of interest-bearing liabilities, bonds, etc. after deferred taxes	–	–	–440.2	–	–440.2
xi) Land transfer tax and other costs incurred by the acquirer	2,185.0	0.0	–	–	–
NAV	**20,343.4**	**17,844.4**	**12,675.7**	**18,151.0**	**12,951.5**
Number of shares (diluted) in millions (without own shares)	343.77	343.77	343.77	343.77	343.77
NAV in EUR per share	**59.18**	**51.91**	**36.87**	**52.80**	**37.67**

EUR m	EPRA NRV 31/12/2019	EPRA NTA 31/12/2019	EPRA NDV 31/12/2019	EPRA NAV 31/12/2019	EPR NNNAV 31/12/2019
Equity (before non-controlling interests)	12,700.4	12,700.4	12,700.4	12,700.4	12,700.4
i) Hybrid bonds and dilution effects from the conversion of in-the-money convertible bonds	0.0	0.0	0.0	0.0	0.0
Diluted NAV	**12,700.4**	**12,700.4**	**12,700.4**	**12,700.4**	**12,700.4**
plus					
iv) Revaluation of inventory properties after deferred taxes	39.1	39.1	39.1	0.0	0.0
Diluted NAV at market values	**12,739.5**	**12,739.5**	**12,739.5**	**12,700.4**	**12,700.4**
less					
v) deferred taxes for valuation gains on investment properties	4,056.2	3,987.7	–	4,040.1	–
vi) Market value of derivative financial instruments	50.8	50.8	–	50.8	–
vii) Goodwill resulting from deferred taxes	0.0	–	–	–	–
viii.a) Goodwill accounted for in the IFRS consolidated financial statements	–	–148.1	–148.1	–	–
viii.b) Intangible assets as accounted for in the IFRS consolidated financial statements	–	–40.8	–	–	–
plus					
ix) Difference between market value and book value of interest-bearing liabilities, bonds, etc. after deferred taxes	–	–	–265.6	–	–380.4
xi) Land transfer tax and other costs incurred by the acquirer	2,030.9	0.0	–	–	–
NAV	**18,877.4**	**16,589.1**	**12,325.8**	**16,791.3**	**12,320.0**
Number of shares (diluted) in millions (without own shares)	357.09	357.09	357.09	357.09	357.09
NAV in EUR per share	**52.86**	**46.46**	**34.52**	**47.02**	**34.50**

The EPRA NTA per share increased by 11.7% from EUR 46.46 per share to EUR 51.91 per share in the year under review. The valuation gains from the property valuation earnings were the main reason for the increase.

EPRA Earnings

EPRA Earnings reflect recurring profits from the operating business and particularly include adjustments for valuation effects and net disposal proceeds.

EUR m	2020	2019
IFRS net income	**1,544.6**	**1,600.9**
Adjustments for the purposes of the calculation of EPRA Earnings:		
Result of property valuation[1]	–1,855.1	–1,400.7[3]
Earnings from Disposals	–20.4	–186.1
Income taxes due to Disposals	43.4	9.4[2]
Amortisation of goodwill	0.0	2.0
Measurement of financial instruments and early repayment penalties	109.3	–15.5
Transaction costs of business combinations	23.4	0.0
Deferred taxes	628.0	484.7
Equity method valuation of joint ventures in the QUARTERBACK Group	–6.5	0.0
Minority interests	–9.7	–10.0
EPRA Earnings	**457.0**	**484.7[2, 3]**
Number of shares (undiluted) in m (without treasury shares) on the reporting date	343.8	357.1
EPRA Earnings (undiluted) in EUR per share	**1.33**	**1.36[2, 3]**
Number of shares (diluted) in m (without treasury shares) on the reporting date	343.8	357.1
EPRA Earnings (diluted) in EUR per share	**1.33**	**1.36[2, 3]**

1 Including IAS 2
2 Previous year's figure amended
3 Previous year's figure changed due to exercise of IAS 23 option

EPRA Net Initial Yield

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

EUR m	2020	2019
Investment properties and non-current assets held for sale[1]	26,620.9	24,305.3
Land and buildings held for sale[1]	462.3	451.0
Less assets under construction and payments made on account[1]	–785.7	–427.2
Sub-total completed property portfolio	**26,297.5**	**24,329.1**
Plus investor's incidental acquisition costs, estimated at 7.6% and 7.66%	1,998.6	1,863.6[3]
Total completed property portfolio	**28,296.1**	**26,192.7**[3]
Annualised contracted cash rent	791.1	835.6
Less direct management costs[2]	–128.9	–126.2
Annualised net contract rent	**662.2**	**709.4**
Adjustments for tenant incentives	2.3	2.6
Topped-up annualised net contract rent	**664.5**	**712.0**
EPRA Net Initial Yield (EPRA NIY) in %	**2.3**	**2.7**
EPRA "topped-up" Net Initial Yield (EPRA NIY) in %	**2.3**	**2.7**

1 Without Nursing and Assisted Living, without unbuilt land
2 Non-recoverable operating costs, rent collection, maintenance, etc.
3 Previous year's figure amended

EPRA vacancies

The EPRA vacancy rate is calculated on the basis of the ratio of the estimated annualised market rents for the vacant properties to the market rents for the portfolio as a whole.

	2020	2019
Estimated rental value of vacant space in EUR	1,862,029	2,046,866
Estimated rental value of total portfolio in EUR	91,417,356	93,654,007
EPRA vacancies in %	**2.0**	**2.2**

EPRA Cost Ratio

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

EUR m	2020	2019
Contractually agreed rent (contract rent and subsidies)	860.5	861.6
less lost income (vacancies)	–22.9	–24.3[3]
less adjusted EBITDA	–1,010.1	–901.2
less adjusted EBITDA: Segment earnings: Disposals	20.4	186.1
less gains on disposal	288.3	0.00
less adjusted EBITDA: Segment earnings: Nursing and Assisted Living	82.0	88.3
less adjusted EBITDA: Corporate expenses for the Disposals segment	–3.4	–3.5
plus expenses for nursing facilities let to third parties	2.8	2.2
less maintenance expenses	–105.0	–102.4
plus ground rent to third parties	2.1[1]	2.3[1]
Management costs	**114.7**	**109.1[3]**
plus maintenance expenses	105.0	102.4
less ground rent to third parties	–2.1[1]	–2.3[1]
EPRA Costs (including direct vacancy costs)	**217.6**	**209.2**
less operating costs of vacancies	–8.7	–9.4[3]
EPRA Costs (excluding direct vacancy costs)	**208.9**	**199.8[3]**
Contractually agreed rent (contract rent and subsidies)	860.5	861.6
less ground rent to third parties	–2.1	–2.3
plus rental income for nursing facilities let to third parties	38.3	45.4
plus rental income for nursing facilities let within the Group	26.9	26.8
less lost income (vacancies)	–22.9	–24.3[3]
	900.7	**907.2[3]**
EPRA Cost Ratio (including direct vacancy costs)	**24.2%**	**23.1%[3]**
EPRA Cost Ratio (excluding direct vacancy costs)	**23.2%**	**22.0%[3]**
EPRA Cost Ratio adjusted for maintenance expenses (incl. direct vacancy costs) in %	**12.5%**	**11.8%[3]**
EPRA Cost Ratio adjusted for maintenance expenses (excl. direct vacancy costs) in %	**11.5%**	**10.7%[3]**
Own work capitalised[2]	**7.1**	**4.7**

1 First-time application of IFRS 16 from 1 January 2019 means that the ground rents paid to third parties are no longer included as expenses in EBITDA adjusted
2 Own work capitalised for engineering and construction management services, without pro rata share of joint ventures
3 Previous year's figure amended

EPRA Capex

EPRA Capex divides capital expenditure in the financial year into spending on acquisitions, project development business and investment properties. Only capital expenditure on IAS 40 properties is included. Capital expenditure on existing properties was not broken down any further, since creating incremental rental space and tenant incentives are less relevant here. The EPRA Capex provides a split between the investments of a year in Investments in acquisitions, Investments in new constructions and Investments in the portfolio (each without joint ventures). Therefore, only the investments in IAS 40 properties are considered. Another split of investments in the portfolio was not made due to the fact that development of further rental space as well as rent incentives are considered less relevant.

EUR m	2020	2019
Acquisition	1,185.7	917.4
New construction (incl. loft conversion)	116.4	56.0
Portfolio	267.5	369.7
Capitalised borrowing costs	8.8	5.6
Total investment	**1,578.4**	**1,348.7**

REPORT ON THE INDIVIDUAL FINANCIAL STATEMENTS OF DEUTSCHE WOHNEN SE

Fundamental aspects of Deutsche Wohnen SE

Deutsche Wohnen SE is the parent company of the corporate group. It acts as a holding company and, together with its employees, is responsible for performing all of the important central functions within the Group. The individual financial statements have been prepared in accordance with the provisions of the German Commercial Code [Handelsgesetzbuch – HGB] applicable to large corporations, and the supplementary provisions of the Stock Corporation Act [Aktiengesetz – AktG] as well as the European Regulation and the German introductory law on European Stock Corporations. Deutsche Wohnen SE focuses on capital markets and is listed on the Frankfurt Stock Exchange and others.

Reporting on the Group's position and the presentation of its risks and opportunities largely also apply to Deutsche Wohnen SE.

Employees

On 31 December 2020, Deutsche Wohnen SE had 243 employees[1] (previous year: 220) and 69 trainees and students (previous year: 60).

1 All employees including those on maternity/parental leave and temporary staff, not including apprentices or Management Board members

Management Board analysis of business operations

Deutsche Wohnen SE mainly issued long-term corporate bonds and bearer bonds to finance the Group in financial year 2020.

In November 2019 the Management Board adopted a share buyback programme, in the course of which around 16.1 million shares were purchased for some EUR 600.3 million up to September 2020.

The operating results of holding company activities fell by EUR 7.5 million year-on-year due to higher other operating expenses and higher staff expenses.

Profit and loss transfers and distributions from subsidiaries came to EUR –20.0 million in 2020, which is below the previous year's figure of EUR 39.5 million and also less than our forecast. It was due to write-downs on the carrying amounts of equity investments and properties at the level of tax group companies.

Net income for 2020 was also reduced by non-recurring expenses of EUR 7.4 million in connection with interest rate hedges, which were presented in the non-operating result.

Earnings before taxes did not reach our original forecast of a medium double-digit million amount of positive net income before taxes because of these non-recurring effects in net income from investee companies and the non-operating result.

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

Earnings

	2020	2019	Change	Change
	EUR m	EUR m	EUR m	relative in %
Revenues	49.4	47.7	1.7	4
Other operating income	2.9	2.4	0.5	21
Staff expenses	–29.4	–25.4	–4.0	16
Other operating expenses	–54.0	–48.8	–5.2	11
Depreciation and amortisation	–5.1	–4.6	–0.5	11
Operating result	**–36.2**	**–28.7**	**–7.5**	**26**
Net interest	–12.5	–4.9	–7.6	155
Net income from investees	–20.0	39.5	–59.5	–151
Non-operating result	–7.4	–32.6	25.2	–77
Income taxes	–0.6	–0.2	–0.4	200
Net income for the year	**–76.7**	**–26.9**	**–49.8**	**185**

Deutsche Wohnen SE acts as a holding company and generates revenues from providing management services to the entire Group, particularly general management services and also managing the acquisition of subsidiaries. The increase in revenues stems from the higher volume of acquisition transactions compared with the previous year.

The increase in staff expenses by EUR 4.0 million compared with the previous year was largely due to the hiring of employees, salary increases, and changes in the measurement of share-based variable remuneration. Deutsche Wohnen SE had an annual average of 229 employees in 2020 (previous year: 209 employees).

Other operating expenses mainly comprised IT costs of EUR 17.0 million (previous year: EUR 15.1 million) and legal and advisory costs of EUR 10.9 million (previous year: EUR 8.0 million). In addition, they included services, marketing and entertainment expenses charged by affiliates and general corporate expenses. Non-recurring other operating expenses for data protection in 2019 were included in the non-operating result to facilitate comparison.

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

Net interest income comprised interest expenses of EUR 73.1 million (previous year: EUR 56.7 million), of which EUR 7.4 million (previous year: EUR 15.9 million) was presented in the non-operating result, and interest income of EUR 53.2 million (previous year: EUR 35.9 million).

In this and in the previous financial year, Deutsche Wohnen SE primarily relied upon equity and low-interest-bearing convertible bonds and corporate bonds to finance its activities. Deutsche Wohnen SE also received further funding from managing the Group's cash pool. It passed on this funding to subsidiaries in the form of equity or internal loans. In light of the above, net income comprised net income generated with third parties of EUR –59.0 million (previous year: EUR –37.7 million) and net income generated with affiliated companies in the amount of EUR 46.5 million (previous year: EUR 32.8 million). Interest expenses paid to third parties increased due to higher nominal amounts of outstanding corporate bonds. One-off interest expenses for interest rate hedges and in connection with the redemption of corporate bonds were presented in the non-operating result to facilitate comparisons.

Value created at the subsidiary level accrued, via the earnings from shareholdings, to Deutsche Wohnen SE in its capacity as holding company. Net income from investees includes profit and loss transfers from subsidiaries under profit and loss transfer agreements and control agreements and from limited partnerships and totalled EUR –94.2 million (previous year: EUR –28.7 million), as well as distributions of EUR 74.6 million (previous year: EUR 74.5 million) from GSW Immobilien AG. Expenses for compensation payments under control agreements were offset against distributions (EUR –0.4 million; previous year: EUR –6.3 million). These expenses relate to the ongoing appraisal proceeding in connection with the control agreement signed in 2014 between Deutsche Wohnen SE and GSW Immobilien AG, which will probably result in a higher compensation payment to the external shareholders. Losses transferred under profit and loss transfer agreements in 2020 and 2019 resulted mainly from write-downs on individual investee companies and properties held by group companies that were required by the principle that assets must be measured individually. By contrast, unrealised gains on the carrying amounts of other investee companies and properties do not have to be recognised under German commercial law.

The non-operating result for 2020 included non-recurring interest expenses of EUR 2.8 million from unwinding interest-rate hedges and EUR 4.6 million from additions to provisions for interest rate hedges. In 2019 the figure included non-recurring interest expenses of EUR 4.5 million for the corporate bond partially redeemed in the second quarter of 2019, other interest expenses of EUR 11.3 million for additions to provisions for interest rate hedges, and non-recurring other operating expenses of EUR 16.8 million for data protection.

Deutsche Wohnen SE generated a net loss of EUR 76.7 million in 2020 (previous year: net loss of EUR 26.9 million).

Assets and financial position

	31/12/2020		31/12/2019		Change
	EUR m	%	EUR m	%	EUR m
Non-current assets	7,699.7	91.7	6,889.4	79.1	810.3
Receivables and other assets	206.4	2.4	1,184.6	13.6	–978.2
Cash and bank balances	491.7	5.9	635.2	7.3	–143.5
	8,397.8	**100.0**	**8,709.2**	**100.0**	**–311.4**
Equity	2,432.6	29.0	3,320.3	38.1	–887.7
Provisions	50.6	0.6	53.6	0.6	–3.0
Liabilities	5,914.6	70.4	5,335.3	61.3	579.3
	8,397.8	**100.0**	**8,709.2**	**100.0**	**–311.4**

The fixed assets of Deutsche Wohnen SE, amounting to EUR 7,699.7 million (previous year: EUR 6,889.4 million), primarily consist of shares in affiliated companies amounting to EUR 4,372.3 million (previous year: EUR 4,369.8 million) and loans to affiliates of EUR 3,311.6 million (previous year: EUR 2,504.0 million). The increase in the reporting year was due to the internal financing of investments and acquisitions by subsidiaries, which Deutsche Wohnen SE provided with liquidity via long-term shareholder loans. Deutsche Wohnen SE's current receivables under the cash pooling agreement declined accordingly.

Receivables and other assets primarily comprise receivables from affiliated companies (EUR 103.6 million; previous year: EUR 1,115.2 million), which fell as a result of the cash pooling system with Deutsche Wohnen SE as the central cash pool leader.

The equity of Deutsche Wohnen SE increased in the financial year 2020 by EUR 2.5 million as a result of the ongoing capital increase in kind pursuant to the control agreement concluded with GSW Immobilien AG, which grants the external shareholders the right to exchange shares of GSW Immobilien AG for shares of Deutsche Wohnen SE. Equity was reduced by the loss for the year 2020 of EUR 76.7 million, the dividend for 2019 of EUR 312.6 million, the measurement changes and the exercise of share options for EUR 0.1 million and share buybacks of EUR 500.8 million. The share buyback programme was ended in September 2020.

After deducting treasury shares, issued capital amounted to EUR 343.8 million as at the reporting date (previous year: EUR 357.1 million). The equity ratio came to 29.0% (previous year: 38.1%).

The liabilities comprised the following items:

EUR m	31/12/2020	31/12/2019	Change
Unsecured financial liabilities	3,169.6	2,035.7	1,133.9
Convertible bonds	1,605.9	1,605.9	0.0
Liabilities to affiliated companies	1,020.9	1,622.7	–601.8
Liabilities to banks	60.4	60.4	0.0
Other liabilities	54.7	7.6	47.1
Deferred income	3.1	3.0	0.1
	5,914.6	**5,335.3**	**579.3**

The unsecured financial liabilities comprised the following items:

EUR m	31/12/2020	31/12/2019	Change
Bearer bonds	1,483.0	1,274.8	208.2
Corporate bonds	1,200.0	280.5	919.5
Registered bonds	486.6	480.4	6.2
	3,169.6	**2,035.7**	**1,133.9**

The total nominal amount of unsecured bearer bonds was EUR 1,477.5 million as of 31 December 2020. They pay interest at fixed rates of between 0.00% and 2.50% and mature from 2021 to 2036.

The corporate bond issued in 2015 was repaid in 2020 and two unsecured new corporate bonds were issued:

- Tranche 1 has a nominal amount of EUR 595.0 million, matures on 30 April 2030 and pays fixed int 1.50% p.a.

- Tranche 2 has a nominal amount of EUR 595.0 million, matures on 30 April 2025 and erest of pays fixed interest of 1.0% p.a.

Unsecured registered bonds were issued in recent years, amounting to a nominal EUR 475.0 million as of the reporting date. They pay interest at fixed rates of between 0.9% p.a. and 2.0% p.a. and mature between 2026 and 2032.

There were no outstanding corporate bonds under the Multi-Currency Commercial Paper Programme as of the reporting date.

As of the reporting date the two convertible bonds issued in 2017 and accounted for at their total nominal amount plus accrued interest were:

- WSV 2017 with a total nominal value of EUR 800.0 million, maturing in 2024 and with a fixed interest rate of 0.325% p. a. The conversion price per share as of 31 December 2020 was EUR 47.057.
- WSV 2017 II with a total nominal value of EUR 800.0 million, maturing in 2026 and with a fixed interest rate of 0.60% p. a. The conversion price per share as of 31 December 2020 was EUR 49.468.

Liabilities to affiliated companies went down, both under the internal cash pooling system with Deutsche Wohnen SE as the central cash pool manager (EUR 345.6 million; previous year: EUR 1,004.6 million) and for internal loans to Deutsche Wohnen SE (EUR 559.6 million; previous year: EUR 564.1 million).

Other liabilities as of 31 December 2020 included a borrower's note loan of EUR 50.0 million which was not held by a bank as of the reporting date.

As of the reporting date the gearing ratio for Deutsche Wohnen SE (ratio of debt to total assets) was 71.0% (previous year: 61.9%).

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

Deutsche Wohnen SE received a long-term issuer rating from the two international rating agencies Standard & Poor's and Moody's. The rating from Standard & Poor's was unchanged at A- (as of 14 December 2020) and that from Moody's was unchanged at A3 (As of 22 December 2020), both currently with a negative outlook.

Forecast for the 2021 financial year

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

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

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

We are expecting higher earnings from shareholdings in 2021 because the one-off valuation expenses incurred at tax group companies in 2020 will no longer apply. We therefore anticipate a pre-tax net profit in the middle two-digit million range, before one-off items such as expenses for capital increases or transactions.

RISKS AND OPPORTUNITIES

Deutsche Wohnen's risk management system

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

A central risk management system intents to detect risks early, prioritise and communicate them.

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

Principles of the risk management strategy

Every employee is required to act in a risk conscious manner.

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

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

Responsibility

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

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

Instruments in the risk management system

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

The existing Group-wide RMS is adapted to developments in the organisation where necessary.

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

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

1. Internal control system (ICS)

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

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

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

- Deutsche Wohnen stands out for its clear organisational, corporate, control and monitoring structure.
- Agreed planning, reporting, controlling and early warning systems and processes apply throughout the Group for the holistic analysis and management of earnings-relevant risk factors and risks to the Group's continued existence.
- Functions are clearly assigned in all areas of the financial reporting process (e.g. financial accounting and controlling).
- The IT systems used in financial reporting are protected against unauthorised access.
- Standard software is mostly used in the financial systems applications.
- The processes followed by the departments involved in (consolidated) financial reporting meet the requirements for proper financial reporting.
- Manual and software-assisted controls are used to check that (consolidated) financial reporting data is complete and accurate.
- Dual signatures are required for processes relevant to (consolidated) financial reporting.
- Among other things, the Supervisory Board deals with key matters of (consolidated) financial reporting, risk management, the annual audit and its focus areas.

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

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

2. Reporting

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

Management and Supervisory Board receive substantial information in monthly reportings.

The central component of the RMS is a detailed monthly company report, which compares actual figures with the budget figures approved by the Supervisory Board and developed where required (including adjusted EBITDA, FFO I, debt ratio). Deutsche Wohnen focuses particularly on key figures for rentals, rental income and disposals and segment results, on changes in staff, general and administration expenses, and on cash flows, liquidity and balance sheet ratios.

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

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

3. Risk management

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

Ten risk categories

1. General company risks
2. Legal risks
3. IT risks
4. Rental risks
5. HR/staff risks
6. Acquisition and disposal risks
7. Nursing business risks (properties and operations)
8. Property risks
9. Financial risks
10. Investment risks (portfolio and capital expenditure/project development and new construction)

The risk categories in turn comprise a total of approximately 70 individual risks. Early warning indicators are assigned to sector- and company-specific risks that enable the risks to be identified.

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

Risks are managed in the operating departments and from a potential anticipated loss of EUR 500,000 upwards are verified in the risk inventory and assigned to the risk categories shown. Outside of routine reporting, the risk owners and risk manager must immediately report material changes to the risk situation to the Management Board.

In principle, the time frame for risk assessment is twelve months. The risk assessment period for investment risks is 36 months.

Risks are assessed based on expenditure-based thresholds for the loss and the probability of loss, taking into account the risk management measures taken.

Thresholds

Loss amount	EUR m	Probability of loss	%
Low	0.5 – 2	Low	0 – 20
Medium	> 2 – 15	Possible	> 20 – 50
High	> 15 – 50	Probable	> 50 – 70
Very high	> 50	Very probable	> 70

Each risk is analysed to determine whether factors exist that could indicate that the risk has materialised (= current relevance). The countermeasures being taken are included in the assessment. In the final assessment, the potential loss from the risks is classified using the categories: slight, significant, serious, critical.

Risk assessment scheme

Loss amount				
Very high	Major	Major	Critical	Critical
High	Significant	Major	Major	Major
Medium	Significant	Significant	Significant	Significant
Low	Negligible	Negligible	Negligible	Negligible
	Low	Possible	Probable	Very probable

Negligible
Significant
Material risks:
Major
Critical

Probability of occurence

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

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

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

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

4. Compliance

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

Company-wide code of conduct apply for all employees.

Compliance with statutory provisions, the standards of the German Corporate Governance Code, internal instructions and commitments is an important principle for Deutsche Wohnen, as is the fair treatment of business partners and competitors. These serve to help implement the values, principles and rules of responsible business management.

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

Employees across the organisation are bound by the Code of Conduct, which specifies and supplements the legal provisions. Compliance training sessions and managers regularly raise employee awareness of compliance risks.

The Code of Conduct for Business Partners is based on the Code of Conduct and defines standards for our business partners in terms of compliance with legislation, integrity and ethical benchmarks.

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

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

5. Internal audit

Risk management is subject to regular, process-independent monitoring by the internal audit function at least every three years.

The risk management is monitored by a independent person.

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

Risk report

Overall assessment of the risk situation by company's management

Based on our assessment of the overall risk situation in 2020 and at present, there were and continue to be no individual or aggregated risks endangering the company's continued existence or that could pose an existential threat to the income, assets and financial position of the Deutsche Wohnen Group. There were no risks requiring ad hoc announcement.

Risks for Deutsche Wohnen related to the coronavirus pandemic have been identified and described under general company risks. These are currently assessed as immaterial.

Risks resulting from the Berlin Senate's rent cap legislation (risks pertaining to rent regulations) continue to be assessed as material in 2020.

The following table provides an overview of the assessment scheme used by Deutsche Wohnen. It shows the ten risk categories and the measurement of material risks in terms of loss amounts, probability of loss, relevance and the final assessment.

Risk category	Risk	Loss amount	Probability of loss	Relevance	Result (after assessment, relevance, countermeasures)
1. General company risks	No material risk identified				
2. Legal risks	No material risk identified				
3. IT risks	No material risk identified				
4. Rental risks	Berlin rent cap (rent reductions)	Very high	Low	Yes	Serious
	Berlin rent cap (restricted rent rises)	Very high	Low	Yes	Serious
	Berlin rent cap (change in value)	Very high	Low	Yes	Serious
5. HR/staff risks	No material risk identified				
6. Acquisition and disposal risks	No material risk identified				
7. Nursing business risks (properties and operations)	No material risk identified				
8. Property risks	No material risk identified				
9. Financial risks	No material risk identified				
10. Investment risks (portfolio and capital expenditure/project development and new construction)	No material risk identified				

1. General company risks

General company risks are risks that are not classified in other categories. They are deemed to be immaterial risks under the Deutsche Wohnen assessment scheme.

Ignorance of market developments and trends

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

An increase in unemployment and a negative impact on real income may be triggered by the pandemic, but the effects on Deutsche Wohnen are not considered material.

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

Reputational and image risks

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

The balance of supply and demand in German conurbations is delicate, which means that private-sector owners of housing are in the focus of policymakers and the media. This results in both political demands and corresponding media reports. Deutsche Wohnen therefore strives for open communication and a direct dialogue with customers, investors, politicians and the authorities. Reputation and customer satisfaction are important to us and we have taken a range of different measures in this regard. For instance, we measure customer satisfaction through regular tenant surveys, and take concrete action based on the results.

In 2019, we gave our voluntary commitment, as set out in our promise to our tenants. Where necessary, we continue to agree a hardship scheme with tenants for rent increases following refurbishment and in line with the rent index, and voluntarily forego rent increases in these circumstances accordingly.

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

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

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

One case from 2019 was followed up in the reporting year. The competent supervisory authority issued an administrative order imposing a fine on Deutsche Wohnen in the fourth quarter of 2019, to which the company filed a protest. The charges made in the order relate to a Deutsche Wohnen data archiving solution which has already been replaced. Following submission of a protest by the company, the district court subsequently discontinued the proceedings as the administrative order imposing the fine was invalid. The Data Privacy and Freedom of Information Officer immediately lodged a complaint with regard to the ruling of the Berlin district court.

Risks associated with pandemics (in this case coronavirus)
Risks concerning employee welfare, dealing with customers, residents and visitors at nursing facilities, maintaining operations and financial risks have been identified for Deutsche Wohnen as a result of the coronavirus pandemic. These are currently assessed as immaterial.

Measures are currently being taken and adjusted on an ongoing basis to comply with the relevant legal provisions from the German federal government and guidelines from the Federal Ministry of Health, the Robert Koch Institute and the Federal Foreign Office.

Corresponding guidelines are issued to employees and managers as well as residents and visitors at care homes.

In the event of operating restrictions, measures are taken to maintain operations as much as possible.

Conditions for remote working have been expanded and use is being made of them.

From a financial perspective, there is currently no immediate need for liquidity or financing; bank financing is not currently affected. There has been immaterial loss of receivables as a result of customers' financial situations, particularly in the commercial sector (see rental risks).

2. Legal risks

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

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

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

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

An Appraisal Proceeding as defined in section 1 para. 1 of the Appraisal Act [Gesetz über das gesellschaftliche Spruchverfahren – SpruchG] is currently taking place to determine whether the settlement amount and equalisation payment are reasonable. If a higher settlement amount or equalisation payment are set by a court ruling or an out-of-court agreement, the non-controlling shareholders of GSW may demand that Deutsche Wohnen increases the amount of payments made to them.

3. IT risks

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

Risks from the availability of IT systems

Deutsche Wohnen's processes are heavily dependent on the functioning of central IT applications and systems.

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

Risks from vulnerabilities and unauthorised access to IT systems

Generally speaking, there is the unavoidable risk that the IT is attacked by means of malware or that data is accessed by unauthorised persons. We are constantly working to combat this by optimising security processes, closing security loopholes and updating anti-malware measures.

4. Rental risks

According to the Deutsche Wohnen assessment scheme, there are three rent regulation risks arising from the legislation on the Berlin rent cap for residential properties [MietenWoG Bln] which we deem to be material and serious.

The legislation entered into force on 23 February 2020 and is partly applied retroactively to 18 June 2019. On 23 February 2020, existing rent increases that took place after 18 June 2019 were suspended. This also applies to rent increases following modernisation works which were announced after 18 June 2019. On 23 February 2020, some apportionable modernisation costs were reduced or suspended entirely. New lettings after 18 June 2019 remain valid. On 23 November 2020, the next stage of the legislation entered into force. Existing rents were reduced to 120% of the rent threshold set out in the legislation.

There is deemed to be a serious risk that rents required for new lettings may not exceed the previous rent, taking into account the rent threshold according to MietenWoG Bln.

A serious risk has also been identified that usual rent increases in line with the rent index may no longer be applied in future with the entry into force of MietenWoG Bln.

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

In line with legal opinions and commentaries, we believe that the Berlin Senate's rent cap legislation is unconstitutional. Accordingly, the three risks identified as serious are considered to have a low probability of occurrence.

At the level of the German states, further regulation is particularly expected in Berlin (such as the expansion of neighbourhood protection areas or amendments to the ban on misappropriation of housing). An increasing number of conservation areas are being set up or expanded in Berlin. In these areas, modernisation activities are sometimes denied, or their implementation is frequently more time- and cost-intensive, and often associated with the conclusion of project-based agreements.

Other legislative amendments are discussed regularly (such as changes in the way the rent index is calculated or the amount of apportionable operating costs). Further regulatory changes can therefore not be ruled out.

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

Risks arising from payment arrears due to the effects of the coronavirus pandemic are not currently assessed as material.

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

5. HR/staff risks

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

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

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

The HR department develops schemes for supporting and retaining employees for specific target groups as part of a professional development programme and benchmarks the system of remuneration against the market. A structured staff turnover analysis and feedback system combat increased, unwanted staff turnover. Different generations within the workforce are also taken into account with working time models geared towards different stages of life and modern, digitally structured design of working areas.

The Deutsche Wohnen Group has pension obligations from company pension plans. The actual amount of the obligations cannot be fully determined in advance, however, and is subject to uncertainty, so that the actual employee benefit liabilities may exceed the recognised pension provisions.

Risks for Deutsche Wohnen may also arise if employees do not follow statutory or company regulations. Employees are bound by the Code of Conduct, which defines and stipulates behaviour in accordance with the law. Managers also make their employees aware of key compliance risks. Corruption is also explicitly forbidden in the anti-corruption policy.

The relevant data protection agreements on privacy and policies on data protection and IT security are also binding for employees.

6. Acquisition and disposal risks

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

New legislation

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

Market risks from disposals

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

Risks from acquisitions

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

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

To minimise risks, due diligence is carried out to identify and analyse all possible legal, financial, operational and tax risks in advance. Claims are secured by means of guarantees, indemnities, retained amounts and insurance. The necessary structured follow-up and monitoring of obligations follows.

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

7. Nursing business risks (properties and operations)

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

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

8. Property risks

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

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

Risks may arise from maintenance backlogs, structural damage or inadequate fire safety measures. Risks can also arise in connection with site contamination – including wartime contamination, pollutants in soil or hazardous substances in building materials or possible breaches of building regulations.

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

A technical analysis provides us with an overview of the condition of our properties.

Generally speaking, the portfolio is suitable for letting business. Moreover, the condition of the properties in technical terms is an aspect which is taken into account in the risk assessment.

9. Financial risks

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

Risk from fundamental reform of company taxation

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

Risk of fluctuating valuations

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

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

Liquidity risks

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

Financial market risks and risks of financial instruments

Deutsche Wohnen will not have any material volumes requiring refinancing in 2021. Deutsche Wohnen also has a credit rating of A– from Standard & Poor’s and A3 from Moody’s, both with a negative outlook. These ratings make Deutsche Wohnen one of Europe’s best-rated publicly listed property companies.

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

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

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

Notes to the consolidated financial statements from page 150

Tax risks

Fundamental changes in the tax environment may result in financial risks. Deutsche Wohnen has recognised deferred tax assets on tax loss carryforwards for example. Should the use of loss carryforwards be subject to time restrictions or even denied entirely, this would give rise to an expense resulting from the amortisation of these deferred tax assets.

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

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

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

10. Investment risks (portfolio and capital expenditure/project development and new construction)

The risks in this category are classified as immaterial:

There is a risk when deviations from expected conditions surrounding building regulations are identified or if approval procedures take longer.

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

Legislation is a key variable for investment and is always subject to a risk of change. There is a risk when new building standards or restrictions take effect; changes could have a negative impact on return targets.

If construction sites are closed or planning consent is withheld this may have an adverse effect because of unplanned costs and delays.

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

Opportunities from future developments

Deutsche Wohnen was able to take steps to ensure its continued positive performance in financial year 2020. Overall, concentrating and focusing the portfolio on metropolitan areas in recent years, while maintaining our conservative capital structure, offers further potential for capital appreciation in the future.

Opportunities from market developments and trends

The positive performance of the property portfolio is supported by the ongoing dynamic development of the market. This positive trend is enhanced by increasing demand for housing, especially in metropolitan areas, due to net population increases and a general reduction in the size of average households. Continuation of the ECB's expansive monetary policy and the resulting low interest rates may continue to have a positive impact on property's appeal.

Positive developments in the regulatory sphere and among support schemes may improve conditions for portfolio management, energy-related upgrades and new construction.

Due to rising market demand for care places, our activities in the Nursing and Assisted Living segment open up more opportunities for Deutsche Wohnen.

The residential and project development portfolio owned by Deutsche Wohnen offers further potential for growth in rents and market values, particularly in the Core$^+$ regions.

Financial opportunities

The financial structure of Deutsche Wohnen is very stable and flexible. The Group's financing is long-term, and its debt ratio (LTV) is low. Our business model is well established with our banking partners.

With its ratings of A– from Standard & Poor's and A3 from Moody's, both currently with a negative outlook, Deutsche Wohnen remains one of Europe's best-rated property companies. Our issuer ratings give us greater financial flexibility.

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

As of reporting date, the company's market capitalisation amounted to approximately EUR 15 billion. As a result, Deutsche Wohnen is visible for international investors, which could lead to advantageous interest rates on the capital markets.

Opportunities from investments

We invest in our properties in order to further enhance the quality of our portfolio. We have also significantly boosted our new construction prospects through targeted investment with the aim of building over 10,000 residential and commercial units in the medium term. Most new construction projects are being developed for our own property portfolio, ensuring future growth. The opportunities here are not in fulfilling short-term return expectations, but rather in sustainable investments and value creation.

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

FORECAST

General economic conditions

Hope of recovery for the German economy: The DIW Berlin (German Institute for Economic Research) expects the German economy to recover quickly if the spread of the corona pandemic is brought under control over the course of the winter. In this case it could regain its pre-crisis level by the end of 2021. Otherwise there would be no recovery in the spring, which could bring about an even deeper recession. The DIW is currently forecasting growth by 5.3% for 2021, compared with a contraction by 5.1% in 2020.[1]

German residential property market

Residential investment market scores points for sustainability: The Corona-pandemic will continue to affect developments on the residential investment market in 2021. Several factors suggest that demand for residential investments will remain high in future. Particularly the fact that the market offers compellingly stable and predictable cash flows, even during a crisis. 2021 is expected to see a similarly high number of transactions on the institutional residential investment market as 2020. The transaction volume is forecast to match the five-year average of around EUR 19.0 billion.[2]

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

Rent cap exacerbates the situation in Berlin: According to an analysis by JLL, Berlin needs an additional 20,450 residential units per year until 2030 to cover future needs. The number of completions is expected to flatten out in the medium term, however, since the number of planning approvals is in decline and there is less land available for building. Furthermore, less is being invested in residential property due to the Berlin rent cap. In other words the rent cap is making the existing housing shortage worse.[4]

Rents and prices continue to rise: The low interest rate environment and competition between investors mean that demand for real assets is expected to remain high. Then there is the fact that the supply of freehold apartments has declined everywhere in recent years. This means that residential prices will continue to rise. Rental increases should be much more subdued in 2021, but the forecast is still for moderate increases above the rate of inflation, with slightly more pronounced regional differences.[5]

1 DIW weekly Report 50/2020
2 JLL, press release of 7 January 2021
3 Institut der deutschen Wirtschaft, IW-Report 28/2019, „Ist der Wohnungsbau dem richtigen Weg?“
4 JLL, Residential City Profile Berlin, 1st half-year 2020
5 JLL, press release of 22 January 2021

No end in sight for low interest rate policy: The expectation is that the European Central Bank (ECB) will leave prime interest rates in the euro area at their current extremely low level. Good financing conditions and low returns on alternative investments are therefore likely to favour demand for residential property going forward.

Forecast for the financial year 2021

Our forecast is based on the company planning as derived from the planning instruments. The planning is based on the assumption that the legislation on the so-called “rental freeze law” in Berlin [Gesetz zur Neuregelung gesetzlicher Vorschriften zur Mietenbegrenzung – MietenWoG Bln], will be rescinded by the Federal Constitutional Court towards the middle of the year. Potential risks and opportunities of future development have been taken into account. Risks and opportunities for future development nevertheless remain, as described in the section on risks and opportunities. The planning also includes assumptions about macroeconomic developments and the performance of the residential property market. The forecast does not include any further acquisitions or opportunistic disposals unless notarised contracts had already been signed at the time of the planning.

Risks and opportunities from page 82

We expect FFO I to be roughly the same as the previous year and adjusted EBITDA (excluding disposals) of approximately EUR 700 million in 2021. The forecast for 2021 includes the reductions in rental income of almost EUR 34 million in total from institutional portfolio purchases and sales contracts signed in 2020.

Our plans for the financial year 2021 with regard to the individual segments are as follows:

In the segment **Residential Property Management** we are expecting segment earnings of around EUR 730 million. Current maintenance costs in 2021 will come to between EUR 9 per sqm and EUR 10 per sqm, or almost EUR 100 million in total. We do not expect any material change in the vacancy rate as compared with year-end 2020.

The **Disposal** segment is mainly planning institutional portfolio sales from strategic core and growth markets in 2021. Decisions will be taken opportunistically depending on the situation. As in prior years, commonhold apartments will also be sold to owner-occupiers and investors as part of the privatisation programme.

For the **Nursing Operations** and **Nursing Assets** segments we are expecting total earnings of some EUR 70 million.

Current interest expenses are expected to come to around EUR 135 million. The debt ratio (Loan-to-Value ratio) is expected to be within our target range of 35% to 40% by the end of 2021.

The valuations of our properties depend to a large extent on prices in the transaction market. Given that the outlook for the German residential property market remains positive, particularly in metropolitan areas, we expect the value of our property portfolio to develop positively in the financial year 2021 and a resulting increase in EPRA NTA compared with 2020.

REMUNERATION REPORT

The remuneration report describes the remuneration system for the members of the Management Board and Supervisory Board of Deutsche Wohnen SE for the financial year 2020, and explains the structure and amount of individual components of remuneration for each individual board member in detail. Remuneration is governed by the German Stock Corporation Act [Aktiengesetz – AktG] and the provisions of the German Corporate Governance Code as amended on 16 December 2019 and is in line with the requirements of the German Commercial Code [Handelsgesetzbuch – HGB] and the International Financial Reporting Standards (IFRS).

Remuneration system for the Management Board

The system of remuneration for the Management Board and specific target total remuneration for individual Management Board members is defined by the Supervisory Board and reviewed at regular intervals. In accordance with article 87a of the German Stock Corporation Act [Aktiengesetz – AktG], the Supervisory Board shall adopt a new remuneration system that shall apply from the financial year 2021. The new remuneration system is presented to the Annual General Meeting 2021 for resolution.

The remuneration system is aligned with the company's sustainable development.

The criteria for appropriate Management Board remuneration include the responsibilities of the individual Management Board members, their personal performance, the economic situation, the company's performance and outlook. Remuneration is also measured against standards for the peer group and the company's internal remuneration structures. Remuneration data from MDAX companies was used to assess the total remuneration in financial year 2020 in relation to the standard market rate, as Deutsche Wohnen SE was listed on the MDAX when the current remuneration system was established by the Supervisory Board and until mid-2020. In this horizontal market comparison, the Supervisory Board took into account the relative size of Deutsche Wohnen on the relevant market and used the equally weighted size indicators of revenue, employees and market capitalisation to appraise the total remuneration in relation to the standard market rate. Overall, the remuneration system is aligned with the company's sustainable development.

As well as a non-performance-based basic annual salary, the Management Board members receive performance-based variable remuneration. This consists of variable short-term remuneration (short-term incentive) and variable long-term remuneration (long-term incentive). The variable short-term remuneration component is based on short-term corporate goals. The variable long-term remuneration component is intended to associate the Management Board members, who shape and implement the company strategy and so are largely responsible for its financial performance, with the economic risks and opportunities of the company. Variable remuneration can expire if targets are not met and is subject to a cap.

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

The Supervisory Board optionally uses virtual shares in Deutsche Wohnen (so-called Restricted Share Units) as an additional remuneration component for Management Board members who have assumed office with the company for the first time.

Share ownership guidelines (SOGs) are another important part of the remuneration system. They oblige the Management Board members to accumulate as fixed multiple of the annual basic salary in Deutsche Wohnen shares up to a date specified in the service contracts and hold them throughout their time working on the Management Board.

Retirement benefits (pensions, retirement annuities, pension commitments) are not granted to the members of the Management Board. In the event of occupational disability, there are entitlements to short-term temporary salary continuation.

Furthermore, Management Board members receive in-kind benefits in the form of insurance premiums, the private use of communication devices and company cars. In the event of extraordinary developments the contracts also allow the Supervisory Board to approve a special bonus. The contracts only provide for a compensation payment in the event of premature termination of activity due to a change of control, which is limited to a maximum of three years' remuneration. There are no other claims for compensation in the event of the resignation of a member of the Management Board.

Variable remuneration components

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

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

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

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

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

For the financial year 2020 the financial performance targets were (i) FFO I per share (40% weighting), (ii) cost ratio (staff, general and administration expenses divided by contracted rental income; 10% weighting) and (iii) institutional sales net margin (30% weighting). In the context of non-financial performance targets, strategic targets were set with a total weighting of 20%, covering developing the equity story, customer and employee satisfaction and implementing the strategic sustainability programme.

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

At its meeting on 15 March 2021, the Supervisory Board set a target performance for the Management Board of 125% for the financial and non-financial performance for the financial year 2020. The FFO I came to EUR 1.56 per share and was able to exceed the planned figures by the Supervisory Board of about 4%. The net margin for institutional disposal was 20% and nearly doubled in comparison to the forecast. The cost ratio was at 12.2% and thereby about 7% below the corresponding forecast.

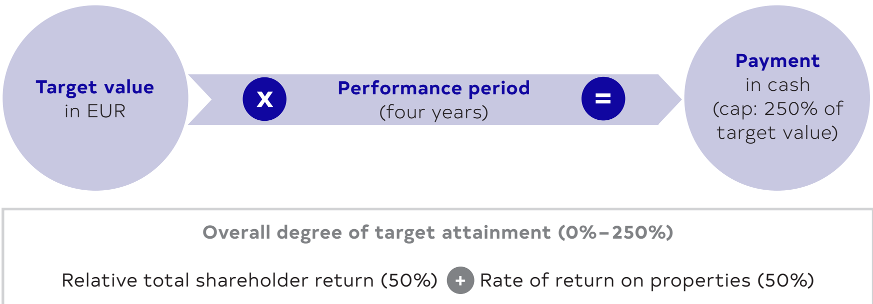
In the financial year of 2020 the economic environment of Deutsche Wohnen SE has changed due to the circumstances of the coronavirus pandemic. In addition to the increased economic uncertainty, the regulatory interventions in the berlin residential real estate market have an impact on the company's business. The Management Board members of Deutsche Wohnen have agreed to waive the part of the STI remuneration exceeding 100%. The Supervisory Board has therefore decided to pay out 100% of the STI remuneration for the financial year 2020.

For the financial year 2021, the financial performance targets were (i) FFO I per share (40% weighting), (ii) general and administration expenses ratio (10% weighting) and (iii) block sales net margin (30% weighting). In the context of non-financial performance targets, strategic targets were set with a total weighting of 20%, covering customer and employee satisfaction, improving energy efficiency of housing stock, formulating the ESG strategy and further developing the sustainability rating.

For 2021, the performance targets will be slightly sharpened.

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

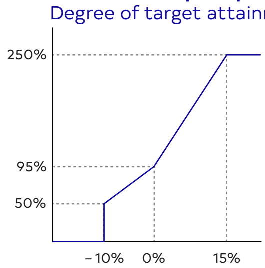
Performance Cash Plan
Mode of operation



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

The relative share performance target reflects both the general capital market performance and the performance of competitors. During the four-year performance period the total shareholder return (TSR) of the Deutsche Wohnen share is compared with the FTSE EPRA/NAREIT Germany Index[1]. Outperformance is defined as the difference between the TSR of the Deutsche Wohnen share and that of the peer group. The starting price for the Deutsche Wohnen share and the FTSE EPRA/NAREIT Germany Index is the arithmetic mean of the closing prices on the 30 trading days immediately preceding the start of the performance period. The final price is calculated in the same way, as the arithmetic mean of the closing prices on the 30 trading days immediately preceding the end of the performance period. When calculating the relative share performance, dividends paid during the respective years are assumed to have been reinvested. The relative share performance over the four-year performance period is measured on the following scale:

Relative share price performance
Degree of target attainment

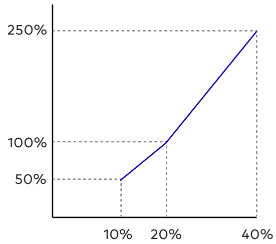


Outperformance over four years

- For an outperformance of –10% compared with the FTSE EPRA/NAREIT Germany Index[1] the performance is 50%; below –10% the performance is 0%.
- If the TSR of Deutsche Wohnen and the peer group are the same, the performance is 95%. The target figure of 100% is therefore only achieved for a positive outperformance compared with the peer group.
- The maximum performance of 250% is achieved for an outperformance of +15% and above.
- Performance between these two figures is interpolated on a linear basis.

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

Rate of return on property
Degree of target attainment



Rate of return on property over four years

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

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

1 Members as at December 2020 are Vovnovia SE, Deutsche Wohnen SE, LEG Immobilien AG, Aroundtown SA, TAG Immobilien AG, alstria office REIT AG, Grand City Properties, Adler Group (ADO), Deutsche Euroshop AG, Hamborner REIT, TLG Immobilien AG

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

The long-term incentive was structured as a share option programme until 2018.

At its meeting on 27 April 2020 the Supervisory Board approved agreements (known hereafter as "compensation agreements") between the company and the Management Board members Michael Zahn, Philip Grosse and Lars Urbansky, as well as the former Management Board member Lars Wittan, to offset the adverse effects on remuneration of the legislation announced by the Berlin Senate on 5 June 2019 to cap and reduce residential rental rates in Berlin [MietenWoG Berlin, the "Berlin rent cap"]. Before adopting the resolution on 27 April 2020 the Supervisory Board had determined that the announced Berlin rent cap had a significantly negative impact on the company's share price, although the relevant performance of the shares in peer group companies, which is used to determine the LTI, was not adversely affected, or to a much lesser extent, by the Berlin Senate's announcement. At the meeting, the Supervisory Board determined that it is highly probable that the company's share price will recover much of its value if the Federal Constitutional Court holds that the Berlin rent cap is not consistent with the German Constitution. In the assessment of the Supervisory Board the long-term remuneration from share options granted under the share option programme 2014 for 2016 and 2017 would also have been considerably higher without the rent cap, since without the Berlin rent cap the hurdle rate for one of the performance targets (relative share performance compared with the adjusted EPRA/NAREIT Germany index; 20% weighting) would not have been missed. The Supervisory Board believes that the Berlin rent cap would jeopardise the sustainability and rigour of the long-term remuneration if these one-off effects were not taken into account separately.

Supervisory Board resolves extraordinary adjustment of the LTI.

Under these circumstances the Supervisory Board considered it reasonable to make an extraordinary one-off adjustment to the LTI performance periods of the Management Board members Michael Zahn, Philip Grosse and Lars Urbansky and the former Management Board member Lars Wittan to ensure that the announcement of the rent cap and the ruling on it by the Federal Constitutional Court always fall in the same LTI performance period, so that both of these extraordinary price-relevant events are contained within a single period. The effect of the compensation agreements in this regard is to adjust the LTI performance periods for measuring the relative share performance that is used to determine the LTI. The adjustment of the LTI performance period is determined in accordance with a compensation date defined in the compensation agreements. The compensation date is the last day of the third month following the month in which the Federal Constitutional Court has ruled on whether the Berlin rent cap is unconstitutional. If, for example, the Federal Constitutional Court rules in June 2021, a performance period of 1 January 2019 to 31 December 2023 would apply to the LTI remuneration granted in 2020 and a performance period of 1 January 2019 to 31 December 2024 would apply to the LTI remuneration granted in 2021.

The compensation agreements also stipulate that the Management Board members Michael Zahn and Philip Grosse and the former Management Board member Lars Wittan are granted, subject to specific conditions, subscription rights to share units (SU) that correspond to a minimum achievement of the performance target in the share option programme 2014 (relative share performance compared with the EPRA/NAREIT Germany index; 20% weighting). The agreed value of each SU corresponds to the reference price of the Deutsche Wohnen SE share as of the relevant compensation date, plus a notional dividend. The subscription requirements are deemed to be in place if the Federal Constitutional Court determines that the Berlin rent cap is unconstitutional and the closing price of the company share reaches or exceeds the amount of EUR 35.56 on at least one trading day in XETRA by Deutsche Börse AG between the date of the ruling of the Federal Constitutional Court and the compensation date, or if the Federal Constitutional Court rules that the Berlin rent cap is constitutional and the change in the value of the company share between 1 January 2019 and the compensation date corresponds at a minimum to the change in value of the EPRA/NAREIT Germany index in this period.

The settlement of the SU is equivalent to 60% of the total number of SU in shares of the company. The difference between the value of the shares transferred and the SU value in total is paid as a cash payment, including the notional dividend. For the active members of the Management Board, the information is contained in the compensation tables. The amount of Lars Wittan from EUR 67 thousand corresponds to the present value of 1,575 SU.

When structuring the compensation agreements the Supervisory Board ensured that the impact on the Management Board is only positive to the extent that it is backed up by a corresponding share performance that also benefits shareholders, and that the Management Board members concerned do not profit from extraordinary share price increases in view of a ruling by the Federal Constitutional Court, but at the same time should not be unreasonably penalised.

Restricted Share Units

Management Board members Henrik Thomsen and Lars Urbansky also receive virtual shares known as “Restricted Share Units” (RSU). The RSU are allocated in tranches over four years on 1 April of each financial year. The number of RSU to be allocated in each financial year is defined in advance in the service contracts for Management Board members. The agreed value of each RSU corresponds to the reference price of the Deutsche Wohnen SE share on the allocation date, plus a notional dividend. The amount of the corresponding annual gross company dividend per share must be added to each RSU in the year of its allocation and every year thereafter. Allocations end if the Management Board member entitled to allocations leaves the company for whatever reason.

RSU are settled in cash or, in the event of an extension of the service contract of the Management Board member entitled to allocations, in the year of allocation of the final tranche, usually on the day on which the variable short-term remuneration component (STI) for the year concerned is paid out. On this date the company transfers to the Management Board member entitled to allocations the number of company shares corresponding to 60% of the number of RSU acquired by the Management Board member (RSU convertible shares). The Management Board member receives the difference between the value of the RSU convertible shares and the value of the RSU including the notional dividend as a cash payment on the aforementioned date.

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

The RSU convertible shares may be sold no sooner than four years after the time of allocation of the relevant tranche.

Share ownership guidelines

Share ownership guidelines govern the share ownership rules for the Management Board.

In 2018 share ownership guidelines (SOG) were introduced at Deutsche Wohnen in order to strengthen the focus on capital markets and a shareholding culture. The Management Board members of Deutsche Wohnen undertake to invest 300% of their basic salary (Chief Executive Officer) or 150% of basic salary (ordinary Management Board members) in Deutsche Wohnen shares over a period of four years and to hold them until they cease to be a member of the Management Board. During an accumulation period, the Management Board members undertake to build up annual interim holdings of company shares. This means that at the end of each financial year the total shareholding (including shares already held) of Management Board members Michael Zahn and Philip Grosse must be at least 25% of the total STI payments (net) made after 1 January 2018. The accumulation period for the Management Board members Michael Zahn and Philip Grosse ends on 31 December 2021. In an accumulation period from 1 April 2019 to 31 March 2023, the total shareholding (including shares already held) of Management Board member Lars Urbansky at the end of each financial year must be at least 25% of the total STI payments (net) made after 1 January 2020. In an accumulation period from 1 January 2020 to 31 December 2023, the total shareholding (including shares already held) of Management Board member Henrik Thomsen at the end of each financial year must be at least 25% of the total STI payments (net) made after 1 January 2020.

Total Management Board remuneration

Management Board members were entitled to the following remuneration for their Management Board work:

Michael Zahn – Chief Executive Officer (Member of the Management Board since 01/09/2007)

	Gratuities				Inflow	
EUR thousand	2019 Target	2020 Target	2020 Min.	2020 Max.	2019	2020
Fixed salary	1,025	1,025	1,025	1,025	1,025	1,025
Fringe benefits	34	37	37	37	34	37
Total fixed remuneration	**1,059**	**1,062**	**1,062**	**1,062**	**1,059**	**1,062**
Short-term incentive (STI)	500	500	0	625	587	610
Long-term incentive (LTI) 2018–2022	750	750	0	1,875	1,527[1]	1,500[2]
Postponed remuneration SU[3]	0	201	0	201	0	0
Total variable remuneration	**1,250**	**1,451**	**0**	**2,701**	**2,114**	**2,110**
Total	**2,309**	**2,513**	**1,062**	**3,763**	**3,173**	**3,172**

1 Cash benefit from exercised options 2019
2 Cash benefit from exercised options 2020
3 The amount corresponds to the present value of 4,550 SU

Philip Grosse (Member of the Management Board since 01/09/2016)

	Gratuities				Inflow	
EUR thousand	2019 Target	2020 Target	2020 Min.	2020 Max.	2019	2020
Fixed salary	437	450	450	450	437	450
Fringe benefits	22	23	23	23	22	23
Total fixed remuneration	**459**	**473**	**473**	**473**	**459**	**473**
Short-term incentive (STI)	281	300	0	375	264	366
Long-term incentive (LTI) 2018–2022	375	400	0	1,000	0	137[1]
Postponed remuneration SU[2]	0	16	0	16	0	0
Total variable remuneration	**656**	**716**	**0**	**1,391**	**264**	**503**
Total	**1,115**	**1,189**	**473**	**1,864**	**723**	**976**

1 Cash benefit from exercised options 2020
2 The amount corresponds to the present value of 385 SU

Lars Urbansky (Member of the Management Board since 01/04/2019)

	Gratuities				Inflow	
EUR thousand	2019 Target	2020 Target	2020 Min.	2020 Max.	2019	2020
Fixed salary	225	300	300	300	225	300
Fringe benefits	16	22	22	22	16	22
Total fixed remuneration	**241**	**322**	**322**	**322**	**241**	**322**
Short-term incentive (STI)	150	200	0	250	0	183
Long-term incentive (LTI) 2018–2022	75	100	0	250	0	0
Postponed remuneration RSU[1]	137	114	0	114	0	0
Total variable remuneration	**362**	**414**	**0**	**614**	**0**	**183**
Total	**603**	**736**	**322**	**936**	**241**	**505**

1 The amount corresponds to the present IFRS value of 3,125 RSU

Henrik Thomsen (Member of the Management Board since 01/10/2019)

	Gratuities				Inflow	
EUR thousand	2019 Target	2020 Target	2020 Min.	2020 Max.	2019	2020
Fixed salary	113	450	450	450	113	450
Fringe benefits	5	19	19	19	5	19
Total fixed remuneration	**118**	**469**	**469**	**469**	**118**	**469**
Short-term incentive (STI)	75	300	0	375	0	75
Long-term incentive (LTI) 2018–2022	88	350	0	875	0	0
Postponed remuneration RSU[1]	0	183	0	183	0	0
Total variable remuneration	**163**	**833**	**0**	**1,433**	**0**	**75**
Total	**281**	**1,302**	**469**	**1,902**	**118**	**544**

1 The amount corresponds to the present IFRS value of 5,000 RSU

No loans or advance payments were made to members of the Management Board of Deutsche Wohnen SE in financial year 2020.

The following share options have been granted on the basis of the previous share option programme 2014:

	Michael Zahn					Lars Wittan					Philip Grosse				
	2014	2015	2016	2017	Total	2014	2015	2016	2017	Total	2014	2015	2016	2017	Total
Basis: 150% of LTI in EUR thousand	1,125	1,125	1,125	1,125		390	390	390	600		n/a	n/a	112.5	337	
Reference price in EUR	16.96	24.16	24.37	31.80		16.96	24.16	24.37	31.80		n/a	n/a	28.57	31.80	
Options granted	66,332	46,565	46,163	35,377	194,437	22,995	16,142	16,003	18,867	74,007	n/a	n/a	3,937	10,613	14,550
Exercisable options	66,332	46,565	38,961	0	151,858	22,995	16,142	13,506	0	52,643	n/a	n/a	3,323	0	3,323
Thereof exercised options	66,332	46,565	38,961	0	151,858	22,995	16,142	13,506	0	52,643	n/a	n/a	3,323	0	3,323
Remaining options	0	0	0	35,377	35,377	0	0	0	18,867	18,867	n/a	n/a	0	10,613	10,613

The final number of share options that can be exercised per tranche is determined at the end of the four-year vesting period, depending on performance against the criteria mentioned above. The exercise period is three years and the exercise price is EUR 1.00.

After the Supervisory Board had determined the level of performance, the third tranche (2016) of the share option programme 2014 became eligible for exercise in financial year 2020 as shown in the table. Michael Zahn, Philip Grosse and Lars Wittan exercised their subscription options in full in financial year 2020 and received shares from the contingent capital 2014/III.

The result recognised for share-based remuneration in the reporting period is composed of EUR 173,332.69 in income for tranche 3 and EUR 44,776.69 in expenses for tranche 4. The reported year 2020 resulted in balanced income of EUR 128,556.00, namely EUR 96,003.26 for Michael Zahn, EUR 28,729.36 for Lars Wittan, EUR 3,823.38 for Philip Grosse, EUR 0.00 for and Henrik Thomsen and EUR 0.00 for Lars Urbansky.

As well as outstanding share options, as of 31 December 2020, Michael Zahn held 111,565 shares, Philip Grosse held 26,007 shares, Henrik Thomsen held 4,273 shares and Lars Urbansky held 3,665 shares in the company.

Remuneration system for the Supervisory Board

Each member of the Supervisory Board receives fixed annual remuneration of EUR 75 thousand, the Chair of the Supervisory Board receives three times this amount and the Deputy Chair one-and-a-half times this amount. For membership of the Audit Committee, a member of the Supervisory Board receives an additional EUR 15 thousand per financial year and the Chair of the Audit Committee receives twice this amount. A fee of EUR 5 thousand per member and committee is paid for each financial year for membership of other Supervisory Board committees; the committee chair receives twice this amount. Total remuneration, including remuneration for membership of Supervisory Board committees and comparable supervisory boards of Group companies, may not exceed EUR 300 thousand per member of the Supervisory Board – regardless of the number of committee memberships and functions – per calendar year (not including any VAT payable).

EUR 300 thousand

is the maximum total compensation per member of the Supervisory Board per year.

The remuneration paid to members of the Supervisory Board in the financial year 2020 amounted to a total of EUR 749,375 (previous year: EUR 744,167) net of value added tax. Matthias Hünlein received EUR 247,500 net (previous year: EUR 255,000), Dr Andreas Kretschmer received EUR 63,750 net (previous year: EUR 127,500; left the Supervisory Board as of June 2020), Jürgen Fenk received EUR 116,875 net (previous year: EUR 95,000), Arwed Fischer received EUR 80,833 net (previous year: EUR 43,750), Kerstin Günther received EUR 52,500 net (member of the Supervisory Board since June 2020), Tina Kleingarn received EUR 82,917 net (previous year: EUR 77,917), Dr Florian Stetter received EUR 105,000 net (previous year: EUR 105,000).

The company reimburses the members of the Supervisory Board for their out-of-pocket expenses. The VAT payable on the remuneration is reimbursed by the company to the extent that the members of the Supervisory Board are entitled to invoice the company for separate VAT and they exercise this right.

Furthermore, the members of the Supervisory Board are included in the D&O insurance of Deutsche Wohnen SE.

No loans were granted by the company to members of the Supervisory Board.

TAKEOVER-RELATED INFORMATION

pursuant to section 289a and section 315a of the German Commercial Code [Handelsgesetzbuch – HGB]

Issued capital and shares

The registered share capital of Deutsche Wohnen SE as at 31 December 2020 amounted to EUR 359,843,541.00 (previous year: EUR 359,715,653.00). It is divided into 359,843,541 no-par value bearer shares, each representing a notional share of the registered capital of EUR 1.00 per share. Deutsche Wohnen SE issues bearer shares only.

All shares carry the same rights and obligations. Each share entitles the holder to one vote at the Annual General Meeting and determines the shareholders' shares in the profits of the company. The rights and obligations of the shareholders are outlined in detail in the provisions of the German Stock Corporation Act [Aktiengesetz – AktG], in particular sections 12, 53a et seq., 118 et seq. and 186; as a result, the company has no rights from its own shares in accordance with section 71b German Stock Corporation Act [Aktiengesetz –AktG]. There are no shares with special rights conferring powers of control.

Equity interests representing more than 10% of voting rights

Pursuant to section 33 para. 1 of the German Securities Trading Act [Wertpapierhandelsgesetz – WpHG], any shareholder whose shareholding reaches, exceeds or falls below the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights of a publicly listed company must inform that company and the German Federal Financial Supervisory Authority [Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin] accordingly without delay. Any such notifications are published by Deutsche Wohnen SE pursuant to section 40 of the German Securities Trading Act [Wertpapierhandelsgesetz – WpHG]. BlackRock, Inc. reported a direct or indirect stake in the share capital of Deutsche Wohnen SE in 2020 that exceeded the threshold of 10% of voting rights. However, as of 31 December 2020, there has been an indirect shareholding of 11.48% of the voting rights.

Power of the Management Board to issue or buy back shares

Authorised Capital

By resolution of the Annual General Meeting held on 15 June 2018, which was entered into the commercial register on 16 August 2018, the Management Board was authorised to increase the company's issued capital, with the consent of the Supervisory Board, by originally up to EUR 110 million once or several times during the period until 14 June 2023 by means of the issuance of up to 110 million new ordinary bearer shares against cash contributions and/or contributions in kind **(Authorised Capital 2018/I)**. This authorisation was partially utilised amounting to EUR 2,617,281.00 by issuance of 2,617,281 new shares. After partial utilisation, the Authorised Capital 2018/I continues to exist in the amount of up to EUR 107,382,719.00 through the issuance of up to 107,382,719 new no-par value bearer shares. The shareholders must always be granted subscription rights within the scope of the authorised capital. However, in certain cases, the Management Board will be entitled to exclude the subscription rights of shareholders with the consent of the Supervisory Board and subject to the detailed provisions of the Articles of Association.

Contingent Capital

Contingent capital for compensation of GSW shareholders

The issued capital of the company was originally contingently increased by up to a further EUR 15 million by means of the issuance of up to 15 million new no-par value bearer shares with dividend rights pursuant to a resolution adopted by the Annual General Meeting held on 11 June 2014 **(Contingent Capital 2014/II)**. This contingent capital increase serves to grant compensation in the form of shares in the company to the external shareholders of GSW Immobilien AG ("GSW") in accordance with the provisions of the domination agreement between the company and GSW dated 30 April 2014, currently at the exchange ratio of 7.0790 no-par value shares of Deutsche Wohnen SE in exchange for three no-par value shares of GSW Immobilien AG, as adjusted on 4 June 2015 in accordance with section 5 para. 4 of the domination agreement. To the extent that this is necessary pursuant to section 5 para. 2 of the domination agreement, the company will pay compensation for fractional shares in cash. EUR 9,220,002.00. of this Contingent Capital 2014/II had been used – by means of the issuance of 9,220,002 new no-par value bearer shares with a corresponding increase in the issued capital – by 31 December 2020, with EUR 5,779,998.00 remaining as at 31 December 2020. An Appraisal Proceeding pursuant to section 1 para. 1 of the German Act on Appraisal Proceedings [Gesetz über das gesellschaftsrechtliche Spruchverfahren – SpruchG], for a review of the appropriateness of the settlement offer and the compensation is pending with the district court of Berlin due to corresponding motions brought forward by individual shareholders of GSW. Therefore, GSW shareholders may, pursuant to section 305 para. 4, sentence 3 of the German Stock Corporation Act [Aktiengesetz – AktG], exchange their GSW shares for Deutsche Wohnen shares in accordance with the terms of the offer, the ruling in the shareholder action or an amicable settlement reached in this context, within two months of the publication in the German Federal Gazette [Bundesanzeiger] of the final ruling in the shareholder action. Should a court order or the terms of an amicable settlement determine a larger amount of compensation or a larger settlement, external shareholders of GSW may, to the extent permitted by the relevant statutory provisions, be able to demand additional settlement or compensation payments. In light of this, an issuance of shares remains a possibility.

Contingent capital to serve the share option programme 2014

Furthermore, the contingent increase of the registered capital, originally by up to EUR 12,879,752.00 by means of the issuance of up to 12,879,752 new no-par value bearer shares, each representing a share of the registered capital of EUR 1.00, has been authorised **(Contingent Capital 2014/III)**. This contingent capital serves solely to issue share options to the members of the Management Board of the company and to selected executives of the company and affiliated companies in accordance with the more specific provisions of the authorising resolution adopted by the Annual General Meeting held on 11 June 2014. The contingent capital increase will only be implemented insofar as holders of share options exercise their subscription rights with regard to shares of the company and the company does not grant its own shares for the purpose of upholding these subscription rights. Any new shares issued as a result of the exercise of share options will – to the extent legally and effectively permissible – be entitled to dividends for the first financial year with regard to which, at the time of their issuance, no resolution had yet been adopted by the Annual General Meeting as to the use of the net profit. Alternatively, the new shares will be entitled to dividends as of the financial year in which they accrue. EUR 207,824.00 of this Contingent Capital 2014/III had been used – by means of the issuance of 207,824 new no-par value bearer shares with a corresponding increase in the issued capital – by 31 December 2020, with EUR 12,671,928.00 remaining as at 31 December 2020.

The **Contingent Capital 2015/I** amounting to EUR 50 million serves the issuance of shares to the owners of convertible bonds with a total nominal value of EUR 800 million issued by the company on 27 February 2017 pursuant to the authorisation of the Annual General Meeting of 12 June 2015. It will only be exercised insofar as conversion rights arising out of the aforementioned convertible bonds are exercised, or insofar as conversion obligations arising out of the bonds are fulfilled, and provided that own shares, shares issued out of authorised capital or other benefits are not used to service the obligations.

Contingent capital to serve the convertible bonds 2017–2024

The **Contingent Capital 2017/I** amounting to EUR 30 million serves the issuance of shares to the owners of convertible bonds with a total nominal value of EUR 800 million issued by the company on 4 October 2017 pursuant to the authorisation of the Annual General Meeting of 2 June 2017. The share issue will only take place insofar as conversion rights arising out of the convertible bonds are exercised, or insofar as conversion obligations arising out of the bonds are fulfilled, and own shares, shares issued out of authorised capital or other benefits are not used to service the obligations.

Contingent capital to serve the convertible bonds 2017–2026

A resolution adopted by the Annual General Meeting held on 15 June 2018 authorised the contingent increase of the issued capital by up to a further EUR 35 million by issuing up to 35 million new no-par value bearer shares **(Contingent Capital 2018/I)**. If conversion rights or warrants are exercised or conversion or warrant obligations are met, the contingent capital increase serves to issue shares to the holders or creditors of convertible bonds or bonds with warrants, profit participation rights and/or profit-sharing bonds (or a combination of these instruments), which are issued before 14 June 2023 by the company, or companies which are controlled or majority owned by the company, on the basis of the authorising resolution adopted by the Annual General Meeting held on 15 June 2018. The resolution adopted at the Annual General Meeting held on 15 June 2018 authorised the Management Board with approval of the Supervisory Board to issue no-par value convertible and/or warrant bearer bonds and/or profit participation rights with option or conversion rights (or a combination of these instruments) with a nominal value of up to EUR 3.0 billion, and to grant the creditors thereof conversion or option rights for the company's shares representing a share of the issued capital of up to EUR 35 million. The share issue will only take place insofar as conversion rights arising out of the convertible bonds are exercised, or insofar as conversion obligations arising out of the bonds are fulfilled, and own shares, shares issued out of authorised capital or other benefits are not used to service the obligations.

Contingent capital to serve future conversion or option obligations

Acquisition of own shares

The acquisition of own shares is authorised pursuant to article 9 para. 1 c) (ii) SE Regulation in conjunction with section 71 et seq. German Stock Corporation Act [Aktiengesetz – AktG] and also, as at the balance sheet date, by the Annual General Meeting held on 15 June 2018. The Management Board is authorised, with the consent of the Supervisory Board and subject to compliance with the principle of equal treatment of shareholders pursuant to article 9 para. 1 c) (ii) SE Regulation in conjunction with section 53a German Stock Corporation Act [Aktiengesetz – AktG] to purchase and use the company's own shares until 14 June 2023 up to a total amount of 10% of the company's outstanding share capital at the time the resolution is passed, or at the time the authorisation is used if this figure is lower. Shares acquired using this authorisation together with other own shares the company has previously acquired and still holds or are attributable to it under section 71a et seq. of the German Stock Corporation Act [Aktiengesetz – AktG] may not at any time exceed 10% of the company's share capital. The authorisation may not be used for the purpose of trading in own shares.

Utilising the authorisation the Management Board of Deutsche Wohnen SE, with consent of the Supervisory Board, resolved to carry out a share buy-back programme on 12 November 2019 with a maximum volume of up to 25 million shares of Deutsche Wohnen SE for a total maximum purchase price (excluding incidental costs) of up to EUR 750 million. The total number of shares which have been bought back under the share buy-back programme until its premature termination from 15 November 2019 up to and including 14 September 2020 thus amounts to 16,070,566 shares. This corresponds to a calculated share of 4.47% of the share capital of Deutsche Wohnen SE. The purchase price per share amounted to EUR 37.1675 on average. In total, shares were bought back for an overall purchase price of EUR 597,302,731.08. The shares bought back shall be used for purposes permitted by the authorisation to acquire own shares by the Annual General Meeting of 15 June 2018. More detailed information pursuant to article 5 section 1 lit. b) and section 3 of the Regulation (EU) No. 596/2014 in conjunction with article 2 section 2 and section 3 of the Commission Delegated Regulation (EU) No. 2016/1052 is available on the Internet at www.deutsche-wohnen.com/share-buy-back

Share buy-back programme up to 25 million shares resolved

Share buy-back programme

As at 31 December 2020, the company held 16,070,566 own shares. A share capital of EUR 16,070,566.00 is attributable to these own shares.

Appointment and dismissal of members of the Management Board and amendments to the Articles of Association

Members of the Management Board are appointed and dismissed by the Supervisory Board pursuant to articles 9 para. 1 and 39 para. 2 SE Regulation and sections 84 and 85 of the German Stock Corporation Act [Aktiengesetz – AktG]. The Supervisory Board of Deutsche Wohnen SE appoints members of the Management Board for a maximum of five years. A reappointment or an extension of the term of office are both permitted for a maximum of five years. The Articles of Association of Deutsche Wohnen SE additionally stipulate in article 8 para. 1 and para. 2 that the Management Board has to consist of at least two members and otherwise the Supervisory Board determines the number of Management Board members. It may appoint deputy members of the Management Board and nominate a member of the Management Board as Chief Executive Officer or Spokesperson of the Board.

According to the Articles of Association the Management Board has to consist of at least two members.

According to article 59 SE Regulation, the Annual General Meeting decides on changes to the Articles of Association. Pursuant to section 14 para. 3 sentence 2 of the Articles of Association, amendments to the Articles of Association require a majority of two-thirds of the votes cast, unless mandatory statutory provisions require a different majority, or, if at least half of the share capital is represented, a simple majority of the votes cast. Pursuant to section 179 para. 1 sentence 2 of the German Stock Corporation Act [Aktiengesetz – AktG] in conjunction with section 14 para. 5 of the Articles of Association, the Supervisory Board is authorised to make changes to the Articles of Association which merely affect the wording thereof.

Change-of-control clauses and compensation agreements in the event of a takeover offer

The material agreements of Deutsche Wohnen SE, which are subject to a change in control primarily relate to financial arrangements. As is customary in such cases, these entitle the lender to terminate the financing arrangement and demand early payment of the redemption amount in the event of a change of control.

Under certain circumstances, a change of control could have an impact on bonds issued by Deutsche Wohnen SE, especially convertible bonds and bearer bonds, existing credit lines and loan agreements between Deutsche Wohnen SE or Group companies and banks. The respective terms and conditions contain standard agreements that grant the holders the right to terminate and convert the bonds prematurely in case a change of control according to the definition in the terms and conditions comes into effect.

The employment contracts of the members of the Management Board likewise contain provisions applicable in the event of a change of control. In the event of premature termination of their employment due to a change in control of the company, the members of the Management Board will receive benefits.

CORPORATE MANAGEMENT

We have published the information according to section 289f and section 315d of the German Commercial Code [Handelsgesetzbuch – HGB] on our website.

Declaration on
Corprate Governance

Berlin, 19 March 2021

Michael Zahn Chair of the Management Board	Philip Grosse Management Board	Henrik Thomsen Management Board	Lars Urbansky Management Board

NON-FINANCIAL GROUP STATEMENT

The non-financial Group statement is based on the standards of the Global Reporting Initiative.

In accordance with the German CSR Directive Implementation Act (CSR-RUG), Deutsche Wohnen SE is publishing a non-financial Group statement for financial year 2020 in accordance with sections 315b and 315c in conjunction with sections 289c to 289e of the German Commercial Code (Handelsgesetzbuch – HGB). It covers the material non-financial topics that have been determined in 2020 on the basis of their significant impact for the environment, employees, social matters, corruption, bribery and human rights and their relevance for the business of Deutsche Wohnen. We have based our reporting on the standards of the Global Reporting Initiative. The reported key figures are internally defined performance indicators.

An internal evaluation process was set up involving the specialist departments and the Management Board to determine the material topics for the non-financial Group statement in accordance with CSR-RUG. It was updated in financial year 2020. The impact of Deutsche Wohnen on the sustainability topics mentioned in the legislation and their relevance for an understanding of the company's performance and earnings were evaluated on the basis of the GRI Standards. Once the evaluation had been completed by the specialist departments and validated by the Management Board, the following topics were determined as material for Deutsche Wohnen. The non-financial Group statement is structured in line with our five areas of action and matches the structure of the sustainability report.

Material topics for 2020 as per CSR-RUG, allocated to aspect

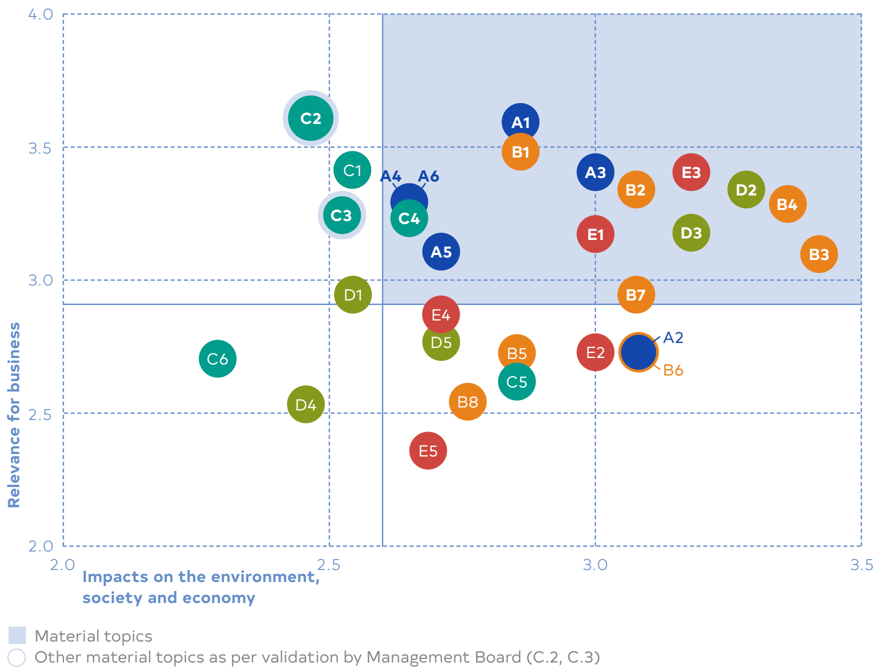
Aspect as per CSR-RUG	Material topics for Deutsche Wohnen	Areas of action
Anti-corruption and anti-bribery matters + respect for human rights[1]	A.1 Long-term economic stability A.3 Transparency and dialogue with stakeholders A.4 Compliance A.5 Doing business fairly A.6 Data protection	Responsible corporate governance
Customer matters as additional aspect supplementary to the 5 classic CSR-RUG aspects + respect for human rights[1]	B.1 Customer satisfaction and dialogue B.2 Customer health and safety B.3 Creation of housing in conurbations B.4 Maintenance and refurbishment B.7 Selection of sustainable suppliers and materials for maintenance, refurbishment and new construction work	Responsibility for our customers and properties
Employee matters + respect for human rights[1]	C.2 Recruiting C.3 Training and education C.4 Work-life balance/family-friendly working conditions	Responsibility for our employees
Environmental matters	D.2 Energy in new/converted buildings and existing holdings D.3 Emissions for new/converted buildings and existing holdings	Responsibility for the environment and the climate
Social matters + respect for human rights[1]	E.1 Development of residential districts E.3 Dialogue with policymakers, local authorities, associations, citizens and other local communities on the future of housing	Responsibility towards society

1 The aspect "respect for human rights" is relevant to all topics that have a connection to human rights in the broader context.

An internal risk analysis within the meaning of CSR-RUG (sections 315b and 315c in conjunction with 289c to 289e HGB) was also carried out on the basis of the material topics. No material non-financial risks were identified for 2020.

Other activities and measures taken by Deutsche Wohnen SE in the context of its sustainability management are presented in the combined management report. This non-financial Group statement refers to the corresponding sections. With respect to risks and risk management, we also refer to the combined management report in addition to the information provided in this statement.

Deutsche Wohnen's materiality matrix 2020



The non-financial Group statement has undergone a voluntary limited assurance review by the auditing firm KPMG AG. Further information on the sustainability activities of Deutsche Wohnen SE is included in the full sustainability report, which will be prepared according to the GRI Standards ('Core' option) and is expected to be published in May 2021 at www.deutsche-wohnen.com/sustainability

Sustainability report

Business model

Deutsche Wohnen is one of the leading publicly listed property companies in Germany and Europe. Its property portfolio includes some 160,000 residential and commercial units with a fair value of approximately EUR 26.2 billion. Our portfolio also comprises nursing properties with approximately 10,580 beds and assisted living apartments with a fair value of around EUR 1.2 billion. Further information about our business model can be found in the combined management report.

Responsible corporate management

During the coronavirus pandemic, the home was even more strongly the centre of people's lives, becoming a place of work and education too. Housing is all the more important under these circumstances and in view of its social and ecological dimensions. Deutsche Wohnen is well aware that this increases its own responsibilities.

The importance of housing continues to grow.

Above and beyond the current changes, Deutsche Wohnen is confronted by additional challenges. These include the ongoing trend towards urban living, which is accompanied by a shortage of housing and rising rents in metropolitan areas and conurbations, where most of our portfolio is situated. Demographic change and an ageing society are also crucial contemporary issues that require new solutions in order to deliver housing and services suitable for old people.

The property sector furthermore has a key role to play in achieving climate action targets, as one third of carbon emissions in Germany are caused by buildings and their inhabitants[1]. At the same time, the sector has to invest more vigorously in digital transformation. This will enable it to make its own business models and services more efficient and perform better against its sustainability targets, especially in terms of conserving resources.

One third of carbon emissions are caused by property sector.

We are also confronted with a stricter regulatory environment, such as the Berlin rent cap, which hinders investment and weakens the economic basis for our business model. Deutsche Wohnen will only be able to meet increasing ecological and social expectations if the company has the necessary financial strength to do so.

Our sustainability strategy

Responsible corporate governance provides the framework for the other areas of action also set out in our mission statement. These include responsibility for our customers, our property portfolio and its socially ethical refurbishment, new construction and our employees. In addition, we protect the environment and the climate and engage with the communities on our estates and in the surrounding neighbourhoods. We undertake to act with integrity, to respect human rights and to comply with legislation and regulations, particularly concerning data protection. Equivalent obligations to meet compliance and sustainability criteria also apply to our business partners.

Our mission statement for sustainability

Our sustainability strategy is based on addressing challenges with commitment and a sense of responsibility and reconciling the different expectations and requirements. We strive to play a leading role in terms of sustainability within the residential property industry and to enhance the transparency and comparability of sustainable activities.

1 https://www.umweltbundesamt.de/themen/klima-energie/energiesparen/energiesparende-gebaeude#eigentuemer

Our aim is to create affordable accommodation in metropolitan areas with modern, sustainable neighbourhoods that combine housing, working and living. In our new construction projects, we aim for certification to DGNB Gold standard. We are expanding the Nursing and Assisted Living segment and implementing new residential concepts that enable old people to enjoy their lives and their homes.

We believe that climate action is the responsibility of society as a whole and can only be achieved by policymakers, businesses and residents working together. Our contribution is the extensive investments we make in the quality, sustainability and energy efficiency of our portfolio. These are focused on refurbishing the buildings and modernising the heating systems, providing tenants with electricity from renewable sources, efficient, decentralised heat generation and sustainable mobility concepts in our neighbourhoods.

We invest in the quality, sustainability and energy efficiency of our portfolios.

As a strong partner within the urban community we also take collective action together with our stakeholders to create liveable, cosmopolitan and healthy estates and to support art, culture, education and sport.

Sustainability programme to coordinate targets and activities

Our sustainability programme consists of strategic and operationalised targets along with associated measures in our five areas of action. It also documents our progress and degree of goal achievement in the corresponding fields. The programme paves the way for steering our sustainability-related objectives, which also contribute towards achieving our corporate goals. The sustainability strategy is the responsibility of the whole Management Board. The Sustainability Management/CSR Reporting department, which ensures operational implementation, is overseen by the CFO. We have also established an interdisciplinary sustainability committee with a remit comprising the strategic management and further development of both sustainability within the company and the sustainability programme.

Upholding human rights

Deutsche Wohnen commits to respect for human rights as an elementary part of responsible corporate governance. Our aspiration and goal is for human rights to be observed in all areas of our business. Deutsche Wohnen expects its business partners to do the same and to ensure their own business partners, subcontractors or service providers likewise fulfil their human rights due diligence obligations. The code of conduct for Deutsche Wohnen business partners clarifies these expectations on the basis of the Conventions of the International Labour Organization (ILO) and the United Nations Guiding Principles on Business and Human Rights. In the reporting year, we also analysed parts of our value chain from a human rights risk perspective, following the National Action Plan for Business and Human Rights adopted by the federal government.

Analysis of potential human rights risks in the value chain on page 122

An instrument for human rights violations disclosure is the whistle-blower system for employees, customers and business partners. In the reporting period, no human rights violations were registered.

Close, trust-based dialogue with our stakeholders

As a large residential property management company, we are the focal point of many different interests. Our clients, shareholders and employees – as well as academics, policymakers, authorities and the general public – rightly monitor how we fulfil our responsibility. The different demands and opinions of our sustainability activities are a permanent challenge for us, but also an opportunity to redouble our endeavours to make responsible business an essential part of our strategy. We aim to achieve a fair balance between the different needs and interests.

Systematic, regular surveys of the stakeholder groups are among the most important instruments of dialogue. At the same time we are developing new formats for this dialogue with policymakers and opinion leaders at federal, regional and municipal levels and are increasing our interactions with representatives of civil society.

Transparent sustainability figures

We constantly strive to make our reporting more transparent. Our activities in this regard are guided by the most important assessment systems and ESG ratings used by our industry. Deutsche Wohnen has reported according to the GRI global standards since 2013. We also follow the best practice recommendations for sustainability reporting from EPRA (EPRA sBPR), the association of publicly listed property companies.

Best practice recommendation from EPRA

Economic stability ensures sustainable future

Deutsche Wohnen takes a long-term approach in its business activities. As our company is oriented towards the capital market, we assume our financial responsibilities and are obliged to safeguard our shareholders' interests. The economic fallout from the coronavirus pandemic in 2020 was relatively slight for Deutsche Wohnen, compared with other sectors of the economy. This is partly due to the government support, which also benefited our tenants and our business partners. We additionally attribute this in part to our resilient and stable business model and our risk-conscious business strategy. The economic stability of our company is ensured by the size and quality of our property portfolio and by concentrating on attractive metropolitan areas and conurbations within Germany. Investments in the new construction of residential and nursing properties in growth regions also make us more competitive. We also improve the quality, energy efficiency and future viability of our portfolio by refurbishing our property portfolio.

Deutsche Wohnen intends to exploit the opportunities brought by digitisation, the internet of things and artificial intelligence, and is particularly focused on holistic, integrated smart living concepts.

Maintaining integrity with compliance and anti-corruption

Deutsche Wohnen is dependent on gaining and keeping the trust of customers, buyers and business partners. We aspire to put our values, especially honesty, integrity and openness, into practice every day, as well as the principles and rules of responsible corporate governance. One prerequisite for integrity is compliance with legislation and internal policies.

Our values determine our practice every day.

We do not tolerate any form of corruption or other improper business activities, and we expect the same of our business partners. Conflicts of interest must also be avoided at all times.

Policies and processes established

Our employees are held accountable for compliance with the internal Code of Conduct.

Deutsche Wohnen has set out policies that further define the stipulations required by legal provisions and which apply to all employees across the Group.[2] There are anti-corruption guidelines with supplementary detailed instructions on compliance with the law and internal rules for the prevention of corruption and bribery. Without exception, these prohibit unlawful influence being exerted on or by business partners in the form of preferential treatment, gifts being given or received, or any other benefits being granted. All employees must confirm that they have received the guidelines and also acknowledge them upon commencing their employment.[3] Managers are responsible for ensuring their staff understand the importance of complying with these policies.

The rules to prevent corruption are a central part of the compliance management system at Deutsche Wohnen. All business divisions and processes are subject to regular review with regard to compliance risks. We investigate any suspected violations and cases of corruption when they arise and as part of our regular risk reporting. All transactions which have implications under competition law, such as acquisitions, undergo careful and thorough checks.

Responsibilities within the compliance management system

Training increases awareness of compliance.

The Management Board, the Group Compliance Officer, the Legal/Compliance team and managers in particular are responsible for compliance with statutory provisions and internal guidelines, but so are all employees. Managers and staff receive compliance training by means of face-to-face and online courses.

In the reporting year, the Legal/Compliance team worked with an external adviser to evaluate and refine the compliance management system (CMS). The aim was to identify further measures to improve the internal control structures on the basis of an updated analysis of the compliance risk profile for Deutsche Wohnen's commercial environment and taking the existing CMS framework into account.

Compliance system for tax legislation

Deutsche Wohnen commits without reservations or limitations to compliance with tax regulations. Tax optimisation is necessary, but only within the statutory framework and with respect for general legal norms. The Deutsche Wohnen Group has implemented a tax compliance system to ensure compliance with its legal obligations and to avoid risks associated with taxes and tax law.[4] It consists of rules and instructions that are adapted as needed to changes in the statutory framework and the business environment. It also defines tasks and responsibilities, as well as specific notification and reporting obligations.

The adequacy of the tax compliance system is audited by an external law firm specialised in tax matters. The last audit took place in 2019 and did not give rise to any objections. Some aspects of tax compliance are also covered by internal audits.

2 With the exception of ISARIA München Projektentwicklungs GmbH, which was acquired in summer 2020.
3 This relates to all companies with employees, except FACILITA, ISARIA München Projektentwicklungs GmbH, SYNVIA media GmbH, PFLEGEN & WOHNEN HAMBURG and Katharinenhof.
4 The tax compliance system applies to Deutsche Wohnen SE and companies majority owned, directly or indirectly, by Deutsche Wohnen SE and for which it acts as an internal agent.

Whistle-blower system for confidential reports

A whistle-blower system has been set up for information about potential cases of non-compliance. It enables the company's employees, customers and contractual partners to report information on suspected serious violations of either the law or other regulations to a legal counsel. This can be done anonymously if desired; whistle-blowers are protected by the legal counsel's duty of confidentiality.

No new cases of corruption at Deutsche Wohnen or a subsidiary were registered in the reporting period, and there were no confirmed cases resulting in employees being warned or dismissed for corruption.

Business partner code focuses on integrity and compliance

Deutsche Wohnen has implemented a code of conduct for its business partners, which defines the requirements concerning compliance with legal provisions, as well as integrity and ethical standards. We expect our business partners to follow all the applicable laws and regulations, in particular anti-corruption, money laundering, antitrust, competition, environmental, data protection and capital market legislation, to treat their employees fairly and responsibly and to fulfil their human rights due diligence obligations. An obligation to comply with the code is an integral part of all material new contracts.

Business partners have a contractual obligation to comply with the code.

We also implemented a purchasing policy as of year-end 2020. It defines the responsibilities of the central and decentralised purchasing functions, working relationships with business partners and concrete specifications in terms of quality, compliance and sustainability.

Analysis of potential human rights risks in the value chain

To identify potentially negative human rights impacts in our value chain we carried out a risk analysis in the reporting year, concentrating on trades and the construction industry. The focus on these sectors was decided on as a result of the large amount of past business with tradespeople in the course of ongoing maintenance, refurbishment and new letting, and the high level of planned investment in new construction. Our analysis followed the five core elements of the federal government's NAP. It began by identifying eight areas of human rights that could potentially be relevant to Deutsche Wohnen, on the basis of recognised international and human rights law and including interviews with experts. We then ranked these potential risks using the criteria *Connection to our company and Ranking by severity*. The connection to our company was assessed using contractual and commercial relations to suppliers and the complexity of our own value chain. The severity depends on the extent, the scope and the reversibility of the potential human rights infraction. Risks ranked as high-priority were the right to fair pay, safe working conditions, social security and job security. On the basis of this analysis we will examine the extent to which our existing management approaches cover these potential risks and the extent to which they can be reduced by taking specific action. We consider the performance of NAP risk analyses as a continuous process, which has to be adjusted and updated on an ongoing basis.

Ensuring end-to-end data protection and data security

Deutsche Wohnen processes personal data – primarily belonging to its customers, employees, applicants and business partners – for example in order to fulfil its contractual obligations or for purposes stipulated by law. Handling data responsibly and complying with statutory data protection provisions is a high priority for us.

Data protection and data security are a high priority for us.

The German Federal Data Protection Act (BDSG) and the General Data Protection Regulation (GDPR) define the relevant rules for how the company handles personal data.

Responsibilities and processes defined

The Management Board is responsible for data protection at the level of Deutsche Wohnen SE. It has appointed an external data protection officer, who works with the Data Protection Coordinator and an employee in the Legal/Compliance team. This team handles all data protection enquiries and draws on the resources of the data protection contacts in the respective departments. IT Security provides assistance with technical issues relating to data protection.

The necessary technical and organisational measures have been implemented at Deutsche Wohnen to protect personal data and ensure data is secure. They include non-disclosure agreements with employees, policies, instructions and data protection forms. Employees receive basic training in data protection and IT security when they start work.

We have established clear processes for handling potential data protection incidents. All employees are called on to report any suspicions to the Data Protection team. The circumstances are then assessed and next steps determined in cooperation with IT Security and the relevant department. This enables the data protection authority to be notified within the 72-hour deadline and the data leak to be addressed without delay.

Continuous assessment of data protection risks and incidents

The Data Protection team audited the main processes in 2020 together with the data protection contacts.

There were no data protection incidents in 2020 and no unauthorised access to Deutsche Wohnen data was reported to the Data Protection team in the context of mandatory notification of a data leak.

There were no data protection incidents in 2020 in our company.

One case from 2019 was followed up in the reporting year. The competent supervisory authority issued an administrative order imposing a fine on Deutsche Wohnen in the fourth quarter of 2019, to which the company filed a protest. The charges made in the order relate to a Deutsche Wohnen data archiving solution which has already been replaced. Following submission of a protest by the company, the district court subsequently discontinued the proceedings as the administrative order imposing the fine was invalid. The Data Privacy and Freedom of Information Officer immediately lodged a complaint with regard to the ruling of the Berlin district court.

Responsibility for our customers and properties

Making our property portfolio and new construction sustainable

Our core business is subject to a changing regulatory environment as well as social and ecological challenges. Housing shortages, rising rents, demographic change, climate action and the need to use resources efficiently all call for forward-looking solutions, some of which are hindered by factors like the Berlin rent cap, which discourage investment.

We create additional housing in conurbations with sustainable new construction projects.

People in Germany are now much more likely to live alone than just three decades ago. This mainly concerns the big cities, where almost half of single households live. Pressure on these housing markets will continue to rise, because the number of residents is also increasing significantly. A tight housing market further means that many households are overwhelmed by the costs of accommodation.

In the reporting year, the coronavirus pandemic brought housing even more to the forefront of the public consciousness. Social restrictions meant that people's lives took place to an even greater degree than before in their own home. The coronavirus pandemic also brought further advances in the digitisation of our lives and homes and boosted the market for smart home solutions. Digitisation will be a leading area of action for the real estate industry in particular, and therefore also for Deutsche Wohnen.

We want to continue offering our customers affordable and secure housing in attractive neighbourhoods going forward. To do so, we not only invest in the quality of our portfolio with our maintenance and refurbishment measures, but also create additional housing in conurbations with sustainable new construction projects. In all our building work, we pay particular attention to the use of materials that meet health and environmental standards and require our suppliers to make commitments to assuming their social and ecological responsibility.

Focus on customer satisfaction (B.1)

Customer satisfaction safeguards our economic success and is a top priority for our company. With this in mind, we constantly work to improve our service quality and be even better at addressing our tenants' changing needs. We also strive to be a partner for our customers that enables them to enjoy good, multi-generational, liveable housing. We therefore take a holistic view of our estates, from the outdoor areas and infrastructure to energy supplies and mobility.

Customer satisfaction is of great importance to us.

More than anything else, we see it as our responsibility to offer our clients fair living conditions, thereby giving them security and the ability to plan their lives. So we adapt our rent policies to the individual circumstances and incomes of our tenants and have enshrined this principle in our *Promise to our tenants*.

Dialogue with our tenants

To improve our customer service, we have also established the Deutsche Wohnen customer portal, making our services available around the clock. For instance, customers can use this to view all the information relating to their rental agreement, check the status of their rent payments, deposit or energy performance certificate, or adjust their advance payment.

We are constantly working to improve our quality of service.

In 2020 we also introduced the Central Customer Service function to reduce the time it takes to deal with requests and make it easier to offer a personal service. This step is also a response to feedback from our customer surveys.

We additionally give our customers the opportunity to address their requests directly to the commercial or technical staff in our offices. Our letting offices are there to respond to enquiries from potential tenants.

Latest tenant survey on satisfaction with the living situation

Deutsche Wohnen completed its annual tenant survey in the third quarter of 2020, covering some 31,000 households. A participation rate of 33% for the survey was roughly as high as the previous year (2019: 36%). Customer satisfaction rose again in many areas, by an average of 2.8%. The biggest increases were in peoples' rating of the state of stairwells, cleaning and the image of our company. Satisfaction with Deutsche Wohnen went up year on year from 78% to 82%. Satisfaction with the apartment was again equally high at 88% (2019: 87%). Our tenants are particularly happy with how friendly our staff are (91%).

88%
customer satisfaction

Performance indicator	2020	2019
Tenant survey: satisfaction with living situation	88%	87%
Satisfaction with Deutsche Wohnen as a landlord	82%	78%

Social responsibility for our tenants

We express our responsibility for fair housing conditions for our customers in our voluntary commitment, *Our promise to our tenants*. In this way, we are shifting the focus to our tenants' individual income and living conditions and are also capping rent increases in cases of hardship. We also let one in four apartments in the new lettings process to tenants who are entitled to a certificate of eligibility for social housing as a means of limiting the consequences of gentrification and maintaining a diverse social mix at our holdings. Furthermore, Deutsche Wohnen has since 2017 concluded additional project-based agreements with various Berlin boroughs regarding the socially responsible execution of complex refurbishment measures.

Special support for tenants during the coronavirus pandemic

We have assured our tenants that no one will lose their apartment during the pandemic. We have set up support packages for both residential and commercial tenants, which range from concrete help with payment difficulties and information about legislation to protect tenants, to advice on applying for government aid and contacts to social services that offer counselling. For the duration of the coronavirus pandemic we are not enforcing rents or terminating contracts for tenants with payment difficulties, nor are we increasing rents.

In the reporting year we set up a coronavirus relief fund of EUR 30 million to support tenants, business partners and service providers in financial distress as a result of the pandemic. Applications for funding are carried out in a preferably unbureaucratic process. To finance this fund, the shareholders of Deutsche Wohnen adopted the proposal by the Management Board and Supervisory Board to the Annual General Meeting to distribute a dividend of EUR 0.90 per share for financial year 2019. This represents a reduction in the distribution ratio originally planned of five percentage points to approximately 60%. By doing so, the Deutsche Wohnen shareholders expressed a clear commitment to solidarity in the coronavirus crisis.

EUR 30 million
relief fund to support people in financial distress as a result of the pandemic.

To date, approximately 1,000 tenants have approached Deutsche Wohnen requesting to postpone rent payments as a result of the coronavirus pandemic. The proportion of tenants who made use of the aid fund as well as current overall utilisation of the fund are low. In addition to rent reductions, the aid fund is also deployed for social matters. We will be upholding the term of the fund for as long as the coronavirus pandemic and its effects for our tenants persist. We expect to make further payments from the fund during the current financial year, among other things to support tenants, business partners and service providers who are not receiving sufficient support under government aid programmes.

Strict hygiene requirements for contacts with tenants and employees

During the pandemic we have implemented the stipulated health regulations to contain the spread of the coronavirus quickly, by closing playgrounds for example. Appointments to view apartments, hand over keys and sign rental agreements did not take place as usual, but rather were organised by making arrangements without personal contact. Viewing appointments were carried out in a safe and customer-friendly way in the showroom and with the help of 360-degree visualisation software.

When carrying out maintenance and modernisation work and in contacts with tenants, we have instructed that the hygiene requirements were followed strictly to protect our customers and staff and the employees of the contractors. The steps were discussed with our internal job safety professionals and the safety committee.

Focus on health and safety of our customers (B.2)

The health and safety of our customers is of great importance to us. Here, we are especially stringent about avoiding risks when removing, eliminating and disposing of contamination during refurbishment projects as well as with regard to pollution in the soil. Additionally we would like to guarantee the use of sustainable construction materials that pose no risk to health. Deutsche Wohnen controls the safety of the housing facilities and apartments for the benefit of customers and other users by coordinating the activities of the operating companies DWCF, DWI and FACILITA.

The way in which hazardous building materials are dealt with is regulated by guidelines and legislation. In the area of technical building regulations, Deutsche Wohnen complies with the applicable laws and directives regarding the removal and disposal of hazardous waste such as the Technical Rules for Hazardous Substances (Technische Regeln für Gefahrstoffe – TRGS) and the Asbestos Removal Directive (Asbestsanierungsrichtlinie – AsbestSanRI). Expert opinions are obtained before refurbishment begins and contractors are appointed on the basis of the model contract for architects and engineers. Further steps in the process include inspections, sampling and the documented disposal of hazardous materials that are not permitted to remain in the building in accordance with the regulations.

Safe handling of hazardous materials

A large proportion of the apartments within the Deutsche Wohnen portfolio was not built by the company itself. Occasionally, materials can be found in these buildings which were technically modern at the time of building, but which are now considered harmful if released.

Potentially harmful substances found in existing buildings such as asbestos, "old" man-made vitreous fibres (MMVF), polycyclic aromatic hydrocarbons (PAH) and paint which contains lead are generally removed and replaced with suitable materials in the course of maintenance work, new lettings or refurbishment projects. Dangerous waste is disposed of in line with regulations to ensure it does not pose a risk to people or the environment. We treat the land with due care during refurbishment and new construction projects. Plots for new builds are treated in accordance with the statutory requirements of the German Federal Soil Protection Act (BundesBodenschutzgesetzes – BBodSchG).

Maintenance and refurbishment for a sustainable property portfolio

Our property portfolio comprises around 155,400 residential and 2,900 commercial units.

Our extensive investments in recent years play a primary role in the maintenance, future viability and quality improvement of our properties. As well as equipping apartments with up-to-date fixtures, the focus here is on making energy efficiency improvements to the buildings, upgrading technical systems, increasing safety and making the apartments even more comfortable and convenient. In the past years, we have completed complex energetic refurbishment of approximately 8,000 apartments for around 16,000 people. This not only enables us to ensure that our properties and estates are fit for the future. Compared with demolition and rebuilding, a refurbishment also avoids the use of what is known as grey energy. This refers to the carbon emissions caused by the construction process, in particular for the production of materials such as steel, concrete and aluminium. Their continued use is therefore a contribution to climate protection and resource efficiency.

We aim to strike a proper and fair balance between social considerations, the interests of our company and those of the residents in our estates. We intend to live up to this aspiration in particular in our planning and implementation of maintenance and refurbishment measures. The aim is to find workable solutions for our customers, such as temporary accommodation, reductions in rent or assistance in cases of financial hardship.

Our commitment to fairness and social responsibility on page 136

Our intention is to by so doing also increase acceptance of maintenance and refurbishment work, and to continue our policy of dealing sensitively with topics in the focus of public opinion, like new construction and socially responsible climate action, and encouraging dialogue about them.

Maintenance work and refurbishment projects, including technical and commercial management and the protection of tenant interests, are carried out in close cooperation with DWI/DWKS, DWCF, DWM and FACILITA.[5]

Our newbuild strategy to create more housing in urban areas

There is a shortage of almost two million affordable homes in conurbations and metropolitan areas in Germany, because new construction continues to lag behind demand, despite rising numbers of housing completions.[6] Deutsche Wohnen wants to do its part to solve the problem and is continuing its strategy of making use of the potential for new construction on its own land and on brownfield sites.

Overall, the company will invest in excess of EUR 5 billion in the construction of new residential, nursing and office properties in the next ten years. We will thus build around 15,000 new residential units and 265,000 sqm of commercial space, with a total usable area of approximately 1 million sqm mostly in the metropolitan regions Berlin-Brandenburg, Leipzig, Dresden, Hamburg, Munich, Stuttgart and Frankfurt/Main. In the period to 2025 alone, this will give some 10,000 people a new home.

EUR 5 billion
we will invest in new construction over the next ten years.

Our new construction strategy aims to develop cutting-edge estates where people can live, work and make their home, today and in the future. We would love to create more housing even more quickly by means of new construction in order to further ease the strain on the residential property markets. However, the official requirements and laws, such as the agreed rent cap, serve as an obstacle to investment – especially in Berlin. We are therefore also planning to create new housing in other German metropolitan regions in future.

The management team at DWCF holds operational responsibility for new construction projects, including development, planning and building work.

Prioritising sustainable building

New construction projects and selected refurbishment projects are planned and executed in accordance with the recognised certification system of the German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen – DGNB). We consider a building's entire life cycle and pay particular attention to using high-quality, environmentally friendly materials and realising sustainable energy, water and transport concepts. For new builds, we aim for certification to the DGNB Gold standard.

Sustainable supply chain and materials

We purchase energy, procure services from both tradespeople and technical firms, and award contracts for supply and disposal activities. The sourcing of construction materials is the responsibility of the tradespeople, building companies, architects and engineers who work for us and is based on the specifications defined in tenders and catalogues of standard products. We primarily source services directly from local or national tradespeople, planners and construction companies.

5 Deutsche Wohnen Immobilien Management GmbH and Deutsche Wohnen Kundenservice GmbH, Deutsche Wohnen Construction and Facilities GmbH, Deutsche Wohnen Management GmbH, FACILITA Berlin GmbH

6 https://www.boeckler.de/de/boeckler-impuls-unbezahlbare-mieten-4100.htm

We are fully aware that the materials we use have effects on the environment – be it when raw materials are sourced, during the manufacturing process or when they are disposed of. To avoid negative impacts to the greatest possible extent, we take ecological and health-related aspects into account when we make purchasing decisions. The products' durability is especially important to us.

We are currently working on a standard construction catalogue, including a product catalogue, where all quality specifications will be defined. In future this will serve as a standard guideline for all departments and business partners in both new construction and refurbishment projects.

High safety standards on building sites

To guarantee the occupational safety of the suppliers and external construction companies on building sites, we primarily use contracts based on Germany's Regulations on Contract Awards for Public Works (Vergabe und Vertragsordnung für Bauleistungen – VOB/B). These stipulate that the contractor is responsible for order at the building site and for meeting all of their obligations in relation to their workers. From a particular building site size up, we notify the Berlin State Office for Occupational Safety, Health Protection and Technical Safety (Landesamt für Arbeitsschutz, Gesundheitsschutz und technische Sicherheit Berlin – LAGetSi) of our building activities in accordance with the Construction Site Ordinance (Baustellenverordnung – BauStellV) and put a health and safety plan (SiGe-Plan) in place. Compliance is monitored by means of a health and safety coordinator (SiGeKo), a function which is required when employees from more than one contractor are working on the site.

Responsibility for our employees

We want to be an attractive employer.

Qualified and motivated employees are crucial for our company's success. So we want to be an attractive and modern employer in the eyes of both our employees and potential new recruits. To achieve this we have to find answers to the challenges currently facing us. They include an ongoing shortage of skilled employees, demographic change and the transformation of the working environment, which, spurred on by the coronavirus pandemic, is increasingly defined by online communications and mobile, flexible working from a home office.[7]

We intend to manage these vital topics proactively in the interest of our company's success and with the aim of contributing to the enhanced satisfaction of our employees. Our attractiveness as an employer is a key factor in persuading young talents to start their career with our company and to retain specialist staff and managers. For this reason we continuously strengthen our system of vocational and professional training, offer flexible working hours for a better work-life balance and create a working environment that promotes good health. We also attach great importance to an appreciative corporate culture based on equal opportunities, diversity and openness. We are guided in these endeavours by our employer values.[8]

7 The coronavirus pandemic has not significantly affected our human resources strategy or its main goals. The only impact in this area was with respect to putting measures into action (e.g. changes to core working hours, encouragement of mobile working, training and professional development mostly to take place remotely).

8 The personnel activities described below and the performance indicators shown refer to all our companies with employees, apart from FACILITA, ISARIA München Projektentwicklungs GmbH, SYNVIA media GmbH, PFLEGEN & WOHNEN HAMBURG and Katharinenhof. Comments on PFLEGEN & WOHNEN HAMBURG and Katharinenhof can be found in the section Our responsibility as employers in the Nursing and Assisted Living segment.

Clear responsibilities defined

Overall responsibility for personnel issues forms part of the CEO's remit. The relevant Human Resources department is responsible for staff management as well as for staff and organisational development comprising the internal continuing professional development programme, occupational health management, recruitment, vocational training, HR marketing, internal communications and the shaping of the *digital workplace*. It is also responsible for the systematic management of change processes within the organisation, and for advising on structural projects in the company's operating units.

Attracting and retaining employees

Many employees in Germany will reach retirement over the next few years and will no longer be available to the labour market as a result. More than half the companies in the real estate industry report a significant shortage of skilled employees.[9] The decline in the number of applicants is a clear indicator of this. To attract new talents, we have adopted a strategy of establishing contact as early on as possible, getting to know one another, and providing comprehensive information about working at Deutsche Wohnen. This takes the form of an on-boarding process comprising individual induction guidelines, mentoring schemes and feedback meetings.

	2020	2019	2018
Number of apprentices employed and students on dual degrees in the reporting year[1]	30	25	24
Staff turnover[1]	9.5%	11.5%	10.2%
of which at the initiative of employer	44.2%	40.8%	32.1%
of which at the initiative of employee	49.0%	52.8%	60.4%

1 Ratio disclosed for the first time in the reporting year. Prior year figures were not subject to review.

We strengthen our internal and external HR marketing continuously in order to position Deutsche Wohnen as an attractive employer. Along with such established instruments as job adverts, flyers and campaigns, we make consistent use of digital formats including the LinkedIn and Xing channels and other social media.

Fair pay and a share of company profits

We offer fair remuneration in line with the market and made a commitment in July 2018 not to lay off any staff. This commitment initially applies for three years. Our pay structure establishes uniform standards with no gender bias and forms the basis for staff in comparable positions to receive equal pay. We rolled out a bonus programme in 2018 which rewards long-term staff loyalty by allowing our employees to share in the company's success. Deutsche Wohnen also rewarded its employees for their dedication in the reporting year with the maximum tax-exempt coronavirus bonus. The total volume came to approximately EUR 1.2 million.

We rewarded our employees for their dedication in the reporting year with a coronavirus bonus.

HR development focuses on vocational and professional training

To succeed as a company, we need well-qualified, motivated employees who share our values and put them into practice in their day-to-day work. We want to fill key positions at our firm with in-house experts and retain top performers over the long term. With that in mind, structured staff development is at the heart of our HR strategy. This is designed to enable employees to develop their personal strengths and to cater for their needs.

9 https://www.e-b-z.de/presse/news-und-pressemeldungen/ebz-personalentwicklungsstudie.html

We primarily rely on in-house training to ensure that we have sufficient qualified staff going forward, and offer apprenticeships in property management and office management. Students can enter the world of work by joining us as an intern, a student employee or – following the successful completion of their degree – as a trainee. In 2020, Deutsche Wohnen employed 56 apprentices and 13 students on dual courses.[10]

Numerous awards as employer and vocational trainer

We were voted a *Fair Company* for our apprenticeships by the magazine karriere.de and again received the seal of *Excellence in Vocational Training* in 2020 from the Chamber of Trade and Industry. In addition, we were ranked by the business magazine *Capital as one of Germany's Best Vocational Trainers*. In the reporting year we were also among the top-ranked companies in the study *Germany's Most Popular Employers* and received an award for *Top Career Opportunities 2020* in a nationwide test.

Equipping staff for future challenges

We determine the need for training by means of regular staff surveys and discussions with employees. In the reporting year the focus was on statutory training courses and qualifying managers to lead work processes remotely (virtual leadership).

Based on the development potential and needs identified, we are implementing a company-wide education programme that is accessed via a dedicated online portal and regularly evaluated by us. Our employees took part in a wide range of training courses in the reporting year, despite the pandemic. Whenever possible the courses were offered remotely. On the basis of feedback from our employees, we have found that this approach is very practicable for job-specific subjects and so intend to expand it to other topics, if the contents are suitable.

	2020	2019	2018
Training ratio whole workforce	59.9	43.0	54.8
Training ratio managers	87.2	78.6	81.9
Apprenticeship ratio[1]	6.2%	5.6%	5.4%

1 Ratio disclosed for the first time in the reporting year. Prior year figures were not subject to review.

Our training activities focus particularly on strengthening our managers' skills. We specifically prepare them for their changing role in an increasingly digitised working world and enhance their expertise in cross-generational collaboration with increasingly flexible forms of employment. For our junior managers we organise modular training courses that prepare them for their leadership role. The modules focus on the participants' perceptions of their own leadership role and on leadership methods.

In addition to offerings for current and upcoming managers and our team-building exercises, we also train our employees in their specific area of responsibility and in more general topics, concentrating particularly on law, stress management, communication with customers and negotiation.

10 As of the reporting date 31 December 2020

Encouraging work-life balance and family-friendly working conditions

We believe that the ability to combine work and private life and the creation of a family-friendly working environment are key factors for our attractiveness as a modern, socially responsible employer. Here, too, Deutsche Wohnen adapted to the new conditions imposed by the coronavirus pandemic and made its approaches to shaping a new world of work a vital subject for the future. We concentrate on innovative concepts for creating a mobile, flexible and digitally enabled workspace and on the leadership processes required to support this.

We made our approaches to shaping a new world of work a vital subject for the future.

As a result of the steps taken by the company to contain the coronavirus pandemic, most work was carried out from home in the reporting year. Another focus was on enabling variable working hours, also outside the core working hours, and on implementing the *digital workplace*.

The topics of work-life balance and family-friendly working conditions are evaluated in the course of our regular staff surveys and performance reviews. The unusual situation in the reporting year meant that instead of a full staff survey, we carried out a rapid survey of the current situation and working from home in the second quarter. The feedback on communication and cooperation was positive. The changes to working hours were also well received. However, around 20% of the workforce still saw potential for improvement in the general information policy.

	2020	2019	2018
Part-time working ratio[1]	13.7%	13.3%	12.1%
Working from home[1]	89.2%	42.9%	31.0%
Parental leave ratio[2]	5.8%	5.6%	5.4%
Illness rate[2]	5.9%	6.1%	6.1%
Employee satisfaction	n.a.[3]	77%	79%

1 Prior year figures were adjusted subsequently and were not subject to review.
2 Ratio disclosed for the first time in the reporting year. Prior year figures were not subject to review.
3 A full survey on employee satisfaction was not carried out in the reporting year.

In 2020, approximately 89% of our staff members made use of this opportunity and spent a total of 44,800 days working from home.

To further improve the work-life balance, we are introducing a model for flexible working hours on the basis of long-term time sheets, which goes beyond what is required by law. The idea behind this is to accommodate individual requirements at different times of life: when starting a family for instance, but also at the end of a career when employees may want to take early retirement or reduce their working hours gradually.

Digital infrastructure for mobile working and communication strengthened

We made further progress with the topic of a *digital workplace* in the reporting year. Steps taken in this area include the establishment of a new intranet structure and the creation of platforms for dialogue and team work across the company. Digital infrastructure at Deutsche Wohnen is now organised into three channels: we use platforms for discussions and working together, the intranet for communication, and networking tools for social interactions between employees.

Our responsibility as employers in the Nursing and Assisted Living segment

Demographic change in conjunction with a shortage of skilled employees represents a great challenge for the nursing sector. Even today, nursing facilities are short of around 120,000 carers.[11] Our aim is therefore to offer care staff an attractive workplace with fair pay and to strengthen their loyalty to our company. At the same time, we want to offer apprenticeships for carers to ensure we have qualified staff in future. Our care staff partly obtain their qualifications by means of mandatory training courses. To supplement this, we concentrate on developing the competences of managerial staff, such as the heads of nursing care and home managers.

We offer our care staff an professional qualification and fair payment.

The coronavirus pandemic raised particular challenges for the health and safety of the workforce and also for the residents and patients of the homes. In addition to implementing a pandemic plan as required by law, we endeavoured above all to establish reasonable, family-friendly rules for working hours and working from home for employees in periods when external childcare facilities and schools were closed. Childcare was initially offered within the facilities, depending on the rules in place in the individual state. Later, emergency childcare was offered for parents working in essential areas, which took some of the pressure off employees. To maintain a work-life balance regardless of the coronavirus pandemic, we also agreed on family-friendly shift work that particularly caters to the needs of mothers. For the financial year 2021 there will be a standardised consolidated reporting procedure developed in line with the group reporting.

Responsibility for the environment and the climate

Protecting the climate is a task for all of society

According to the German federal government's climate action plan, the building sector is to achieve greenhouse gas neutrality by the year 2050. As one of the largest property companies in Europe we are part of the sector which accounts for about a third of Germany's carbon emissions.[12] We therefore believe we have a responsibility do our part toward achieving a near-carbon-neutral building sector in Germany by 2050. In the years ahead we will invest extensively to improve the energy efficiency of our properties, to make use of combined heat and power systems with a view to sector coupling, and to construct new buildings with high energy-efficiency standards.

We want to make our contribution to a near-carbon-neutral building sector by 2050.

In addition, we have presented a scientifically sound concept for socially responsible climate action in the property sector, which overcomes the dichotomy between climate action and higher housing costs and enables a modernisation drive that will make an effective contribution to achieving the climate goals. We view climate protection as a task for the whole of society which the government, businesses and citizens must all take on in equal measure.

11 https://www.gs-qsa-pflege.de/wp-content/uploads/2020/02/2.-Zwischenbericht-Personalbemessung-%C2%A7-113c-SGB-XI.pdf
12 https://www.umweltbundesamt.de/themen/klima-energie/energiesparen/energiesparende-gebaeude#eigentuemer

The housing sector can exercise vital leverage to protect the climate, but only when all the players in the industry act in concert. The initiative Wohnen.2050 was founded in early 2020 to facilitate networking among German housing companies and bundle their activities to protect the climate. Deutsche Wohnen also joined the sector initiative, which already has 80 business partners representing a total of some 1.7 million housing units. We further underline our commitment to climate action by supporting the Foundation 2° – German Businesses for Climate Protection, where we have been a sponsoring member since 2019.

We have joined the sector initiative Wohnen.2050.

Key decisions concerning the company's climate protection and environmental policies are taken by the Management Board. Processes are coordinated by the Chief Development Officer (CDO), whose direct reports include the dedicated management group, which meets regularly, and the investment board. Two internal departments reporting to the CDO are also responsible for the technical planning and implementation of energy efficiency refurbishment and modernisation measures as well as in new buildings, and for energy management and technology respectively.

Driving energy efficiency improvements in the property portfolio

More than half the Deutsche Wohnen portfolio was built before 1970 and has a much higher energy consumption than more recent buildings. The newer the buildings from the 1970s onwards, the more energy efficient they are. The holdings' final energy requirements and their age are taken into account when investment decisions are being made and form part of our medium-term investment strategy.

Deutsche Wohnen reinvests more than 40% of its rental income in maintaining and refurbishing its property holdings, updating its technical systems and making its energy supply climate-friendly, in particular with combined heat and power and also photovoltaics. The planned activities were carried out largely on schedule in the reporting year, despite the coronavirus pandemic.

As part of our portfolio investments, we once again invested more than EUR 300 million in refurbishing our holdings in the reporting year, of which approximately 10% in energy efficiency upgrades. This work focuses primarily on insulating facades, basement ceilings and roofs, refurbishing stairwells, fitting modern heating and hot-water systems, improving the standard of fixtures in our residential units, replacing windows or making them more energy-efficient and renewing heat generation plants. In doing so, we intend to keep meeting the requirements of the German Federal Immission Control Act (BundesImmissionsschutzgesetz – BImSchG) and the German Energy Saving Ordinance (Energieeinsparverordnung – EnEV) in the future.

Between 2015 and 2020, we complexly refurbished a total of approximately 8,000 residential units to enhance their energy efficiency. As a result, final energy requirements improved by an average of a good 30%.

Our wide-ranging refurbishment measures are having a positive impact on the energy efficiency of our portfolio. Based on energy data from late 2020, the energy efficiency of approximately 62% of our residential properties is better than the average for residential buildings in Germany (133.0 kWh/sqm per annum)[13]. The average consumption of our holdings stands at 125.1 kWh/sqm per annum, which marks a further positive change on the previous year (2019: 128.9 kWh/sqm per annum).

13 Source: BMWi, 2019a, 107

Performance indicator	2020	2019	2018
Average energy intensity[1]	125.1 kWh/ sqm per year	128.9 kWh/ sqm per year	132.3 kWh/ sqm per year

1 Weighted average of final energy consumption based on available current energy performance certificates of properties (the approximately 30,000 listed units are not taken into consideration because no energy certificate is required for them).

Energy-efficient, climate-friendly heat and power

Between 2018 and 2021, our subsidiary EMD Energiemanagement Deutschland GmbH is investing approximately EUR 20 million in the renewal and maintenance of the heat generation plants for some 18,000 residential and commercial units. These investments increase the operational stability and energy efficiency of the plants.

One of the main aims of upgrading the heating systems in our properties is to switch from fuel oil to more environmentally friendly sources of energy, in order to achieve further reductions in the carbon emissions from our portfolio. Around 40 heating plants are to be converted by 2022, which will reduce annual CO_2 emissions by around 450 tonnes according to our calculations. Increased use of combined heat and power plants also helps to protect the climate. Some 4,100 households are already supplied with heating from combined heat and power (CHP) plants. These plants generated roughly 13.6 GWh in heat and 11.1 GWh in electricity, which was fed into the public grid. In the reporting year the CHP plants therefore reduced CO_2 emissions by around 3,300 tonnes. In terms of the target set as part of our sustainability programme, we are therefore well on the way to achieving an annual reduction of 5,000 tonnes of CO_2 from 2022.

Green power and environmentally friendly mobility

As part of our procurement strategy, which has proved successful over many years, we cover most of our general power requirement with certified electricity from renewable sources. We source the general electricity for stairwell and hallway/corridor lighting at around 90% of our letting portfolio[14] and the majority of our administrative locations entirely from hydroelectric power.

1,000
roof-based photovoltaic systems are planed for our portfolio.

For us the next step towards climate-friendly housing is to roll out decentralised power supplies using photovoltaic systems. Over the next ten years we will be investing approximately EUR 50 million in this, and in 2020 we agreed a cooperation with GETEC Energie Holding GmbH (GETEC), an energy services provider with operations throughout Europe. We are planning to install around 1,000 roof-based photovoltaic systems in the Deutsche Wohnen portfolio, with the first 20 successfully completed in Berlin-Hellersdorf in the reporting year. The power they produce is primarily available to the tenants in the buildings as green power that is not fed into the grid beforehand. This conserves resources and relieves pressure on the grid. Our portfolio has the potential to save a total of 14,000 tonnes of CO_2 every year.

EUR 25 million
we will invest in charging stations for electric vehicles.

Deutsche Wohnen is also pursuing the promotion of climate-friendly mobility as a strategic goal and is taking various measures to this end. Electricity produced by the decentralised photovoltaic systems is also to be used in future to charge electric vehicles on the estates. Deutsche Wohnen intends to install more than 2,000 charging stations nationwide in cooperation with GETEC. This will require an investment volume of around EUR 25 million.

14 Not including nursing properties

Responsibility towards society

Commitment to liveable cities and social cohesion

We aim to create attractive living environments and neighbourhoods for people, whether they are young or old, single or part of a family. Modern living standards and an intact infrastructure are intended to increase their well-being and contribute to improving the social climate. The design of a housing estate also reflects on the surrounding neighbourhoods. We therefore want to strengthen the neighbourhoods within the districts by promoting diversity, integration and a vibrant community culture. Furthermore, we support social causes by means of our wide-ranging involvement in cultural, artistic and sporting projects and initiatives.

At the heart of our engagement is our *Promise to our tenants*, with which we make a concrete contribution to improving the difficult situation on the housing market. The preservation of historic buildings and building culture are also important social issues for us, which we demonstrate by maintaining several listed buildings and UNESCO World Cultural Heritage sites in our portfolio. As urban development partners we contribute to making cities good places to live and to strengthening social structures. We do this by engaging in continuous dialogue and working together with residents, policymakers and social agencies.

The Management Board is closely involved in planning all key activities.

Responsible neighbourhood development and design

We attach great importance to having a social and demographic balance of tenants on our estates and seek to prevent one-sided changes in tenant structures. In this context we have made a *Promise to our tenants*, in which among other things we undertake to ensure that one in four new lets are to someone entitled to a certificate of eligibility for social housing. We kept this promise again in 2020, letting approximately 30% of the apartments to people with the corresponding entitlement.

In addition, we set up a coronavirus relief fund in the reporting year for tenants, business partners and service providers who are experiencing financial distress as a result of the COVID-19 pandemic.

Our estates, in which people live, work and make their home, should contribute to creating a liveable environment. The architecture of our portfolio covers a wide range of styles and eras, from a listed classical modernist estate and stylish historic buildings to large estates and new builds. Around 1,500 playgrounds make our estates especially attractive for families with children. The majority of our buildings are surrounded by open, green areas. In its grounds management programme, Deutsche Wohnen develops the outdoor areas of its estates to make them more pleasant places to spend time and to maintain and encourage a diverse natural habitat.

Making suitable spaces available to local businesses is also part of our work to develop our neighbourhoods in a healthy way that makes them more attractive to all. So we protect small businesses and subsidise the operation of childcare facilities, for example. Around 11% of the commercial space is let to non-profit initiatives and community projects.

Support for social projects

For many years we have taken a stance against domestic violence alongside other partners and initiatives. We take part in public awareness campaigns and by providing housing help to support women and children affected. In cooperation with non-profit organisations, we give homeless women and men the prospect of a new home.

We support many social projects in our neighbourhoods.

As part of our social commitments we also support many social projects in our neighbourhoods with donations and the opportunity to use commercial space free of charge. This includes the NaDu (HeyYou) day-care facility in Hanover-Sahlkamp, which was opened in 2002. In the Kreuzberg, Schöneberg, Marzahn and Hellersdorf districts of Berlin we particularly support educational, counselling and leisure activities by organisations aimed at young people and families in socially challenging situations.

We have also supported associations, social organisations and community initiatives during the coronavirus pandemic with donations to buy laptop computers, for instance, so that they can continue their work and communicate via digital means.

Communicating with policymakers and authorities

Its economic, social and ecological importance mean that the residential property market is at the centre of political and public debate. Deutsche Wohnen is a DAX 30 company and the second-largest landlord in Germany and thus has a major role to play in discussions with policymakers at federal, regional and local levels, with interest groups, the media and NGOs, which the company strives to perform responsibly. We contribute our positions and expertise to the debate to illustrate the contribution we make to achieving such political objectives as new construction and climate action and to suggest concrete solutions.

In 2020, we invited to our first climate event.

In the reporting year, Deutsche Wohnen initiated a public debate about climate action in the property sector by presenting its own concept paper, which is intended to advance the state of the discussion. The climate concept aims to resolve the current dilemma of *climate action vs. housing costs* and to combine climate action, cost-efficiency and social responsibility in a sensible way. Deutsche Wohnen has held many background meetings with politicians to discuss this approach and presented the concept to industry associations and decision-making bodies. In October 2020 the company also convened the first climate event with guests from politics, public administration, business and academia.

Berlin, 19 March 2021

Michael Zahn Chair of the Management Board	Philip Grosse Management Board	Henrik Thomsen Management Board	Lars Urbansky Management Board

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR REGARDING THE NON-FINANCIAL GROUP STATEMENT[1]

To the Supervisory Board of Deutsche Wohnen SE, Berlin

We have performed an independent limited assurance engagement on the non-financial group statement (further "Statement") of Deutsche Wohnen SE (further "Company") according to § 315b and 315c in conjunction with 289c to 289e of the German Commercial Code (HGB), for the period from January 1 to December 31, 2020.

Management's Responsibility

The legal representatives of the Company are responsible for the preparation of the Statement in accordance with §§ 315b, 315c in conjunction with 289c to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Statement and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the preparation of the Statement that is free of – intended or unintended – material misstatements.

Practitioner's Responsibility

It is our responsibility to express a conclusion on the Statement based on our work performed within a limited assurance engagement.

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", published by IAASB. Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the Statement of the Company for the period from January 1 to December 31, 2020 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor's own judgement.

1 Our engagement applied to the German version of the non-financial group statement 2020. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

Within the scope of our engagement we performed, amongst others, the following procedures:

- Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for Deutsche Wohnen SE
- A risk analysis, including media research, to identify relevant information on Deutsche Wohnen SE's sustainability performance in the reporting period
- Assessment of the suitability of internally developed definitions
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and anti-corruption and bribery matters
- Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures
- Inspection of selected internal and external documents
- Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites
- Assessment of the overall presentation of the disclosures

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

Independence and Quality Assurance on the Part of the Auditing Firm

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial group statement of Deutsche Wohnen SE for the period from January 1 to December 31, 2020 has not been prepared, in all material respects, in accordance with §§315b and 315c in conjunction with 289c to 289e HGB.

Restriction of Use/General Engagement Terms

This assurance report is issued for purposes of the Supervisory Board of Deutsche Wohnen SE, Berlin, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of Deutsche Wohnen SE, Berlin, and professional liability as descriped above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (attached). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Berlin, March 22, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Hell Mara Zimen

Consolidated financial statements

CONSOLIDATED BALANCE SHEET

as of 31 December 2020

EUR m	Notes	31/12/2020	31/12/2019
Assets			
Investment properties	D.1	28,069.5	25,433.3
Property, plant and equipment	D.3	197.0	191.5
Intangible assets	D.4	357.7	188.9
Derivative financial instruments	D.7	2.3	1.1
Other financial assets	D.8	425.0	61.8
Deferred tax assets	D.17	0.0	0.1
Non-current assets		**29,051.5**	**25,876.7**
Land and buildings held for sale	D.5	472.2	468.9
Other inventories	C.8	12.3	6.5
Trade receivables	D.6	35.9	25.0
Income tax receivables		125.6	112.2
Derivative financial instruments	D.7	0.3	0.2
Other financial assets	D.8	343.6	94.0
Other non-financial assets	C.6	9.1	11.4
Cash and cash equivalents	D.9	583.3	685.6
Non-current assets held for sale	C.10	163.6	571.2
Current assets		**1,745.9**	**1,975.0**
Total assets		**30,797.4**	**27,851.7**

EUR m	Notes	31/12/2020	31/12/2019
Equity and liabilities			
Equity attributable to shareholders of the parent company			
Issued share capital	D.10	359.9	359.7
Own shares	D.10	–16.1	–2.6
Issued capital		**343.8**	**357.1**
Capital reserve	D.10	1,688.1	2,555.5
Other reserves		–47.8	–46.3
Retained earnings	D.10	11,407.6	9,834.1
Total equity attributable to the shareholders of the parent company		**13,391.7**	**12,700.4**
Non-controlling interests	D.10	441.1	406.9
Total equity		**13,832.8**	**13,107.3**
Financial liabilities	D.11	6,444.7	6,154.4
Convertible bonds	D.12	1,762.8	1,676.9
Corporate bonds	D.12	2,875.5	1,518.6
Employee benefit liabilities	D.13	109.6	107.2
Other provisions	D.14	29.9	44.4
Trade payables		67.9	33.5[1]
Derivative financial instruments	D.7	48.7	43.6
Other financial liabilities	D.15	289.9	302.5
Deferred tax liabilities	D.17	4,412.0	3,713.8
Total non-current liabilities		**16,041.0**	**13,594.9[1]**
Financial liabilities	D.11	80.4	173.3
Convertible bonds	D.12	5.9	5.9
Corporate bonds	D.12	254.1	495.5
Other provisions	D.14	27.5	7.6
Trade payables		362.0	267.0[1]
Derivative financial instruments	D.7	8.6	8.5
Tax liabilities	D.16	60.5	26.2
Other financial liabilities	D.15	108.7	141.1
Other non-financial liabilities		15.9	24.4
Total current liabilities		**923.6**	**1,149.5[1]**
Total equity and liabilities		**30,797.4**	**27,851.7**

1 Previous year's figure amended

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the period from 1 January to 31 December 2020

EUR m	Notes	2020	2019
Income from Residential Property Management	E.1/4	1,197.8	1,191.7
Income from Nursing Operations	E.2/4	226.1	222.9
Rental income from Nursing Assets	E.4	38.2	45.5
Other income		21.7	18.6
Income from sold properties		1,251.6	767.3
Carrying amount of properties sold		–1,221.0	–569.6
Income from sold properties (development)		6.8	0.0
Carrying amount of properties sold (development)	E.3/4	–7.3	0.0
Earnings from Disposals		**30.1**	**197.7**
Cost of materials and services	E.5	–540.6	–530.4
Staff expenses	E.6	–231.8	–211.6
Other operating expenses	E.7	–104.0	–154.7
Other operating income	E.8	56.3	96.5
		693.8	**876.2**
Depreciation, amortisation and impairment	D.3/4	–40.0	–42.9
Gains/losses from the fair value adjustment of Investment properties	D.1	1,856.4	1,401.1[1]
Impairment losses on financial assets		–7.1	–3.1
Earnings before interest and taxes (EBIT)		**2,503.1**	**2,231.3**[1]
Financial income		10.3	10.9
Financial expenses	E.10	–171.7	–168.9[1]
Net income from fair value adjustment to financial instruments	D.7/12/E.11	–106.9	28.5
Earnings from investments accounted for using the equity method	B.3, E.12	8.9	2.8
Earnings before taxes (EBT)		**2,243.7**	**2,104.6**
Income taxes	E.13	–699.1	–503.7
Profit/loss for the period		**1,544.6**	**1,600.9**
Of which attributable to:			
Shareholders of the parent company		1,502.7	1,529.5
Non-controlling interests		41.9	71.4
		1,544.6	**1,600.9**
Earnings per share			
Undiluted in EUR	H	4.32	4.27
Diluted in EUR	H	4.13	3.82

1 Previous year's figure changed due to exercise of IAS 23 option

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 December 2020

EUR m	Notes	2020	2019
Profit/loss for the period		**1,544.6**	**1,600.9**
Other comprehensive income			
Items subsequently reclassified to profit or loss			
Net gain/loss from derivatives of cash flow hedges	D.7	–5.9	–12.6
Income tax effects	D.17	1.5	3.1
		–4.4	**–9.5**
Items not subsequently reclassified to profit or loss			
Net change in the fair value of equity instruments	C.8	–2.0	–1.5
Income tax effects	C.18	0.0	0.0
Actuarial gains/losses on pensions and impact of caps for assets in pension plans	D.13	–3.4	–15.1
Income tax effects	C.18	0.2	3.3
Net gains/losses from convertible bonds	C.11	10.3	–43.6
Income tax effects	C.18	–2.4	12.5
		2.7	**–44.4**
Other comprehensive income after taxes		**–1.7**	**–53.9**
Total comprehensive income after taxes		**1,542.9**	**1,547.0**
Of which attributable to:			
Shareholders of the parent company		1,501.2	1,476.1
Non-controlling interests		41.7	70.9

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 January to 31 December 2020

EUR m	Notes	2020	2019
Operating activities			
Profit/loss for the period		1,544.6	1,600.9
Financial income		–10.3	–10.9
Finance expenses		171.7	168.9[1]
Gains/losses from fair value adjustments of financial instruments	D.7/12, E.11	106.9	–28.5
Earnings from investments accounted for using the equity method	B.3/E.12	–8.9	–2.8
Income taxes		699.1	503.7
Profit/loss for the period before interest and taxes		**2,503.1**	**2,231.3[1]**
Non-cash income and expenses			
Fair value adjustment of investment properties	D.1	–1,856.4	–1,401.1[1]
Depreciation, amortisation and impairment	D.3/4	40.0	42.9
Other non-cash income and expenses	G	–4.4	–146.1
Changes in net current assets			
Changes in receivables, inventories and other current assets		–11.2	–108.4
Changes in operating liabilities		–33.1	0.6
Net operating cash flow		**638.0**	**619.2**
Proceeds from the disposal of land and buildings held for sale	G	55.6	17.5
Investments in land and buildings held for sale		–6.9	–4.2
Interest paid		–155.4	–142.6[1]
Interest received		6.4	10.9
Taxes paid		–56.0	–70.6
Taxes received		22.8	29.9
Net cash flow from operating activities		**504.5**	**460.1[1]**
Investing activities			
Proceeds from the disposal of investment properties and properties held for sale	G	1,266.0	777.7
Payments for investments in properties		–1,069.0	–1,348.7[1]
Payments for investments in other assets		–644.5	–27.4[2]
Proceeds from dividends from shareholdings and joint ventures		0.1	0.1
Payments for business combinations less cash and cash equivalents acquired		–517.1	–83.2
Other proceeds of investing activities		64.9	2.2
Payments to limited partners in funds		0.0	–0.5
Net cash flow from investing activities		**–899.6**	**–679.8[1]**

1 Previous year's figure changed due to exercise of IAS 23 option
2 Previous year's figure amended

EUR m	Notes	2020	2019
Financing activities			
Proceeds of new borrowing	D.11	571.5	508.1
Loan repayments	D.11	–533.0	–380.5
Proceeds from the issue of corporate bonds	D.12	1,998.2	1,159.5
Repayment of corporate bonds	D.12	–873.8	–341.2
One-off financing payments		–21.9	–19.5
Repayment of lease liabilities		–21.8	–20.6
Payments for the purchase and repayment of non-controlling interests		0.0	–7.4
Payments for the purchase of own shares	D.10	–507.0	–93.3
Proceeds of the capital increase	D.10	0.1	0.1
Other payments from financing activities		–2.1	–1.8
Costs of the capital increase	D.10	0.0	–0.4
Dividend paid to shareholders of Deutsche Wohnen SE	H	–312.6	–225.7
Dividends paid to shareholders of non-controlling interests		–4.8	–4.8
Net cash flow from financing activities		**292.8**	**572.5**
Net change in cash and cash equivalents		**–102.3**	**352.8**
Opening balance cash and cash equivalents		**685.6**	**332.8**
Closing balance cash and cash equivalents		**583.3**	**685.6**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as of 31 December 2020

EUR m	Share capital	Own shares	Issued capital	Capital reserve	Pensions and convertible bonds
Equity as of 1 January 2019	**357.0**	**0.0**	**357.0**	**2,918.1**	**10.5**
Profit/loss for the period					
Other comprehensive income					–44.4
Total comprehensive income					**–44.4**
Capital increase	2.7		2.7	83.0	
Cost of capital increase, less tax effect			0.0	–0.3	
Transfer from capital reserve		–2.6	–2.6	–96.8	
Contribution in connection with Management Board remuneration			0.0	–348.5	
Change in non-controlling interests			0.0		
Dividend			0.0		
Other			0.0		
Equity as of 31 December 2019	**359.7**	**–2.6**	**357.1**	**2,555.5**	**–33.9**
Equity as of 1 January 2020	**359.7**	**–2.6**	**357.1**	**2,555.5**	**–33.9**
Profit/loss for the period					
Other comprehensive income					2.7
Total comprehensive income					**2.7**
Capital increase	0.2		0.2	2.4	
Cost of capital increase, less tax effect		–13.5	–13.5	–484.4	
Acquisition of own shares			0.0	–385.3	
Transfer from capital reserve			0.0	–0.1	
Change in non-controlling interests			0.0		
Dividend			0.0		
Other			0.0		
Equity as of 31 December 2020	**359.9**	**–16.1**	**343.8**	**1,688.1**	**–31.2**

Cash flow hedge reserve	Total other comprehensive income	Retained earnings equity	Equity attributable to shareholders of the parent equity	Non-controlling interests	Total equity
–3.4	**7.1**	**8,276.9**	**11,559.1**	**349.0**	**11,908.1**
		1,529.5	1,529.5	71.4	1,600.9
–9.0	–53.4		–53.4	–0.5	–53.9
–9.0	**–53.4**	**1,529.5**	**1,476.1**	**70.9**	**1,547.0**
			85.7		85.7
			–0.3		–0.3
			–99.4		–99.4
		348.5	0.0		0.0
		–0.1	–0.1	–13.0	–13.1
		–310.6	–310.6		–310.6
		–10.1	–10.1		–10.1
–12.4	**–46.3**	**9,834.1**	**12,700.4**	**406.9**	**13,107.3**
–12.4	**–46.3**	**9,834.1**	**12,700.4**	**406.9**	**13,107.3**
		1,502.7	1,502.7	41.9	1,544.6
–4.2	–1.5		–1.5	–0.2	–1.7
–4.2	**–1.5**	**1,502.7**	**1,501.2**	**41.7**	**1,542.9**
			2.6		2.6
			–497.9		–497.9
		385.3	0.0		0.0
			–0.1		–0.1
		0.2	0.2	–7.5	–7.3
		–312.6	–312.6		–312.6
		–2.1	–2.1		–2.1
–16.6	**–47.8**	**11,407.6**	**13,391.7**	**441.1**	**13,832.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

A General remarks on the consolidated financial statements of Deutsche Wohnen SE

1 The Deutsche Wohnen Group

The consolidated financial statements of Deutsche Wohnen SE ("Deutsche Wohnen") as at 31 December 2020 were prepared by the Management Board on 19 March 2021. The Supervisory Board is scheduled to approve the consolidated financial statements at its meeting on 22 March 2021. Deutsche Wohnen SE is a publicly listed property company which is based in Germany and operates nationally. Its headquarters are located at Mecklenburgische Straße 57, 14197 Berlin, and it is entered in the Commercial Register held at Berlin-Charlottenburg Local Court, HRB 190322 B.

The operating activities of Deutsche Wohnen SE are limited to its role as a holding company for the entities in the Group, which comprises all the key central functions. The operating subsidiaries focus on property management, disposals/acquisitions, project development, nursing care services and property-related services.

The consolidated financial statements are presented in EUR. Unless stated otherwise, all figures are rounded to the nearest thousand euros (EUR thousand) or million euros (EUR m). For arithmetical reasons, there may be rounding differences between the tables and references and the exact mathematical figures.

2 Consolidated financial statements

The consolidated financial statements of Deutsche Wohnen and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) and the commercial law provisions applicable in a supplementary capacity pursuant to section 315e(1) of the German Commercial Code [Handelsgesetzbuch – HGB].

The consolidated financial statements have been prepared on an amortised cost basis. This does not apply to investment properties, equity instruments, convertible bonds and derivative financial instruments in particular, which are measured at fair value.

The consolidated financial statements comprise the financial statements of Deutsche Wohnen and its subsidiaries as of 31 December of each financial year. The subsidiaries' financial statements are prepared using uniform accounting policies and valuation methods with the same reporting date as the parent company's financial statements.

3 Application of IFRS in the financial year

The accounting methods used for the consolidated financial statements as of 31 December 2019 were applied unchanged, with the exception of new and amended standards and interpretations and a change in how the option for borrowing costs was exercised in the reporting year.

The Deutsche Wohnen Group has revised the structure of the consolidated income statement to reflect its broader range of business activities. It is structured in line with IAS 1.102 "Total cost method". The previous year's figures have been adjusted accordingly.

Because the scope of project work for portfolio properties is being expanded, the Deutsche Wohnen Group has exercised the option in IAS 23.4 of capitalising borrowing costs for qualifying assets measured at fair value differently as from 2020 and has adjusted the prior years accordingly. In the current financial year, interest expenses of EUR 8.8 million (previous year: EUR 5.6 million), were capitalised. The contribution from the fair value measurement of investment properties is correspondingly lower. This change has no effect on earnings for the period or equity, since the capitalisation of borrowing costs has no impact on fair value.

First-time application of new standards in financial year 2020:

In March 2018 the IASB published a revised version of the Conceptual Framework. The revised Conceptual Framework extends in particular to a new chapter on the measurement of assets and liabilities, guidelines for presenting earnings, revised definitions of assets and liabilities, and clarification of the accountability function and the precautionary principle in the context of the objective of IFRS financial reporting. References to the Conceptual Framework in various standards were adjusted in conjunction with the amendments to the Conceptual Framework. There was no material impact on the consolidated financial statements of Deutsche Wohnen.

In October 2018 the IASB published an amendment to IFRS 3 Business Combinations concerning the definition of a business. In it the IASB clarifies the three elements of a business. The new standard also includes an optional "concentration test", intended to simplify the identification of a business. There was no material impact on the consolidated financial statements of Deutsche Wohnen.

In October 2018 the IASB published amendments to the definition of materiality in financial statements. The amendments, in combination with additional notes on the application of IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", are particularly intended to make it easier for preparers of IFRS financial statements to assess materiality. The amendments also ensure that the definition of materiality is harmonised across all IFRS. There was no material impact on the consolidated financial statements of Deutsche Wohnen.

In September 2019 the IASB published proposals for amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 9 "Financial Instruments" concerning uncertainties in connection with the first phase of the IBOR reform. The amendments relate to certain hedge accounting standards and are intended to ensure that current hedge accounting can be continued. There was no material impact on the consolidated financial statements of Deutsche Wohnen.

In May 2020 the IASB published an amendment to IFRS 16 "Leases". These amendments give lessees a temporary exemption from assessing whether a COVID-19-related rent concession is a lease modification. There was no material impact on the consolidated financial statements of Deutsche Wohnen.

Otherwise there were no changes from IFRS or IFRIC applicable for the first time in 2020 that had a material impact on the consolidated financial statements of Deutsche Wohnen.

Standards that are not yet mandatory:

published IFRS standards that have been endorsed by the EU but are not yet mandatory are shown below:

In August 2020 the IASB published proposals for amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 9 "Financial Instruments" concerning uncertainties in connection with the second phase of the IBOR reform. The amendments supplement the requirements of the first phase of the project and address matters that could affect financial reporting after the reform of reference interest rates, including their replacement by alternative reference interest rates. The amendments are applicable from 1 January 2021. Deutsche Wohnen is currently analysing their potential impact.

The following IFRS standards have not yet been incorporated into EU law and as such do not yet apply:

In May 2020, in conjunction with the revised Conceptual Framework, the IASB published amendments to IFRS 3 "Business Combinations" adapting references to the Conceptual Framework 2018. No changes were made to the accounting rules for business combinations. The amendments are planned to apply from 1 January 2022. Deutsche Wohnen does not expect any material impact from the amendment.

In May 2020 the IASB published a clarification to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" relating to the cost of fulfilling an onerous contract. It stipulates that the cost of fulfilling a contract comprises costs that would not be incurred without the contract, as well as other costs directly attributable to the contract. The amendments are planned to apply from 1 January 2022. Deutsche Wohnen does not expect any material impact from the amendment.

In May 2020 the IASB published amendments to IAS 16 "Property, Plant and Equipment" relating to revenues from an asset that is not yet ready for operation. The sales proceeds for items produced in test runs and their production costs are to be recognised through profit or loss in accordance with the relevant standards and not recognised as part of the costs of the asset. The amendments are planned to apply from 1 January 2022. This is not expected to have any effect on Deutsche Wohnen.

The IASB also published Annual Improvements to IFRS Standards 2018 – 2020 Cycle in May 2020. The improvements consist of clarifications for the standards IFRS 1 "First-time Application of IFRS", IFRS 9 "Financial Instruments", IFRS 16 "Leases" and IAS 41 "Agriculture". The amendments are planned to apply from 1 January 2022. Deutsche Wohnen is currently analysing their potential impact.

In January 2020 the IASB published amendments to IAS 1 "Presentation of Financial Statements". They comprise clarifications of the criteria for classifying liabilities as current or non-current, as well as supplementary guidance and comments. The amendments are planned to apply from 1 January 2023. Deutsche Wohnen is currently analysing their potential impact.

The IASB and the IFRS IC did not publish any further pronouncements or amendments to standards in the reporting year or up to the approval of the consolidated financial statements that could have a material impact on the consolidated financial statements.

4 Key judgements, estimates and assumptions

Preparing the consolidated financial statements requires the management to make judgements, estimates and assumptions that affect the amount of income, expenses, assets and liabilities and the presentation of contingent liabilities as of the reporting date. The uncertainty resulting from these assumptions and estimates may lead to results that require significant changes to be made in future to the carrying amounts or the presentation of the assets or liabilities concerned.

Judgements

Company management made the following judgements with a material effect on the amounts in the financial statements when applying accounting policies and valuation methods. To the extent that disclosures on judgements are required by individual standards, a note to the corresponding item has been made.

Operating lease commitments – Group as lessor

The Group has signed leases to let its investment properties. An analysis of the contract terms shows that substantially all the risks and rewards of ownership of these properties remain with the Group, which therefore accounts for these contracts as operating leases.

Classification of nursing assets as investment properties.

In its Nursing and Assisted Living segment Deutsche Wohnen's business model is to hold nursing assets to generate rental income and/or for capital appreciation. The decision to classify the nursing properties which are managed by its KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG as investment properties was largely based on the analysis of two criteria: on the one hand, fluctuations in operating cash flows from nursing services (excluding the rents for the related residential units or nursing beds) are examined and, on the other hand, the earnings from the provision of nursing care services are set against the rental income from the residential units in the nursing properties as a means of assessing the significance of the nursing care services for the material financial management parameter FFO I. Due to the relatively minor fluctuations in the operating cash flows from the aforementioned provision of nursing care services and the negligible size of the contribution of these services towards the amount of the FFO I in comparison with the rental income, these properties are reported on the balance sheet as investment properties.

Estimates and assumptions

The main forward-looking assumptions and other key sources of estimation uncertainty as of the reporting date are explained below if they entail a considerable risk that the carrying amounts of assets and liabilities will have to be materially restated within the next financial year.

The fair value of investment properties and properties held for sale

The fair value of the residential and commercial properties held for investment purposes was determined on an internal basis and confirmed externally by means of portfolio valuations as at 30 June 2020 and 31 December 2020. Properties are divided into clusters on the basis of their location and quality. Assumptions regarding changes in rents, vacancies and maintenance costs, as well as discount and capitalisation rates, are largely made on the basis of these clusters. Nursing and project assets were valued by an external appraiser as of 31 December 2020. The valuation is largely based on assumptions about market rents, discount rates and maintenance costs. All valuation assumptions are subject to assumptions due to their long-term nature, which can result in positive and negative changes in value in the future. The carrying amount of the investment properties and properties held for sale amounted to EUR 28.1 billion (previous year: EUR 25.4 billion). For further information, see Note D.1 "Investment properties".

Impairment testing of goodwill

Deutsche Wohnen tests goodwill for impairment annually and if there is any indication of impairment. This entails estimating the recoverable amount of the cash generating unit. This is the higher of fair value less costs of disposal and value in use. Measuring value in use requires estimates and assumptions to be made about the underlying future cash flows and costs of capital. Although company management assumes that the estimates and assumptions are reasonable, any unforeseeable changes could result in an impairment loss. For further information, see Note D.4 "Intangible assets".

Pensions and other post-employment benefits

Expenses for post-employment defined-benefit plans and the measurement of the corresponding pension obligations are calculated using actuarial methods. The actuarial calculations are made on the basis of assumptions regarding discount rates, future wage and salary increases, mortality and future pension increases. Such estimates are subject to key uncertainties in view of the long-term nature of these plans. The employee benefit liabilities amounted to EUR 109.6 million as at 31 December 2020 (previous year: EUR 107.2 million). For further information, see Note D.13 "Pension obligations".

Deferred taxes

Accounting for deferred taxes requires in particular estimates of tax rates, the reversal of temporary differences and the use of deferred tax assets from tax loss carryforwards. The underlying assumptions are subject to uncertainty. After netting the deferred tax assets amounted to EUR 0.0 million as at 31 December 2020 (previous year: EUR 0.1 million) and the deferred tax liabilities to EUR 4,412.0 million (previous year: EUR 3,713.8 million). For further information, see Note D.17 "Deferred taxes".

B Basis of consolidation and consolidation methods

1 Basis of consolidation

The consolidated financial statements comprise those of Deutsche Wohnen SE and the subsidiaries it controls from the time of their acquisition, i. e. from the date on which the Group obtains control over the entities in question. They will continue to be consolidated until the date on which the parent company relinquishes such control. The composition of the Deutsche Wohnen Group can be seen in the list of shareholdings attached as Appendix 1.

A total of 160 entities (previous year: 149) were included in the consolidated financial statements by way of full consolidation in 2020 (Annexe 1).

Two subsidiaries were merged with other subsidiaries in the course of mergers within the group. Two new entities structured as German limited companies were founded within the SYNVIA Group. In the Nursing Operations segment, one entity trading as a German limited company left the consolidated group due to a merger. This did not have any material effect on the company's assets financial performance or position.

In the Residential Property Management segment Deutsche Wohnen also acquired the project business of ISARIA Wohnbau AG (hereafter known as "ISARIA") which had previously belonged to Lone Star, a US financial investor. The business acquired consists largely of ten project companies, one personnel company and two project properties. The acquisition date on which Deutsche Wohnen SE gained control over the acquired business is 1 July 2020. As of this date Deutsche Wohnen held 100% of the shares in the acquired entities and the risks and rewards of the project properties had been transferred. ISARIA specialises in converting commercial areas into sustainable urban neighbourhoods with modern housing. Deutsche Wohnen acquired the housing development company for its own portfolio and expects it to strengthen the sustainable profitability of its Residential Property Management segment.

In the six months to 31 December 2020 ISARIA contributed revenues of EUR 7.4 million and a loss of EUR 19.4 million to consolidated net income. If the acquisition had taken place as of 1 January 2020 Group revenues would have been EUR 15.7 million higher and consolidated net income for 2020 EUR 22.3 million lower.

Compensation paid for the acquisition of ISARIA comprises a cash component of EUR 543.9 million, including the repayment of EUR 338.8 million in loans and accrued interest of EUR 1.6 million.

The purchase price allocation to the assets and liabilities acquired from ISARIA as of the date of first-time consolidation is based on an external assessment of the fair value of these assets and liabilities.

The assets and liabilities acquired have the following fair values:

EUR m	
Investment properties	509.4
Intangible assets	2.2
Land and buildings held for sale	32.3
Trade receivables	9.5
Cash and cash equivalents	26.5
Other assets	9.7
Total assets	**589.6**
Financial liabilities	–138.8
Trade payables	–3.2
Deferred tax liabilities	–70.0
Other liabilities	–5.3
Total liabilities	**–217.3**
Net assets at fair value	**372.3**
Total consideration	543.9
Goodwill	**171.6**

The fair value of the brand is measured using the licence analogy method and essentially represents the intangible assets acquired. The measurement of investment properties and land and buildings held for sale was performed by Jones Lang LaSalle SE, an external appraiser.

Goodwill essentially represents the forecast earnings potential of the business acquired and potential synergies resulting from integrating ISARIA into the Residential Property Management segment.

The gross amount of the purchased trade receivables corresponds to their fair value.

This acquisition incurred transaction costs in connection with a business combination accounted for in line with IFRS 3 of EUR 23.4 million, which mainly consist of land transfer taxes of EUR 22.0 million.

2 Consolidation methods

The subsidiaries' financial statements are prepared using uniform accounting policies and valuation methods with the same reporting date as the parent company's financial statements. Subsidiaries are fully consolidated from the time of their acquisition, this being the date on which the Group obtains control over them. They continue to be consolidated until the date on which the parent company ceases to exercise such control over them.

Capital is consolidated in accordance with the purchase method. The acquisition costs arising in the context of the acquisition of companies and businesses are offset against the fair value of the acquired assets and liabilities at the time of the acquisition. Any difference in a positive amount resulting from this offsetting is recognised under assets as goodwill. Negative differences are reviewed and recognised through profit or loss. The time of the acquisition is the point in time at which the Group acquires the ability to exercise control over the relevant activities of the subsidiary in question, becomes exposed to fluctuations in the return on its investment and has powers of disposal with which it may influence such fluctuating returns. Differences from sales and purchases of shares to and from non-controlling shareholders are offset within equity.

All intra-group balances, transactions, income, expenses, profits and losses from intra-group transactions included in the carrying amount of assets are eliminated in full.

Joint ventures and associates are consolidated using the equity method in accordance with IAS 28. The investment is recognised for the first time at cost. For subsequent consolidation the carrying amount is modified to reflect pro rata changes in the equity of the associate or joint venture.

Non-controlling interests represent that portion of earnings and net assets that is not attributable to the shareholders of the parent company. Non-controlling interests are measured at their share of the identified net assets of the company acquired at the acquisition date. Non-controlling interests are shown separately in the consolidated income statement, the consolidated statement of comprehensive income and the consolidated balance sheet. The disclosure on the consolidated balance sheet is made within equity, separate from the equity attributable to the shareholders of the parent company.

3 Disclosure on interests in other companies

Shares in fully consolidated subsidiaries

Deutsche Wohnen SE had 159 subsidiaries on the reporting date (previous year: 148). There are no restrictions on access to the assets and liabilities of these subsidiaries.

At some companies there are non-controlling interests which are only entitled to share in earnings. Non-controlling interests in these companies are recognised in equity in the consolidated financial statements. The interests of non-controlling shareholders in GSW Immobilien AG amounted to 6.0% of the overall shareholdings as at 31 December 2020 (previous year: 6.1%). GSW Immobilien AG paid out dividends in the amount of EUR 4.8 million to non-controlling shareholders in the financial year 2020.

The following condensed information is provided for the GSW Group as a material subsidiary with non-controlling interests:

EUR m	2020	2019
Non-current assets	9,502.3	8,479.9
Current assets	195.2	532.1
Cash and cash equivalents	6.4	6.0
Non-current liabilities	−4,088.4	−3,791.0
Current liabilities	−158.2	−174.4
Net assets	**5,457.3**	**5,052.6**
Net income for the year	**484.1**	**517.7**
Other comprehensive income	0.0	0.6
Change in cash and cash equivalents	0.4	−0.6
Dividend	79.3	79.3

Deutsche Wohnen SE has assumed guarantees, sureties and other collateral vis-à-vis third parties on behalf of Group companies in the amount of EUR 2,762.0 million (previous year: EUR 2,487.8 million).

Interests in joint arrangements and associates

As of the reporting date Deutsche Wohnen holds shares in 22 joint ventures and four associates (previous year: nine joint ventures and three associates).

In 2020 Deutsche Wohnen acquired 40% of QUARTERBACK Immobilien AG, an unlisted company based in Leipzig, which was classified as a joint venture. According to IFRS financial information the QUARTERBACK Group comprised 88 fully consolidated subsidiaries and 38 subsidiaries and financial investments accounted for using the equity method which were included in the consolidated financial statements as of 31 December 2020. QUARTERBACK Immobilien AG and its subsidiaries operate particularly in the development, realisation and marketing of property projects and the management of various portfolio assets.

Deutsche Wohnen also invested in eleven unlisted financial investments of QUARTERBACK Immobilien AG, with equity interests of between 44% and 50%, which were also classified as joint ventures. The direct or indirect purpose of these special purpose entity and holdings of special purpose is the property project business.

The following table shows condensed financial information for QUARTERBACK Immobilien AG and the acquired QUARTERBACK special purpose entity, which are individually immaterial, as of 31 December 2020. The table also shows a provisional reconciliation of the condensed financial information with the carrying amount of Deutsche Wohnen's interest in QUARTERBACK Immobilien AG and the combined QUARTERBACK special purpose entity. The first-time recognition of the acquisition was not complete at the time the publication of Deutsche Wohnen's consolidated financial statements was approved, because final information from the QUARTERBACK Immobilien Group as of the acquisition date was not available. Accounting for the acquisition will be adjusted if new information about facts and circumstances in existence as of the acquisition date becomes known within one year of the acquisition date, if it would have resulted in restatements of the following amounts or additional provisions.

EUR m	QUARTERBACK Immobilien AG 2020	QUARTERBACK single asset entities 2020
Non-current assets	**627.3**	**180.7**
Current assets		
Cash and cash equivalents	72.4	–29.7
Other current assets	439.9	694.5
Total current assets	**512.3**	**664.8**
Non-current liabilities		
Financial liabilities (without trade payables)	–235.9	–24.9
Other liabilities	–173.5	–66.9
Total non-current liabilities	**–409.4**	**–91.8**
Current liabilities		
Financial liabilities (without trade payables)	–86.8	–58.3
Other current liabilities	–307.2	–456.1
Total current liabilities	**–394.0**	**–514.4**
Non-controlling interests	–30.3	–9.4
Net assets (100%)	**305.9**	**229.9**
Group interest in %	40	44 bis 50
Group interest in net assets in EUR	122.4	108.4
Group adjustments	7.2	5.5
Goodwill	90.8	–
Carrying amount of interests in joint ventures	**220.4**	**113.9**
Net revenues	199.8	67.2
Interest income	2.0	13.0
Depreciation, amortisation and impairment	–0.9	–0.3
Interest expenses	–28.6	–13.7
Income taxes	–28.2	–23.2
Profit and total comprehensive income (100%)	29.2	16.5

Provisional accounting using the equity method of the investments in the QUARTERBACK Immobilien Group produced earnings of EUR 6.5 million.

Deutsche Wohnen had business relations with the QUARTERBACK Immobilien Group in 2020. These transactions resulted from the normal exchange of goods and services and all outstanding balances were reached on arm's length terms. As of the reporting date there were outstanding loans of EUR 252.4 million, which are repayable no more than 12 months after the reporting date. The interest rate on the loans during the financial year was 3.0%. Sales of project properties by QUARTERBACK Immobilien AG to subsidiaries of Deutsche Wohnen SE amounted to EUR 292.5 million. There were outstanding receivables of EUR 0.8 million as of 31 December 2020. No guarantees were given or received. Deutsche Wohnen also made a contribution of EUR 40.0 million to the capital reserve of QUARTERBACK Immobilien AG in the reporting year.

In addition to these new shareholdings Deutsche Wohnen holds shares in ten further companies, which are currently immaterial considered individually and are accounted for using the equity method; listed market prices are not available. The table below aggregates the carrying amounts and the share of profit and other comprehensive income for these entities:

EUR m	2020	2019
Carrying amount of interests in entities accounted for using the equity method	**28.6**	**22.6**
Group interest in earnings of immaterial entities accounted for using the equity method		
Profit share of continuing operations	2.4	2.4
Other comprehensive income	–	–
Interest in other comprehensive income	**2.4**	**2.4**

Deutsche Wohnen has no significant financial liabilities or guarantees to joint ventures and associates.

Investments in non-consolidated entities

Deutsche Wohnen acquired shares in 16 special purpose entity in the QUARTERBACK Immobilien Group in 2020 that are held as financial instruments. In addition, Deutsche Wohnen holds shares in eight (previous year: five) other non-consolidated entities which are not material for the Group. These generally relate to shareholdings in other property companies. There are no material obligations towards these entities.

Deutsche Wohnen's total risk exposure in relation to these 24 shareholdings is equivalent to their carrying amounts. The carrying amounts of the non-consolidated companies amounted to EUR 23.1 million as at 31 December 2020 (previous year: EUR 2.3 million).

C Accounting policies and valuation methods

1 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of fair value is based on the presumption that the business transaction in the context of which the asset is sold or the liability is transferred occurs in either:

- the primary market for the asset or liability in question, or
- where no primary market exists, the most advantageous market for the asset or liability in question

The Group must have access to the primary or most advantageous market. The fair value of an asset or liability is measured using the assumptions on which market participants would base pricing for the asset or the liability. It is assumed that market participants act in their best economic interest.

The Group uses measurement techniques that are appropriate to the given circumstances and for which sufficient data for fair value measurement are available. The use of observable inputs should be maximised and the use of unobservable inputs should be kept to a minimum.

All assets and liabilities measured or presented at fair value in the financial statements are assigned to the fair value hierarchy described below. The fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – Valuation procedure pursuant to which the input parameter at the lowest level which is of overall significance for the fair value measurement can be directly or indirectly observed in the market.
- Level 3 – Valuation procedure pursuant to which the input parameter at the lowest level which is of overall significance for the fair value measurement cannot be observed in the market.

For assets and liabilities that are recognised in the financial statements on a recurring basis the Group determines whether any transfers between the levels of the fair value hierarchy have taken place by reviewing the classification at the end of each reporting period (based on the lowest level input that is significant to the entire measurement).

2 Investment properties

Investment properties are properties that are held to generate rental income or for the purpose of generating value and that are not used by the company itself or held for sale in the course of normal business activities. Investment properties include land with residential and commercial buildings, nursing assets, project assets, undeveloped land and land with third-party ground leases.

Investment properties are valued initially at cost, including transaction costs. Subsequent to the initial recognition, investment properties are valued at their fair value. Gains or losses arising from changes in the fair value of investment properties are reported in the profit and loss statement.

An internal valuation of the residential and commercial buildings was carried out as of 31 December 2020, 30 June 2020 and 31 December 2019. The portfolio was concurrently valued by Jones Lang LaSalle SE, Frankfurt/Main, as of 31 December 2020 and 31 December 2019 in accordance with internationally accepted valuation methodologies, and the total value was confirmed. The amount of remuneration paid to the external appraisal companies is calculated on a fixed-rate basis and is thus independent of the results of the property valuation. As a rule, the difference between the internal valuation and the external confirmation for an individual property is not larger than +/–10% above an absolute materiality threshold of +/- EUR 250 thousand. Development projects for residential and commercial buildings were valued by Jones Lang LaSalle SE. Nursing assets were valued by W&P Immobilienberatung GmbH, Frankfurt/Main.

Investment properties are derecognised when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses from the permanent withdrawal from use or disposal of investment properties are recognised in the year of their withdrawal from use or disposal.

Properties are transferred from the investment properties portfolio if there is a change of use caused by the company either starting to use the property itself or by the commencement of development with an intention to dispose.

3 Property, plant and equipment

Property, plant and equipment are stated at cost net of cumulative depreciation and amortisation and cumulative impairment losses. Subsequent acquisition costs are recognised if it is probable that the future economic benefits associated with the asset will flow to Deutsche Wohnen.

Straight-line depreciation and amortisation is based on the estimated useful life of the asset. The useful life of buildings is 50 years. The useful life of fixed assets is four to ten years. Any amortisation of these assets is recognised as such under expenses in the consolidated profit and loss statement.

The carrying amount of property, plant and equipment is tested for impairment if there is any indication that the carrying amount of an asset exceeds its recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss resulting from derecognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount and is recognised in the consolidated profit and loss statement in the period in which the item is derecognised.

Residual values of assets, useful lives and depreciation methods are reviewed and adjusted as necessary at the end of each financial year.

4 Intangible assets

Deutsche Wohnen only recognises purchased intangible assets. They are measured at cost. There are currently no economic or legal restrictions on the use of the intangible assets.

Intangible assets with a certain useful life are amortised on a straight-line basis over their respective useful lives. Their useful lives are between three and twenty years. Any amortisation of these assets is recognised as such under expenses in the consolidated profit and loss statement.

Intangible assets with an indefinite useful life, particularly goodwill, are not amortised. Goodwill is tested annually for impairment and other intangible assets if there is an indication that they are impaired.

5 Borrowing costs

Borrowing costs directly attributable to the purchase, construction or production of a qualifying asset are capitalised. Deutsche Wohnen exercises the option in IAS 23.4 of capitalising borrowing costs for qualifying assets held at fair value for investment properties and project properties. Other borrowing costs are recognised as expenses in the period in which they are incurred.

6 Impairment of non-financial assets

Non-financial assets consist essentially of property, plant and equipment, intangible assets and inventories. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If there is any such indication the Group estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of the fair value of an asset or cash generating unit less costs of disposal and its value in use. The recoverable amount is measured for each individual asset, unless the asset does not generate cash flows that are largely independent of those of other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

Goodwill acquired in business combinations is tested at least annually for impairment. To test for impairment, goodwill must be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. Each unit represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill of EUR 319.7 million is allocated as followed for this purpose: EUR 171.6 million to the the Residential Property Management segment, EUR 140.0 million to the Nursing Operations segment and EUR 8.1 million to the SYNVIA Group.

Goodwill is tested for impairment by determining the value in use of the cash generating units by reference to forecast future cash flows derived from actual figures, which are extrapolated for a detailed planning phase at a typical growth rate for the sector. The value in use of the cash generating units is largely determined by the terminal value, however. Terminal value depends on the projected cash flow in the fifth year of the medium-term planning as well as the growth rate of the cash flows thereafter and the discount rate. For further information, see Note D.4 "Intangible assets".

Non-financial assets are assessed on each reporting date in order to ascertain whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If there is any such indication the Group estimates the recoverable amount of the asset. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. In this case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of scheduled depreciation and amortisation, had no impairment loss been recognized for the asset in previous years. Any reversal is recognised in earnings for the period. Impairment losses on goodwill are not reversed.

7 Financial assets

Deutsche Wohnen classifies its financial assets in the following measurement categories:

- at fair value (either through profit or loss or through other comprehensive income), and
- at amortised cost.

Classification depends on the company's business model for the financial assets and on the contractual cash flows. If the financial asset is held to collect contractual cash flows consisting solely of interest and principal payments, the asset is held at amortised cost. All other financial assets are measured at fair value. Gains and losses are recognised through profit or loss if the Group does not exercise the option of measuring equity instruments at fair value through other comprehensive income.

Arm's-length purchases or disposals of financial assets are recognised as at the trading date, i.e. the date on which the Group undertakes to buy or sell the asset. Financial assets are derecognised when contractual rights to receive the cash flows from the financial asset expire or are transferred and the Group has transferred essentially all the risks and rewards of ownership.

For first-time recognition the Group measures a financial asset at fair value, plus – in the case of a financial asset at fair value through other comprehensive income – the transaction costs directly attributable to this asset. Transaction costs of financial assets at fair value through profit or loss are recognised as expenses in the consolidated income statement.

Financial assets with embedded derivatives are considered as a whole to determine whether their cash flows consist solely of payments of principal and interest.

Loss allowances for debt instruments are based on expected credit losses. The Group uses the simplified approach for trade receivables, which entails recognising the credit losses expected over the full lifetime at the first-time recognition of the receivable. Loss allowances on receivables from rental activities are recognised depending on the extent to which those receivables are past due. Appropriate individual loss allowances are recognised for other financial assets.

Interest rate swaps are reported at their fair value on the basis of market-aligned valuation models.

A financial asset (or part of a financial asset or part of a group of financial assets) is derecognised when the contractual rights to cash flows from a financial asset expire.

8 Inventories

Inventories comprise land and buildings held for sale and other inventories. Land and buildings held for sale are sold in the normal course of business, which may exceed a period of twelve months.

The initial valuation is made at cost. Costs of purchase include the direct costs of purchasing and making the assets available for use, i.e. the costs of purchasing land, in particular, and incidental purchase costs. Costs of production include the costs directly attributable to the property development process and borrowing costs to the extent that they are incurred during the production period. At the reporting date, the inventories are valued at the lower of cost and net realisable value. The forecast net realisable value corresponds to the expected sales proceeds in the normal course of business, less distribution and production costs up to completion.

9 Cash and cash equivalents

Cash and cash equivalents on the consolidated balance sheet comprise cash on hand and cash at bank.

10 Assets held for sale

Deutsche Wohnen accounts for investment properties and the associated financial liabilities as assets held for sale if contracts have been signed as of the reporting date, but title is conveyed later. Properties held for sale are valued at their fair value.

11 Financial liabilities

Deutsche Wohnen classifies financial liabilities as defined in IFRS 9 either as
- other financial liabilities measured at amortised cost,
- financial liabilities at fair value or
- derivative financial liabilities.

Financial liabilities and corporate bonds

Loans and corporate bonds are recognised for the first time at fair value less the transaction costs directly associated with the borrowing. After initial recognition, the interest-bearing loans are subsequently valued at amortised cost using the effective interest method. Gains and losses are recognized in the profit or loss statement when the liabilities are derecognized or during the amortisation process.

Convertible bonds

Convertible bonds, which, as financial instruments comprising bonds and share options, can be redeemed by the company either in cash or in the form of shares upon their conversion by creditors, and for which securities listings can be identified on the markets, will be valued, when reported for the first time, at the fair value commensurate with their nominal value. Transaction costs related to the issue are recognised as finance expenses. As a result of the application of the fair value reporting option to compound financial instruments, the convertible bonds are subsequently valued at their market price on the relevant balance sheet date. Measurement gains and losses are recognised in other comprehensive income to the extent that they are due to changes in the default risk of the convertible bond. The remaining portion of measurement gains and losses is recognised through profit or loss.

Trade payables and other liabilities

Liabilities are initially recognised at their fair value. After initial recognition, they are valued at amortised cost using the effective interest method. Gains and losses are recognized in the profit or loss statement when the liabilities are derecognized or during the amortisation process.

A financial liability is derecognised when the underlying obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability at the time value. The difference between the two carrying amounts is recognised in earnings for the period.

12 Pensions and other post-employment benefits

Pension provisions are recognised for obligations (retirement, invalidity, surviving dependant benefits), vested entitlements and current benefits to active and former employees and their surviving dependants. In total, there are pension commitments for 2,111 employees (of which 406 are active employees and 1,705 are retired employees and pensioners), which provide for pension payments on the basis of length of service and the salary level at retirement age (previous year: 2,013 employees, of which 431 were active employees and 1,582 former employees and pensioners).

Expenses for defined-benefit plans are calculated using the projected unit credit method. Actuarial gains and losses are recognised in other comprehensive income.

Deutsche Wohnen pays contributions to government pension agencies under defined contribution plans in accordance with legislation. Current contributions are shown as social security expenses in staff expenses. The Group has no further obligations once it has paid the contributions.

There is also a pension plan drawn up in accordance with the regulations governing public sector supplementary pensions. It is based on membership of a Group company in the Bayerische Versorgungskammer (hereinafter "BVK") – the supplementary pension fund for municipalities in Bavaria – as well as the Pension Institution of the Federal Republic and the Federal States (Versorgungsanstalt des Bundes und der Länder, hereinafter "VBL"). The supplementary pension scheme consists of partial or full incapacity benefits and a retirement pension as a full pension or a pension paid to surviving dependants. The charge levied by the BVK and the VBL is determined on the basis of the employees' compensation used to calculate the supplementary pension contribution. Structural changes or an exit from the VBL could result in significant demands for compensation.

The BVK and the VBL each therefore constitute a multi-employer defined benefit plan that, in accordance with IAS 19.30 (a), is accounted for as a defined contribution plan because the companies do not provide sufficient information to account for the plan as a defined benefit plan.

No concrete information is available about any surplus or shortfall in plan assets or any related future impact on Deutsche Wohnen. Plan surpluses/deficits could in the future result in an increase/a reduction in the amount of the premiums to be paid by Deutsche Wohnen to the BVK and the VBL.

13 Provisions

A provision is recognised if the Group has a present obligation (legal or constructive) as a result of a past event, the outflow of resources to settle the obligation is probable, and the amount can be estimated reliably. If the Group expects at least the partial reimbursement of a recognised provision (under an insurance policy, for example), the reimbursement is only recognised as a separate asset if the reimbursement is as good as certain. The expense involved in establishing the provision will be reported in the profit and loss statement net of the reimbursed amount. If the interest effect is material, provisions are discounted at a pre-tax rate that reflects the specific risks of the obligation. If obligations are discounted, the increase in the provision over time is recognised as a finance expense.

14 Leases

Deutsche Wohnen accounts as a lessee for all contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration, recognising at present values a right-of-use asset for the leased item and a corresponding liability for the payment obligations incurred. Any renewal and termination options are taken into account when determining the lease term. Payment obligations are discounted at the incremental borrowing rate, since the Group cannot reliably determine the interest rates implicit in the lease. The right-of-use asset is initially measured at cost, which is made up of the amount of the lease liability, lease incentives, contract and restoration costs. Subsequent measurement of right-of-use assets is the same as for comparable purchased assets, so items of property, plant and equipment are depreciated on a straight-line basis and investment properties measured at fair value.

The Group uses the exemption for low-value leases and leases with a term of less than twelve months, recognising lease payments as expenses on a straight-line basis through profit or loss. The Group also uses the practical expedient of not separating the lease and non-lease components of vehicle leases.

If Deutsche Wohnen acting as lessor signs a lease which transfers substantially all of the risks and rewards to the lessee, the future lease payments by the client are recognised in place of the leased item as lease receivables equal to the net investment in the lease.

Tenancy agreements that Deutsche Wohnen signs with its tenants are classified as operating leases. Accordingly, the Group acts as lessor in a diverse range of operating lease agreements (tenancies) for investment properties from which it obtains the largest part of its income and revenues.

15 Recognition of income and expenses

Revenue from contracts with customers

Revenues from goods or services are recognised for the amount the Group expects to receive when control passes from Deutsche Wohnen to the customer either over time or at a point in time, after the performance obligation has been satisfied. The Group generates revenue from contracts with customers for nursing services, the sale of properties and the invoicing of operating costs. For income from operating costs the Group acts as the principal for the contracted services with regard to tenants and bears the inventory risk.

Income from the sale of project properties is recognised either at a point in time or over time as defined in IFRS 15, when the customer gains control of the relevant asset. Deutsche Wohnen generally meets the criteria for transfer of control over time when selling its property assets and recognises revenue using the percentage-of-completion method for the construction project from the time the contract with the customer is signed (cost-to-cost method). Revenue is measured on the basis of consideration defined in the contract with customers.

Additional costs of contract origination are capitalised and depreciated over time. If the period between the date of the contract and acceptance of freehold property and pro rata commonhold property is not longer than one year, the contract origination costs are not capitalised but expensed immediately. Existing warranties are always recognised in accordance with IAS 37.

Rental income

Rental income is recognised monthly over the period of the leases in accordance with the tenancy agreement.

Expenses

Expenses are recognised as soon as they are incurred in economic terms.

Interest expenses and income

Amounts of interest are recognised as expenses or income in the period in which they accrue.

Long-term performance related remuneration includes share-based remuneration components. The remuneration components to be expensed over the vesting period correspond to the fair value of the equity-based remuneration on the reporting date. Time values are measured on the basis of acknowledged valuation models. Liabilities are recognised for an equal amount.

16 Government grants

Government grants are recognised when it is sufficiently certain that they will be received and the company meets the applicable conditions. In the case of a grant related to an expense item, it is recognised as planned income over the period necessary to match the grant on a systematic basis to the expenses that it is intended to compensate.

Deutsche Wohnen has received government grants in the form of grants and loans to cover expenses and loans at preferential interest rates.

Grants to cover expenses, in the form of rent subsidies, are recognised in the period in which the rent in question is collected. They are recognised as income from residential property management.

Loans to cover expenses and at preferential interest rates are property loans and are presented as finance liabilities. Both have benefits compared with standard market loans, such as lower interest rates or interest and repayment holidays. The loans are initially measured at fair value and are subsequently carried at amortised cost. They are accompanied by restrictions on increasing the rent of the properties, however, which are taken into account for the fair value measurement.

17 Own work capitalised

Direct costs and production-related overhead incurred for construction work are recognised through profit or loss as an addition to the carrying amount of the property when it is probable that the future economic benefits of the construction work will flow to Deutsche Wohnen. Income from initial recognition is shown in the consolidated income statement as other operating income and the addition is subsequently measured in line with the valuation method for the property.

18 Taxes

Current tax assets and tax liabilities

Current income tax assets and liabilities for the current period and for previous periods are valued at the amount expected to be reimbursed by or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those enacted as at the reporting date. The amount of the forecast tax asset or liability is a best estimate that takes any tax uncertainty into account.

Deferred taxes

Income taxes are recognised and measured in accordance with IAS 12. Deferred income tax assets and liabilities are recognised for temporary differences. Taxable and deductible temporary differences are calcuated by comparing the IFRS carrying amounts and the local tax bases of assets and liabilities (adjusted for permanent differences). The tax base is calculated according to the tax regulations of the respective tax jurisdiction where the item is taxed.

Deferred tax liabilities are recognised for all taxable temporary differences with the following exception: the deferred tax liability on taxable temporary differences in connection with investments in subsidiaries, associates and joint ventures is not recognised if the time at which the temporary differences reverse can be controlled and it is likely that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax loss carryforwards, and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the unused tax loss carryforwards and tax credits can be offset. The following exceptions apply:

- Deferred tax assets may not be recognised for deductible temporary differences resulting from the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect accounting profit or taxable profit.
- Deferred tax assets for deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, are only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference will be utilised.

The carrying amount for deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the deferred tax asset to be utilised. Unreported deferred tax assets are reviewed on every balance sheet date and reported to the extent that it appears likely that future taxable earnings will allow for the realisation of the deferred tax asset in question.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period. Deferred taxes reflect any income tax uncertainty.

Income taxes relating to items recognised in other comprehensive income or directly in equity are recognised in other comprehensive income or directly in equity and not in the consolidated income statement. Changes in deferred tax assets are recognised in or off the profit and loss statement on the basis of a reasonable pro rata allocation (IAS 12.63c).

Deferred tax assets and liabilities are offset if the Group has the legal right and the intention to settle on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realise the asset and settle the liability at the same time.

19 Derivative financial instruments and hedging transactions

The Group uses derivative financial instruments to hedge interest rate risks. These derivative financial instruments are recognised at fair value at the time of the contract. Derivative financial instruments are recognised as financial assets if their fair value is positive and as financial liabilities if their fair value is negative. They are subsequently valued at their fair value.

This is calculated using the discounted cash flow method, with the calculation of the present value taking account of individual credit ratings and other market factors in the form of credit rating and liquidity spreads such as are customary in the market. The valuation also takes account of the risk of non-performance (counterparty risk) and the company's own default risk in accordance with IFRS 13.42 et seq.

Deutsche Wohnen accounts for interest rate swaps according to the hedge accounting rules in IFRS 9 if the criteria are met. Hedge accounting requires documentation of the hedging relationship between the hedged item and the hedging instrument, and evidence that the hedge is effective. IFRS 9 also stipulates that if the hedging relationship is effective, the change in the value of the effective portion of the hedge is recognised in equity and the change in the value of the non-effective portion is recognised in the consolidated income statement. Deutsche Wohnen has tested the effectiveness of the interest rate hedges on a prospective basis (hypothetical derivative method). Gains and losses from fair value changes in derivative financial instruments that do not fulfil the criteria for hedge accounting are recognised immediately through profit or loss. The time values of interest rate swaps are classified as current or non-current assets depending on the terms of the contract.

Deutsche Wohnen only hedges cash flows resulting from future interest payments.

20 Share-based remuneration

In the period from 2014 to 2017 the Management Board of Deutsche Wohnen received share-based remuneration in the form of subscription rights (share options). The share option programme was an option plan settled with equity instruments.

Expenses for the issue of share options are measured at the fair value of the share options at the time they are awarded. Fair value was measured using generally acknowledged option pricing models. Issuing expenses for share options were recognised and equity (capital reserve) was increased accordingly at the same time.

The dilutive effect of outstanding share options is taken into account as additional dilution when calculating earnings per share if the issue of share options and their underlying conditions results in an imputed dilution of existing shareholders.

A restricted share unit (RSU) programme was introduced for Management Board members in 2019 which is classified as share-based, cash-settled remuneration. The assets or services acquired in the course of this remuneration programme and the corresponding liability are recognised at the fair value of the liability. The fair value of the liability is to be remeasured on each reporting date and on the settlement date until it is settled. All changes in fair value are recognised through profit or loss.

In the financial year 2020, individual Management Board members were granted subscription rights to SU (share units) under certain conditions as part of a compensation agreement. This is classified as share-based remuneration. Settlement of 40% in cash and 60% in own shares was agreed. The assets or services acquired in the cash component of this remuneration programme and the corresponding liability are recognised at the fair value of the liability. The fair value of the liability is to be remeasured on each reporting date and on the settlement date until it is settled. All changes in fair value are recognised through profit or loss. The assets or services acquired in the share component of this remuneration programme and the corresponding increase in equity must be carried at the attributable fair value of the assets or services acquired when granted.

D Disclosures on the consolidated balance sheet

1 Investment properties

Investment properties are carried at fair value. Fair value developed as follows during the financial year:

EUR m	Residential and commercial properties	Residential project properties	Nursing facilities	Total
	31/12/2020	31/12/2020	31/12/2020	31/12/2020
Opening balance	**23,906.9**	**333.0**	**1,193.3**	**25,433.2**
Additions	675.0	0.3	0.9	676.2
Additions by way of company acquisitions	0.0	509.4	0.0	509.4
Other additions	300.6	68.7	18.7	388.0
Disposals	–23.8	0.0	–0.3	–24.1
Fair value adjustment	1,650.4	3.2	–0.8	1,652.8
Reclassification within IAS 40	–71.3	71.3	0.0	0.0
Reclassification to other measurement categories	–564.8	0.0	–1.2	–566.0
Closing balance	**25,873.0**	**985.9**	**1,210.6**	**28,069.5**

EUR m	Residential and commercial properties	Residential project properties	Nursing facilities	Total
	31/12/2019	31/12/2019	31/12/2019	31/12/2019
Opening balance	**22,128.4**	**312.6**	**1,340.6**	**23,781.6**
Additions	932.8	–12.9	0.1	920.0
Additions by way of company acquisitions	0.0	0.0	0.0	0.0
Other additions	401.1[1]	12.8	21.8[1]	435.7[1]
Disposals	–533.8	0.0	0.0	–533.8
Fair value adjustment	1,389.8[1]	20.5	–9.2[1]	1,401.1[1]
Reclassification within IAS 40	0.0	0.0	0.0	0.0
Reclassification to other measurement categories	–411.4	0.0	–160.0	–571.4
Closing balance	**23,906.9**	**333.0**	**1,193.3**	**25,433.2**

1 Previous year's figure changed due to exercise of IAS 23 option

Reclassification to other measurement categories essentially comprises properties reclassified as non-current assets held for sale in the current financial year. It is expected that the risks and rewards of these properties will be transferred by the end of 2021. Additions also include payments made on account for investment properties. Other additions particularly comprise capitalised construction work.

Investment properties are measured using valuation models classified as Level 3 of the measurement hierarchy in IFRS 13 Fair Value Measurement. The resulting valuation of EUR 1,652.8 million was recognised in full in the consolidated income statement. Measurement of properties reclassified as non-current assets held for sale on the basis of the notarised sales contracts resulted in a valuation of EUR 203.6 million, which was also recognised through profit or loss. Valuation gains are unrealised until the properties are sold on market terms.

Residential and commercial buildings

The following principles developed in the course of the periodic internal measurement were applied to the valuation of residential and commercial buildings as of 31 December 2020, 30 June 2020 and 31 December 2019.

Valuation on the basis of defined clusters:

- Calculation of annual rates of rental increase and target vacancy rates based on the location and characteristics of the property,
- Calculation of discount rates for the detailed budgeting phase,
- Calculation of capitalisation rates in perpetuity.

Formulation of the valuation based on individual properties:

- Determination of the market rent as at the reporting date,
- Development of rent per sqm of lettable area based on market rent and current gross rent,
- Development of costs (maintenance, management, default risk and non-recoverable operating costs, ground rents (if relevant)),
- Determination of cash flows from annual proceeds and payments and the terminal value at the end of year ten, based on the recurring cash flow expected in year eleven,
- Calculation of fair value for the management unit as of the measurement date.

The discount and capitalisation rates were calculated on the basis of property-specific risk assessments.

Maintenance expenses are determined using typical and asset-specific approaches for each property. The asset-specific approaches are based on the condition of the property and past experience of regular maintenance work.

The measurement was reviewed by means of an independent third-party valuation as of the reporting date. The same valuation methods were used for the internal measurement and the third-party valuation. Undeveloped land was valued on the basis of the publicly registered land values and/or a discounted cash flow valuation by an external appraiser.

The following table summarises the valuation parameters used for the individual clusters. All the sub-clusters in the main clusters Core^{+}, Core and Non-Core are mentioned that collectively account for a minimum of 10% of the total property value. Sub-clusters below this threshold are shown together. The figures shown relate to the ranges in each cluster and to the weighted average:

31/12/2020			Core^{+}	Core	Non-Core	Total
	Berlin	Other	Total	Total	Total	Total
Carrying amount (EUR m)	19,099	5,438	24,537	1,029	15	**25,581**
Carrying amount (EUR/sqm)	2,866	2,483	2,771	1,521	1,059	**2,680**
Share of carrying amount in %	74.7	21.2	95.9	4.0	0.1	**100**
In-place rent (EUR/sqm)	6.53	7.39	6.73	6.20	5.93	**6.69**
Market rental growth p.a. in %	1.10	2.60	1.50	1.80	2.10	**1.5**
Vacancy rate in %	1.3	3.5	1.9	2.3	3.0	**1.9**
Multiple	36.2	28.0	34.0	20.5	14.9	**33.1**
Discount rate in %	3.7	4.9	4.0	5.6	6.7	**4.1**
Capitalisation rate in %	2.9	3.8	3.1	4.9	5.9	**3.1**
Maintenance costs (EUR/sqm/p.a.)	13.70	13.42	13.63	13.33	15.46	**13.61**

31/12/2019			Core^{+}	Core	Non-Core	Total
	Berlin	Other	Total	Total	Total	Total
Carrying amount (EUR m)	17,684	4,962	22,647	1,136	638	**23,788**
Carrying amount (EUR/sqm)	2,595	2,141	2,480	1,356	6	**2,384**
Share of carrying amount in %	74.3	20.9	95.2	4.8	0.0	**100**
In-place rent (EUR/sqm)	6.96	7.13	7.00	6.01	5.15	**6.92**
Market rental growth p.a. in %	2.43	2.28	2.40	1.96	0.90	**2.4**
Vacancy rate in %	2.4	3.6	2.7	3.5	6.7	**2.8**
Multiple	31.0	24.9	29.5	19.1	11.0	**28.7**
Discount rate in %	4.7	5.2	4.8	5.8	6.9	**4.9**
Capitalisation rate in %	3.4	4.2	3.6	4.7	6.5	**3.6**
Maintenance costs (EUR/sqm/p.a.)	13.62	13.57	13.61	14.15	15.17	**13.66**

Unobservable input factors may interact with one another. So an increase in the vacancy rate could affect the discount rate because it increases the risk, or a lower vacancy rate could potentially lead to higher rental growth. Similarly, higher rents could require higher maintenance expenses, for example.

Any adjustment of the material valuation parameters (market rent increase during the detailed budgeting phase 20% lower than projected; increase in the discount rate of 0.1%; increase in the capitalisation rate of 0.1%) will result in the following non-cumulated fair value adjustments on the basis of the carrying amount of the residential and commercial buildings:

31/12/2020			Core+	Core	Non-Core	Total
in %	Berlin	Other	Total	Total	Total	
Market rental growth	-4.97	-7.47	-5.53	-4.90	-5.27	**-5.50**
Discount rate	-0.85	-0.79	-0.84	-0.72	-1.00	**-0.83**
Capitalisation rate	-2.79	-1.83	-2.58	-1.28	-0.84	**-2.53**

31/12/2019			Core+	Core	Non-Core	Total
in %	Berlin	Other	Total	Total	Total	
Market rental growth	-8.20	-5.85	-7.68	-4.80	-8.18	**-7.55**
Discount rate	-1.44	-0.87	-1.32	-0.26	-6.00	**-1.27**
Capitalisation rate	-2.78	-1.60	-2.52	-0.63	-6.10	**-2.43**

Residential project properties

Residential project properties were valued as of 31 December 2019 and 31 December 2020 by Jones Lang LaSalle SE using the residual value method. The key inputs for the valuation are net present value after completion and project development costs:

EUR m	31/12/2020	31/12/2019
Net present value after completion	4,153	1,502
Project development costs	3,108	1,130

Any adjustment of these material input factors (lowering of net sales prices by 10%; increase in project development costs of 10%) results in the following non-cumulated fair value adjustments on the basis of the carrying amount of the project properties:

in %	31/12/2020	31/12/2019
Net present value after completion	-30.84	-37.23
Project development costs	-22.45	-27.43

Nursing facilities

Nursing facilities were valued as of 31 December 2019 and 31 December 2020 by W&P Immobilienberatung GmbH. The key inputs for the valuation are average market rents, discount rates and maintenance expenses:

	31/12/2020	31/12/2019
Market rent (EUR/sqm)	8.16	9.97
Discount rate in %	4.67	4.73
Maintenance costs (EUR/sqm/p.a.)	11.14	11.32

Any adjustment of these material input factors (lowering of market rents by 5%; increase in the discount rate of 0.1%; increase in maintenance costs rate of 10%) will result in the following non-cumulated fair value adjustments on the basis of the carrying amount of the nursing facilities:

in %	31/12/2020	31/12/2019
Market rent	–5.0	–5.0
Discount rate	–2.0	–2.0
Maintenance costs	–1.0	–1.0

The investment properties to some extent serve as collateral for the loans. There are also agreements in place in individual cases pursuant to which the condition of the properties may not deteriorate or the average minimum investments have been determined on a per-square-metre basis.

2 Leases where Deutsche Wohnen is lessor

The rental agreements between Deutsche Wohnen and its tenants generated rental income of EUR 837.6 million (previous year: EUR 837.3 million). The expenses directly associated with the investment properties amounted to EUR 482.6 million (previous year: EUR 466.9 million).

In 2021, Deutsche Wohnen will receive minimum lease payments totalling approximately EUR 215 million pursuant to existing operating lease agreements concluded with third parties (termination thereof presumably subject to the statutory notice period of three months) and in connection with its current property portfolio for the Residential Property Management segment.

In the context of its Assisted Living and Nursing Services operations, Deutsche Wohnen will receive additional minimum lease payments of approximately EUR 5.2 million in 2021 (average contractually stipulated period of notice for termination: one month). Deutsche Wohnen is set to realise leasing income of approximately EUR 30 million from the nursing properties under external management in the financial year 2021.

In addition to statutory restrictions, Deutsche Wohnen is sometimes restricted from raising rents from certain priority tenants or in connection with subsidies in the form of loans at preferential interest rates or investment grants. Legal conditions also apply to the privatisation of residential units.

Leases for certain broadband cable networks have been classified as finance leases; they gave rise to lease receivables of EUR 28.7 million as of 31 December 2020 (previous year: EUR 31.0 million) and interest income of EUR 1.4 million (previous year: EUR 1.5 million). The term structure of the receivable was as follows:

EUR m	31/12/2020	31/12/2019
Nominal value of outstanding lease payments	**35.6**	**39.4**
of which due within one year	3.7	3.8
of which due between one and two years	3.7	3.8
of which due between two and three years	3.5	3.7
of which due between three and four years	3.5	3.5
of which due between four and five years	3.1	3.6
of which due after more than five years	18.1	21.0
plus non-guaranteed residual values	**0.2**	**0.2**
less unrealised finance income	**–7.1**	**–8.6**
Present value of outstanding lease payments	**28.7**	**31.0**

3 Property, plant and equipment

Land and building accounted for in line with IAS 16, technical equipment and operating and office equipment are presented in this item. They developed as follows during the financial year:

31/12/2020

EUR m	Properties used by the Group	Technical plant and machinery	Operating and office equipment	Total
Acquisition cost				
Opening balance	47.2	164.6	47.6	259.4
Additions	9.0	28.3	12.4	49.7
Additions by way of company acquisitions	3.9	0.0	0.4	4.3
Disposals	–3.4	–17.8	–2.2	–23.4
Reclassifications	–1.5	6.1	–2.6	2.0
Closing balance	**55.2**	**181.2**	**55.6**	**292.0**
Cumulative depreciation and amortisation				
Opening balance	7.3	40.1	20.5	67.9
Additions	2.8	21.8	7.6	32.2
Disposals	0.0	–3.5	–1.6	–5.1
Closing balance	**10.1**	**58.4**	**26.5**	**95.0**
Residual carrying amounts	**45.1**	**122.8**	**29.1**	**197.0**

31/12/2019

EUR m	Properties used by the Group	Technical plant and machinery	Operating and office equipment	Total
Acquisition cost				
Opening balance	30.4	117.2	41.6	189.2
Additions	14.5	61.4	10.0	85.9
Additions by way of company acquisitions	3.9	2.3	7.1	13.3
Disposals	-1.0	-25.4	-2.6	-29.0
Reclassifications	-0.6	9.1	-8.5	0.0
Closing balance	**47.2**	**164.6**	**47.6**	**259.4**
Cumulative depreciation and amortisation				
Opening balance	5.1	22.2	15.4	42.7
Additions	2.4	20.9	7.5	30.8
Disposals	-0.2	-3.0	-2.4	-5.6
Closing balance	**7.3**	**40.1**	**20.5**	**67.9**
Residual carrying amounts	**39.9**	**124.5**	**27.1**	**191.5**

The land and buildings included in property, plant and equipment (EUR 44.9 million, previous year: EUR 39.9 million) are pledged as collateral.

Right-of-use assets from leased items of property, plant and equipment changed as follows in the reporting period:

31/12/2020

EUR m	Heat contracting	Metering technology	Commercial office leases	Vehicle leases	Total
Acquisition cost					
Opening balance	101.5	30.4	9.5	1.3	142.7
Additions	6.7	10.8	4.2	0.7	22.4
Additions by way of company acquisitions	0.0	0.0	3.9	0.0	3.9
Disposals	-10.3	-6.8	-1.4	-0.2	-18.7
Reclassifications	0.0	0.0	0.0	0.0	0.0
Closing balance	**97.9**	**34.4**	**16.2**	**1.8**	**150.3**
Cumulative depreciation and amortisation					
Opening balance	31.8	3.7	1.1	0.4	37.0
Additions	14.3	4.3	2.0	0.6	21.2
Disposals	-2.2	-1.3	0.0	-0.3	-3.8
Closing balance	**43.9**	**6.7**	**3.1**	**0.7**	**54.4**
Residual carrying amounts	**54.0**	**27.7**	**13.1**	**1.1**	**95.9**

31/12/2019

EUR m	Heat contracting	Metering technology	Commercial office leases	Vehicle leases	Total
Acquisition cost					
Opening balance	100.6	0.0	0.0	0.0	100.6
Additions	24.3	32.1	6.1	1.0	63.5
Additions by way of company acquisitions	0.0	0.0	3.9	0.3	4.2
Disposals	–23.4	–1.7	–0.5	0.0	–25.6
Reclassifications	0.0	0.0	0.0	0.0	0.0
Closing balance	**101.5**	**30.4**	**9.5**	**1.3**	**142.7**
Cumulative depreciation and amortisation					
Opening balance	20.2	0.0	0.0	0.0	20.2
Additions	14.0	4.1	1.3	0.4	19.8
Disposals	–2.4	–0.5	–0.2	0.0	–3.1
Closing balance	**31.8**	**3.6**	**1.1**	**0.4**	**36.9**
Residual carrying amounts	**69.7**	**26.8**	**8.4**	**0.9**	**105.8**

Leases recognised in the consolidated income statement using the practical expedient for low-value leases and short-term leases (less than twelve months) came to EUR 0.9 million in the reporting year (previous year: EUR 0.8 million) and EUR 0.0 million respectively (previous year: EUR 0.3 million). Revenues from the subletting of licences for heat contracting and metering technology came to EUR 19.3 million (previous year: EUR 18.9 million).

4 Intangible assets

The changes in intangible assets were as follows:

31/12/2020

EUR m	Goodwill	Other	Total
Acquisition cost			
Opening balance	148.1	66.7	214.8
Additions	0.0	2.5	2.5
Additions by way of company acquisitions	171.6	2.4	174.0
Disposals	0.0	–0.1	–0.1
Reclassifications	0.0	0.1	0.1
Closing balance	**319.7**	**71.6**	**391.3**
Cumulative depreciation and amortisation			
Opening balance	0.0	25.9	25.9
Additions	0.0	7.8	7.8
Disposals	0.0	–0.1	–0.1
Closing balance	**0.0**	**33.6**	**33.6**
Residual carrying amounts	**319.7**	**38.0**	**357.7**

31/12/2019

EUR m	Goodwill	Other	Total
Acquisition cost			
Opening balance	22.2	25.8	48.0
Additions	0.0	2.3	2.3
Additions by way of company acquisitions	128.6	38.7	167.3
Disposals	–2.7	–0.2	–2.9
Reclassifications	0.0	0.1	0.1
Closing balance	**148.1**	**66.7**	**214.8**
Cumulative depreciation and amortisation			
Opening balance	0.7	15.9	16.6
Additions	2.0	10.2	12.2
Disposals	–2.7	–0.2	–2.9
Closing balance	**0.0**	**25.9**	**25.9**
Residual carrying amounts	**148.1**	**40.8**	**188.9**

Additional goodwill of EUR 171.6 million resulted from the purchase price allocation for the acquisition of the ISARIA Group. For further information, see Note B.1 "Basis of consolidation". Goodwill essentially represents the forecast earnings potential of the business acquired and potential synergies resulting from integrating it into the Residential Property Management segment. The goodwill has been allocated in full to the Residential Property Management segment.

The impairment test for goodwill of EUR 171.6 million in the Residential Property Management segment was based on the following planning assumptions and market-based parameters:

The projected inflows of funds were calculated on the basis of past experience and take account of expected market growth in the specific business areas.

The cash flows after the ten-year detailed budgeting phase are extrapolated on the basis of a growth rate of 1.0% which does not exceed the average rate of growth in the market or the industry. The duration of the detailed planning phase is consistent with the detailed planning phase for the property valuation.

The discount rate is determined on the basis of the average weighted costs of capital in the property sector. The present value is calculated using a discount rate based on the Group's weighted capital cost rate of 3.0% before taxes. The impairment test did not reveal any impairment.

Goodwill would suffer an impairment loss of EUR 171.6 million if the costs of capital went up by 0.5%. Goodwill would suffer an impairment loss of EUR 125,0 million if the planned growth rate fell by 0.5%. The estimated recoverable amount in the Residential Property Management segment exceeds their carrying amount by approximately EUR 5.1 billion.

Goodwill of EUR 140.0 million is allocated to the Nursing Operations segment. The goodwill impairment test was based on the following planning assumptions and market-based parameters:

The projected inflows of funds were calculated on the basis of past experience and take account of expected market growth in the specific business areas.

The cash flows after the five-year detailed budgeting phase are extrapolated on the basis of a growth rate of 1.0% which does not exceed the average rate of growth in the market or the industry.

The discount rate is determined on the basis of the average weighted costs of capital in the nursing and healthcare sector. The present value is calculated using a discount rate based on the Group's weighted capital cost rate of 5.19% before taxes.

Additional goodwill of EUR 8.1 million is allocated to the acquired Synvia Group. The goodwill impairment test was based on the following planning assumptions and market-based parameters:

The projected inflows of funds were calculated on the basis of past experience and take account of expected market growth in the specific business areas.

The cash flows after the fifteen-year detailed budgeting phase are extrapolated on the basis of a growth rate of 1.1% which does not exceed the average rate of growth in the market or the industry. The duration of the detailed planning phase reflects the long project cycles in the business.

The discount rate is determined on the basis of the average weighted costs of capital. The present value is calculated using a discount rate based on the Group's weighted capital cost rate of 8.17% before taxes.

5 Land and buildings held for sale

The increase in land and buildings held for sale is mainly due to the addition of a project under construction in the greater Munich area. In the financial year 2020, proceeds of EUR 55.6 million (previous year: EUR 17.5 million), were achieved. The proceeds were partly offset by carrying amounts of assets sold of EUR 27.1 million (previous year: EUR 11.9 million).

6 Trade receivables

Receivables are made up as follows:

EUR m	31/12/2020	31/12/2019
Rent receivables	18.2	15.4
Receivables from the disposal of land	0.8	3.3
Receivables from disposal (development)	7.0	0.0
Other trade receivables	9.9	6.3
	35.9	**25.0**

Rent receivables do not pay interest and are past due. Loss allowances are recognised on an age distribution basis and depending on whether the tenants in question are current or former tenants. Loss allowances have been recognised for almost all overdue receivables.

In the financial year 2020, rent receivables in the amount of EUR 3.9 million (previous year: EUR 2.2 million were depreciated and amortised or impaired. The loss allowance on receivables as at 31 December 2020 amounted to EUR 20.1 million (previous year: EUR 18.4 million) and results largely from further loss allowances in the reporting year.

Receivables from the disposal of land are interest-free and are due between 1 and 90 days. Receivables from the sale of land are not impaired and only overdue to a very minor extent.

Receivables from disposal (development) do not pay interest, are not impaired and not past due.

Other receivables do not pay interest and are due within 1 and 90 days.

7 Derivative financial instruments

Deutsche Wohnen has concluded several interest hedging transactions for a nominal amount of EUR 1.1 billion (previous year: EUR 1.2 billion). The cash flows from the underlying transactions, which are hedged as cash flow hedges, will be realised in the years from 2025 to 2029. The strike rates are between 0.88% and 1.49% (previous year: between 0.88% and 1.49%). The total fair value of these transactions (aggregate of both positive and negative amounts) amounted to EUR –54.7 million as at 31 December 2020 (previous year: EUR –50.8 million).

There are no material credit risks since interest rate hedges are only arranged with banks with good credit ratings. If the interest rate level changes, the fair value changes accordingly. Income and expenses are recognised in equity for the effective part of a hedge, while the non-effective part is recognised within current earnings.

The time values and nominal values of all the interest rate hedges are shown below by remaining term to maturity:

EUR m	Fair values		Nominal value	
Maturity date	2020	2019	2020	2019
Up to 1 year	0.0	–0.0	0.0	35.0
From 1 to 5 years	–3.9	–1.2	194.2	77.0
From 5 to 10 years	–50.8	–49.6	942.2	1,112.7
	–54.7	**–50.8**	**1,136.5**	**1,224.7**

The negative carrying amount of interest rate hedges presented in hedge accounting is EUR 24.8 million (previous year: EUR 18.9 million) and is shown under liabilities in the balance sheet item "Derivative instruments by maturity". The cash flow hedge reserve developed as follows:

EUR m	2020	2019
Opening balance as of 01/01	–12.9	–3.4
Plus: change in fair values of hedging instruments recognised in OCI	–6.1	–14.1
Less: reclassified from OCI to interest expenses	0.2	1.5
Less: deferred taxes	1.5	3.1
Final balance as at 31/12	**–17.2**	**–12.9**

EUR 0.4 million was reclassified to interest expenses as ineffective in the reporting year. Nominal amounts and weighted average hedging rates from hedge accounting are shown below:

EUR m	2020	2019
Nominal amount	248.8	250.5
Weighted average hedging rate in the financial year in %	0.93	0.93

8 Other financial assets

Other financial assets consist largely of financial investments in associates and joint ventures and receivables from these investees. For further information see Note B.3 "Disclosure on interests in other companies".

9 Cash and cash equivalents

The cash and cash equivalents of EUR 583.3 million (previous year: EUR 685.6 million) mainly consist of cash at bank and cash on hand. Bank balances earn interest at floating rates for sight accounts. Short-term deposits are for various periods between overnight and three months, depending on the Group's liquidity needs.

10 Equity

Please refer to the consolidated statement of changes in equity with regard to the development of the Group's equity.

a) Issued share capital

The registered share capital of Deutsche Wohnen SE as at 31 December 2020 amounted to EUR 359,843,541.00 (previous year: EUR 359,715,653.00). It is divided into 359,843,541 no-par value bearer shares each representing a notional share of the registered capital of EUR 1.00 per share. Deutsche Wohnen SE has only bearer shares. The shares are fully paid in.

All shares have the same rights and obligations. Each share entitles the holder to one vote at the Annual General Meeting and determines the shareholders' shares in the profits of the company. The rights and obligations of the shareholders are outlined in detail in the provisions of the German Stock Corporation Act [Aktiengesetz – AktG], in particular sections 12, 53a et seq., 118 et seq. and 186; in accordance with section 71b AktG the company has no rights from treasury shares. There are no shares with special rights conferring powers of control.

The Management Board of Deutsche Wohnen SE is not aware of any restrictions on voting rights or share transfers.

New shares from capital increases are issued as bearer shares.

Change in authorised capital

EUR thousand	
Authorised capital 2018/I	
As at 1 January 2020	107,383
Used	0
As at 31 December 2020	**107,383**

By resolution of the Annual General Meeting held on 15 June 2018, which was entered into the commercial register on 16 August 2018, the Management Board has been authorised to increase the company's issued capital, with the consent of the Supervisory Board, by up to EUR 110 million once or several times during the period until 14 June 2023 by means of the issuance of up to 110 million new ordinary bearer shares against cash contributions and/or contributions in kind (authorised capital 2018/I). Partial use was made of this authorisation, by issuing 2,617,281 new shares for EUR 2,617,281.00. After this partial use there is still EUR 107,382,719.00 of authorised capital 2018/I available for the issue of up to 107,382,719 ordinary bearer shares. As a rule, shareholders must be granted subscription rights when shares are issued from authorised capital. However, in certain cases, the Management Board is entitled to exclude the subscription rights of shareholders with the consent of the Supervisory Board and subject to the detailed provisions of the Articles of Association.

Change in contingent capital

EUR thousand	2014/II	2014/III	2015/I	2017/I	2018/I	Total
As at 1 January 2020	**5,852**	**12,728**	**50,000**	**30,000**	**35,000**	**133,580**
Capital increase by issue of own shares to settle the SOP 2014	–	–56				–56
Capital increase by issue of offer shares (GSW control agreement)[1]	–72	–	–	–	–	–72
As at 31 December 2020	**5,780**	**12,672**	**50,000**	**30,000**	**35,000**	**133,452**

1 The changes in capital were entered into the commercial register on 29 January 2021.

Contingent Capital 2014/II was reduced in 2020 by the issue of 72,098 shares to be offered in the context of the proposed settlement for the control agreement with GSW Immobilien GmbH.

Contingent Capital 2014/III was reduced in 2020 by the issue of 55,790 shares to fulfil the 2016 tranche of the share option programme for the Management Board.

The issued capital has contingently been increased by a total of up to EUR 133.45 million by means of the issuance of up to approximately 133.45 million new no-par value bearer shares with dividend rights generally from the start of the financial year of their issuance (Contingent Capital 2014/II, Contingent Capital 2014/III, Contingent Capital 2015/I, Contingent Capital 2017/I and Contingent Capital 2018/I).

Issue of option rights, warrants or convertible bonds, profit participation rights or bonds with profit participation rights

The resolution adopted at the Annual General Meeting held on 15 June 2018 authorised the Management Board, subject to the approval of the Supervisory Board, to issue no-par value convertible and/or warrant bearer bonds and/or profit participation rights with option or conversion rights (or a combination of these instruments) with a nominal value of up to EUR 3.0 billion, and to grant the creditors thereof conversion or option rights for the Company's shares representing a share of the issued capital of up to EUR 35 million. The share issue will only take place insofar as conversion rights arising out of the convertible bonds are exercised, or insofar as conversion obligations arising out of the bonds are fulfilled, and own shares, shares issued out of authorised capital or other benefits are not used to service the obligations.

Purchase of own shares

The acquisition of own shares is authorised pursuant to article 9(1) c)(ii) SE Regulation in conjunction with section 71 et seq. German Stock Corporation Act [Aktiengsetz – AktG] and also, as at the balance sheet date, by the Annual General Meeting held on 15 June 2018. The Management Board is authorised, with the consent of the Supervisory Board and subject to compliance with the principle of equal treatment of shareholders (article 9(1) c)(ii) SE Regulation in conjunction with section 53a German Stock Corporation Act [Aktiengesetz – AktG]) to purchase and use the company's own shares to 14 June 2023 up to a total amount of 10% of the company's outstanding share capital at the time the resolution is passed, or at the time the authorisation is used if this figure is lower. Shares acquired using this authorisation together with other own shares the company has previously acquired and still holds or are attributable to it under section 71a et seq. of the German Stock Corporation Act [Aktiengsetz – AktG]] may not at any time exceed 10% of the company's share capital. The authorisation may not be used for the purpose of trading in treasury shares.

On 12 November 2019 the Management Board made use of this authorisation, with the approval of the Supervisory Board, and adopted a share buyback programme for up to 25 million shares and a total purchase price (without incidental costs) of up to EUR 750 million. The total number of shares acquired exclusively in Xetra trading at Frankfurt Stock Exchange by banks on behalf of Deutsche Wohnen SE in the course of the share buyback programme in the period from 15 November 2019 until its early end on 14 September 2020 was 16,070,566. This represents 4.47% of the share capital of Deutsche Wohnen SE. The average price paid per share was EUR 37.1675. Shares were bought back for a total of EUR 597,302,731.08. The treasury shares are to be used for purposes permitted under the authorisation to purchase treasury shares adopted at the Annual General Meeting on 15 June 2018. Detailed information in accordance with article 5 (1) b) and (3) Regulation (EU) No. 596/2014 in conjunction with article 2 (2) and (3) Delegated Regulation (EU) No. 2016/1052 is available online from https://www.deutsche-wohnen.com/aktienrueckkauf.

As of 31 December 2020 the company held 16,070,566 treasury shares. These treasury shares represent share capital of EUR 16,070,566.00.

b) Capital reserve

The capital reserve was reduced by EUR 484.4 million by the purchase of own shares. It was reduced by EUR 0.1 million from the share option programme. Furthermore, the capital reserve was increased by EUR 2.4 million as a result of the contribution in kind of GSW Immobilien AG shares in place since September 2014 within the scope of the share exchange resulting from the control agreement. Capital reserves of EUR 385.3 million were transferred to retained earnings. This represents the transfer to net profit in the HGB financial statements of Deutsche Wohnen SE.

c) Retained earnings

Retained earnings consist of Deutsche Wohnen's profit reserves and cumulative earnings carried forward.

The statutory framework applies to German joint stock companies. An amount equivalent to 5% of the profit for the financial year is to be retained pursuant to section 150(2) of the German Stock Corporation Act [Aktiengesetz – AktG]. The amount of the statutory reserve is subject to a cap of 10% of the issued capital. In accordance with section 272(2)(1)–(3) of the German Commercial Code [Handelsgesetzbuch – HGB], any existing capital reserves are to be taken into account and the provisions required for the statutory reserve reduced accordingly. This is measured on the basis of the issued share capital which exists and is legally effective at the reporting date and which is to be reported in this amount on the respective annual balance sheet. The statutory reserve remains unchanged at EUR 1.0 million.

d) Non-controlling interests

The share of non-controlling interests largely relates to the shares of third parties in the earnings of the fully-consolidated holding companies not wholly owned by Deutsche Wohnen. For further information see Note B.3 "Disclosure on interests in other companies".

11 Financial liabilities

The company has taken out loans from banks, particularly to finance property and company transactions and to purchase properties.

Around 81.5% (previous year: 81.8%) of the financial liabilities are at a fixed rates or are hedged with interest rate swaps. The average rate of interest is approximately 1.3% (previous year: approximately 1.4%).

The loan renewal structure based on current outstanding liability is as follows:

EUR m	Carrying amount	Nominal amount	2020	2021	2022	2023	2024	≥2025
Loan renewal structure 2020	6,525.1	6,551.8	–	12.7	37.7	747.7	222.7	5,531.0
Loan renewal structure 2019	6,327.7	6,375.1	46.1	23.2	173.0	749.5	225.3	5,158.0

Almost all the liabilities are secured by way of land charges.

12 Corporate bonds and convertible bonds

Deutsche Wohnen issued various bearer bonds and corporate bonds in 2020, taking the outstanding nominal volume of these instruments up to some EUR 1,124 million.

The following bonds from Deutsche Wohnen are outstanding as of 31 December 2020:

Type	Issue	Maturity max.	Nominal EUR m	Coupon % p.a.	Carrying amount EUR m	Conversion price EUR/share
Convertible bonds	2017	2024	800.0	0.325	886.6	47.057
Convertible bonds	2017	2026	800.0	0.600	882.1	49.468
Total convertible bonds			**1,600.0**		**1,768.7**	
Corporate bonds	2020	2025–2030	1,190.0	1.0–1.5	1,180.7	–
Registered bonds	2017–2019	2026–2032	475.0	0.9–2.0	476.2	–
Bearer bonds	2018–2020	2021–2036	1,477.5	0.0–2.5	1,472.1	–

13 Retirement benefit obligations

Company retirement benefits consist of defined benefit and defined contribution plans. The average term of the obligations is approximately 17.7 years (previous year: 18.2 years), payments under retirement benefit plans for 2021 are expected to come to EUR 4.1 million (less payments on plan assets) (previous year: EUR 4.1 million).

Provisions for retirement benefits are determined using the projected unit credit method in accordance with IAS 19. This entails valuing future obligations by means of actuarial methods and estimating the relevant variables.

The amount of employee benefit liabilities (present value of the pension commitment) was determined by an external actuary on the basis of the following assumptions:

in %	31/12/2020	31/12/2019
Discount rate	0.62	0.75
Salary trend	2.99	3.02
Pension trend	1.48	1.50
Increase in assessment base	1.91	1.99
Mortality tables	R 18G	R 18G

The salary trend represents forecast future salary increases, which are estimated annually, also on the basis of inflation and seniority with the company.

The employee benefit liabilities taken over in the scope of the BauBeCon acquisition are financed through the ufba – Unterstützungskasse zur Förderung der betrieblichen Altersversorgung e.V. (Assistance Fund for the Promotion of Company Pension Plans inc. soc.) – and recognised on the balance sheet as plan assets. The valuation used an interest rate of 0.55% (previous year: 0.65%).

The following summary shows the financing status of the Group's pension plans, which is at the same time equivalent to the balance sheet amount:

EUR m	31/12/2020	31/12/2019
Present value of employee benefit liabilities	117.3	115.0
Less fair value of plan assets	–7.7	–7.8
	109.6	**107.2**

The following table shows the change in the present value of defined-benefit obligations and the fair value of plan assets:

EUR m	31/12/2020	31/12/2019
Pension obligation, opening balance	115.0	71.3
Additions by way of company acquisitions	0.0	27.8
Pension payments	–3.9	–3.4
Interest expense	0.9	1.6
Service cost	2.0	2.1
Reclassification Other provisions	0.0	0.7
Actuarial gains and losses	3.3	14.9
Pension obligation, closing balance	**117.3**	**115.0**
of which pension plans funded by plan assets	11.7	11.7
of which pension plans not funded by plan assets	105.6	103.3
Plan assets, opening balance	7.8	7.9
Interest revenues from plan assets	0.0	0.1
Pension payments from plan assets	0.0	0.0
Actuarial gains and losses	–0.1	–0.2
Plan assets, closing balance	**7.7**	**7.8**

The pension expenses comprise the following:

EUR m	2020	2019
Interest expense	–0.9	–1.5
Service cost	–2.0	–2.1
	–2.9	**–3.6**

Pension commitments consist of retirement, invalidity and surviving dependant benefits. They are based on the last fixed annual gross salary. Different benefit plans apply depending on the employee's position in the company.

Compound interest expenses are recognised in the consolidated income statement under "Interest expense" and current benefit payments, current service cost and adjustments to current benefits are recognised in the item "Staff expenses".

Total expenses of EUR 17.6 million (previous year: EUR 15.4 million) were incurred for defined contribution pensions. Therefore, total expenses for retirement provisions (defined benefit and defined contribution) amounted to EUR 20.5 million (previous year: EUR 19.0 million). For 2021, based on the current number of employees, the cost will total EUR 20.3 million.

A drop in the interest rate of 0.25% would result in an increase in pension obligations of 4.23%; an interest rate increase of 0.25% would result in a reduction of pension obligations of 3.39%. A decline in the pension trend of 0.25% would result in an decrease in pension obligations of 2.97%; a pension trend increase of 0.25% would result in an increase of 3.16% in pension obligations.

The sensitivity calculations are based on the average term of the pension liabilities determined as at 31 December 2020. They were carried out for each of the actuarial parameters classified as significant with a view to demonstrating the effect on the present value of the employee benefit liabilities calculated as at 31 December 2020 on a separate basis. Given that the sensitivity analyses are based on the average term of the expected pension liabilities and consequently do not take account of the expected payment dates, they provide only approximate information or indications of future trends.

We do not consider that any other changes in the relevant actuarial parameters within the next year could realistically lead to a material change in the carrying amount of the provisions for retirement benefits.

Provisions of EUR 16 thousand have been recognised for invalidity benefit commitments to Management Board members (previous year: EUR 12 thousand), which are also shown in provisions for retirement benefits.

14 Other provisions

Other provisions comprise the following:

EUR m	Restructuring	Legal risks	Other	Total
Opening balance	**3.3**	**20.8**	**27.9**	**52.0**
Additions by way of company acquisitions	0.0	0.0	0.0	0.0
Used	–1.9	–0.6	–1.2	–3.7
Reversal	–0.5	–0.3	–0.9	–1.7
Addition	2.0	1.6	7.2	10.8
Closing balance	**2.9**	**21.5**	**33.0**	**57.4**
of which: non-current	0.6	19.6	9.7	29.9
of which: current	2.3	1.9	23.3	27.5

Other provisions (EUR 33.0 million; previous year: EUR 27.9 million) relate to a large number of third-party liabilities.

The additions include accrued interest on non-current provisions in the amount of EUR 0.0 million.

15 Liabilities under finance leases

Deutsche Wohnen recognises liabilities of EUR 148.7 million as of year-end under leases for heat contracting, ground rent, commercial property and vehicles (previous year: EUR 169.4 million), which are presented by maturity in other financial liabilities. Interest expenses for lease liabilities came to EUR 2.8 million in 2020 (previous year: EUR 2.8 million).

Leases gave rise to the following liabilities:

EUR m	Due within one year	Due in 1 to 5 years	Due after 5 years
31/12/2020			
Payments	23.7	66.4	111.9
Interest component	–2.1	–6.6	–44.5
Redemption component	21.6	59.8	67.4
31/12/2019			
Payments	23.4	73.0	139.5
Interest component	–2.7	–8.7	–55.1
Redemption component	20.7	64.3	84.4

16 Tax liabilities

Tax liabilities (EUR 60.5 million; previous year: EUR 26.2 million) consist mainly of provisions for current taxes and potential tax risks resulting from tax inspections.

17 Deferred taxes

Deferred taxes comprise the following:

EUR m	31/12/2020	Change	31/12/2019
Deferred tax assets			
Properties	5.7	4.1	1.7
Pensions	13.5	-0.8	14.3
Tax loss carryforwards	271.6	-45.3	316.9
Interest rate hedges	13.2	1.6	11.6
Loans	0.9	-0.3	1.2
Convertible bonds	23.0	13.5	9.5
Other	47.0	-8.7	55.7
	374.9	**-35.9**	**410.8**
Netting	-374.9	35.8	-410.7
Carrying amount	0	-0.1	0.1
Deferred tax liabilities			
Loans	-9.1	4.4	-13.5
Properties	-4,734.5	-672.9	-4,061.6
Other	-43.3	6.1	-49.4
	-4,786.9	**-662.4**	**-4,124.5**
Netting	374.9	-35.8	410.7
Carrying amount	-4,412.0	-698.2	-3,713.8
Net deferred taxes	**-4,412.0**	**-698.3**	**-3,713.7**

The changes in deferred taxes in 2020 and 2019 are as follows:

EUR m	2020	2019
Company acquisitions	-69.4	-3.3
Recognised directly in other comprehensive income	-0.7	18.9
Recognised in the income statement	-628.1	-484.6
	-698.2	**-469.0**

Actuarial gains and losses on pension obligations, changes in the fair value of effective hedges and the counterparty risk of the convertible bonds are recognised in equity without effect on income. The resulting deferred taxes are also recognised in OCI and amounted to EUR 0.2 million (previous year: EUR 3.3 million) for actuarial gains and losses, EUR 1.5 million (previous year: EUR 3.1 million) for changes in the fair value of effective hedges, and EUR –2.4 million (previous year: EUR 12.5 million) for the counterparty risk of convertible bonds.

The increase in the amount of the deferred tax liabilities with regard to properties in the financial year 2020 was largely the result of the revaluation of the investment properties.

Changes in estimates relating to the trade tax reduction for the company's use of its own property resulted in a negative earnings effect of EUR 11.7 million.

The Deutsche Wohnen Group has corporation tax loss carryforwards in the amount of EUR 1,483.3 million (previous year: EUR 1,648.6 million) and trade tax loss carryforwards in the amount of EUR 1,310.7 million (previous year: EUR 1,394.4 million). The amounts of corporation and trade tax loss carryforwards for which no deferred tax assets are recognised amount to EUR 563.2 million (previous year: EUR 545.0 million) and EUR 429.0 million (previous year: EUR 397.9 million). The tax loss carryforwards do not expire as a rule. The Deutsche Wohnen Group did not recognise deferred tax assets on interest carried forward of EUR 90.3 million, because it is not likely that they will be used in future given the capital structure.

No deferred tax assets were recognised for temporary differences of EUR 171.3 million in 2020 (previous year: EUR 132.8 million), because it is not likely that sufficient taxable income to use these amounts will be generated in the near future.

No deferred tax liabilities were recognised for profits of EUR 10,432.2 million accumulated at subsidiaries and joint ventures (previous year: EUR 8,927.7 million), because these profits are intended to be retained for an indefinite period or are not subject to taxation. If the profits were distributed or the subsidiaries and joint ventures sold, 5% of the distribution or the disposal gain would be subject to taxation, which would generally result in an additional tax expense.

E Disclosures on the consolidated income statement statement

The consolidated income statement is prepared using the total cost method.

1 Income from Residential Property Management

Income from Residential Property Management is made up as follows:

EUR m	2020	2019
Potential rent	859.5	860.7
Subsidies	1.0	0.9
Vacancy losses	–22.9	–24.3
Rent reductions	–7.3	–6.8
Operating costs	365.9	360.2
Other	1.6	1.0
	1,197.8	**1,191.7**

2 Income from Nursing Operations

Income from Nursing Operations is made up as follows:

EUR m	2020	2019
Income from nursing services	167.0	163.4
Rental income from nursing facilites	59.1	59.5
	226.1	**222.9**

3 Earnings from Disposals

The earnings from Disposals include income from sold properties and carrying amount of properties sold for investment properties and land and buildings held for sale.

4 Notes on revenue recognition pursuant to IFRS 15 and IFRS 16

The Group enters into tenancy agreements that essentially comprise the net cold rent and operating costs. The contractual component of net cold rent is a lease as defined in IFRS 16 Leases, whereas income from operating costs falls within the scope of IFRS 15 Revenue from contracts with customers. Income from operating costs consists of costs that are charged to tenants, which do not include any margin. In addition, sales revenue is mainly generated from the disposal of property and the provision of nursing services. For the purposes of this disclosure, income from operating costs for which no services are provided is divided among rental income and other income from operating costs (land tax and property insurance of EUR 73.7 million in 2020), weighted by the individual selling prices.

IFRS 15 and IFRS 16 disclosures for 2020

EUR m	Residential Property Management	Disposals	Nursing Operations	Nursing Assets	Other	Total
IFRS 16 income						
Rental income	830.6	–	59.1	37.0	6.3	933.0
Operating costs	54.5	–	–	–	–	54.5
	885.1	**0.0**	**59.1**	**37.0**	**6.3**	**987.5**
IAS 40 income						
Privatisation	–	38.3	–	–	–	38.3
Institutional sales	–	1,157.7	–	–	–	1,157.7
	0.0	**1,196.0**	**0.0**	**0.0**	**0.0**	**1,196.0**
IFRS 15 income						
Operating costs	311.4	–	–	1.2	–	312.6
Privatisation	–	12.9	–	–	–	12.9
Institutional sales	–	42.7	–	–	–	42.7
Income from sold properties (development) Development cost-to-cost	6.8	–	–	–	–	6.8
Nursing services	–	–	167.0	–	–	167.0
Other revenue from customer contracts:	1.3	–	–	–	15.4	16.7
	319.5	**55.6**	**167.0**	**1.2**	**15.4**	**558.7**
Time of revenue recognition according to IFRS 15						
Goods or services transferred at a point in time	–	55.6	–	–	12.7	68.3
Goods or services transferred over time	319.5	–	167.0	1.2	2.7	490.4
	319.5	**55.6**	**167.0**	**1.2**	**15.4**	**558.7**

IFRS 15 and IFRS 16 disclosures for 2019

EUR m	Residential Property Management	Disposals	Nursing Operations	Nursing Assets	Other	Total
IFRS 16 income						
Rental income	830.4	–	59.5	44.0	5.5	939.4
Operating costs	54.8	–	–	–	–	54.8
	885.2	**0.0**	**59.5**	**44.0**	**5.5**	**994.2**
IAS 40 income						
Privatisation	–	74.5	–	–	–	74.5
Institutional sales	–	675.3	–	–	–	675.3
	0.0	**749.8**	**0.0**	**0.0**	**0.0**	**749.8**
IFRS 15 income						
Operating costs	305.4	–	–	1.5	–	306.9
Privatisation	–	15.5	–	–	–	15.5
Institutional sales	–	2.0	–	–	–	2.0
Income from sold properties (development) Development cost-to-cost		–	–	–	–	0.0
Nursing services	–	–	163.4	–	–	163.4
Other revenue from customer contracts:	1.1	–	–	–	13.1	14.2
	306.5	**17.5**	**163.4**	**1.5**	**13.1**	**502.0**
Time of revenue recognition according to IFRS 15						
Goods or services transferred at a point in time	–	17.5	–	–	10.5	28.0
Goods or services transferred over time	306.5	–	163.4	1.5	2.6	474.0
	306.5	**17.5**	**163.4**	**1.5**	**13.1**	**502.0**

5 Cost of materials and services

The cost of materials comprises the following:

EUR m	2020	2019
Operating costs	–362.6	–358.1
Maintenance	–133.1	–131.8
Other	–44.9	–40.5
	–540.6	**–530.4**

6 Staff expenses

Staff expenses comprise the following:

EUR m	2020	2019
Wages and salaries	–194.1	–177.8
Social security contributions, retirement and other benefits	–37.7	–33.8
	–231.8	**–211.6**

The number of employees of the Deutsche Wohnen Group allocated to the Residential Property Management segment in the financial year averaged 1,339 (previous year: 1,308 employees). There was also an average of 3,984 employees in the Nursing Operations segment (previous year: 3,906).

7 Other operating expenses

Other operating expenses comprise the following:

EUR m	2020	2019
Operating and corporate expenses		
IT costs	–12.9	–10.8
Legal, advisory and audit costs	–12.6	–11.9
Communication costs	–7.4	–7.1
Other staff costs	–5.1	–5.4
Cost of premises	–4.7	–3.5
Other operating and corporate expenses	–6.9	–10.2
Miscellaneous other operating expenses	–54.4	–105.8
	104.0	**154.7**

Miscellaneous other operating expenses in 2020 consisted mainly of project and transaction-related expenses. Of the total, EUR 22.0 million relates to land transfer taxes, which were incurred as transaction costs in connection with the acquisition of ISARIA accounted for in accordance with IFRS 3. This item also includes a large number of non-recurring effects which were individually immaterial. The amount of miscellaneous other operating expenses in 2019 is largely due to non-recurring effects from the ongoing appraisal proceedings in connection with the control agreement signed in 2014 between Deutsche Wohnen SE and GSW Immobilien AG.

8 Other operating income

Other operating income fell to EUR 56.3 million (previous year: EUR 96.5 million). It consisted primarily of insurance payouts in Residential Property Management and own work capitalised for construction management. In 2020 alone it also included compensation of EUR 9.5 million from nursing care funds for loss of income and additional expenses as a result of the coronavirus pandemic. Non-recurring income of EUR 54.7 million was recognised in 2019 from the appraisal proceedings in connection with the control agreement signed in 2014 between Deutsche Wohnen SE and GSW Immobilien AG.

9 Share-based remuneration

Restricted Share Units

Certain Management Board members receive virtual shares, known as restricted share units (RSU). The RSU are allocated in four annual tranches on 1 April of each financial year. The number of RSU to be allocated in each financial year is defined in advance in the service contracts for Management Board members. The agreed value of each RSU corresponds to the reference price of the Deutsche Wohnen SE share on the allocation date, plus a notional dividend. The amount of the corresponding annual gross company dividend per share must be added to each RSU in the year of its allocation and every year thereafter. Allocations end if the Management Board member entitled to allocations leaves the company for whatever reason.

RSU are settled in cash or, in the event of an extension of the service contract of the Management Board member entitled to allocations, in the year of allocation of the final tranche, usually on the day on which the variable short-term remuneration component (STI) for the year concerned is paid out. On this date the company transfers to the Management Board member entitled to allocations the number of company shares corresponding to 60% of the number of RSU acquired by the Management Board member (RSU convertible shares). The Management Board member receives the difference between the value of the RSU convertible shares and the value of the RSU including the notional dividend as a cash payment on the aforementioned date.

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

The RSU convertible shares may be sold no sooner than four years after the time of allocation of the relevant tranche.

8,125 RSU with a fair value of EUR 35.47 each were awarded in 2020. The Deutsche Wohnen Group incurred expenses of EUR 0.3 million for the RSU programme in the reporting year.

Share units

In the financial year 2020, individual Management Board members were granted subscription rights to SU (share units) under certain conditions as part of a compensation agreement. This is classified as share-based remuneration. Settlement of 40% in cash and 60% in own shares was agreed. The agreed value of each SU corresponds to the reference price of the Deutsche Wohnen SE share as of the relevant compensation date, plus a notional dividend. The subscription requirements are deemed to be in place if the Federal Constitutional Court determines that the Berlin rent freeze law is unconstitutional and the closing price of the company share reaches or exceeds the amount of EUR 35.56 on at least one trading day in XETRA by Deutsche Börse AG between the date of the ruling of the Federal Constitutional Court and the compensation date, or if the Federal Constitutional Court rules that the Berlin rent cap is constitutional and the change in the value of the company share between 1 January 2019 and the compensation date corresponds at a minimum to the change in value of the EPRA/NAREIT Germany index in this period. The settlement of the SU is equivalent to 60% of the total number of SU in shares of the company. The difference between the value of the shares transferred and the SU value in total is paid as a cash payment, including the notional dividend. An expense of EUR 0.3 million from this agreement was recorded in the financial year 2020.

Share option plan

The share option plan set up in 2014 provides for a maximum of 12,879,752 subscription rights to be issued to members of the Management Board of Deutsche Wohnen SE and selected managers in the Deutsche Wohnen Group on the following terms:

subscription rights are issued in annual tranches to beneficiaries for up to four years after the contingent capital is entered in the commercial register, but at least until 16 weeks after the close of the Annual General Meeting in 2018. The amount of the annual tranches is determined by dividing the target variable remuneration for each beneficiary by a reference value. The reference value is the arithmetic mean closing price of the Deutsche Wohnen share on the 30 days before the respective share options are issued.

The subscription rights may be exercised for the first time after the expiration of four years (waiting period) and thereafter within three years (exercise period) and expire upon the expiration of the relevant period.

Subscription rights can only be exercised if the following conditions are met:
- the service contract concluded with the beneficiary is not terminated during the waiting period on grounds for which the latter is responsible (section 626(1) of the German Civil Code (Bürgerliches Gesetzbuch – BGB)) and
- the performance targets "adjusted NAV per share" (40% weighting), "FFO (without disposals) per share" (40% weighting) and "share price" (20% weighting) have been attained.

The performance targets for each individual tranche of the share options relate to the development of the (i) "adjusted NAV per share", (ii) "FFO (without disposals) per share" and (iii) "share price", as compared to the "adjusted EPRA/NAREIT Germany Index", calculated in accordance with the following provisions.

Within each of the above performance targets there is a minimum target that must be achieved for the exercise of half the share options for this target, and a maximum target which allows all the share options for this performance target to be exercised. The minimum is set at a performance of 75% and the maximum at 150% across all individual targets. The respective minimum and maximum targets are set by the company based on its four-year planning before the annual tranche of share options is issued. Subject to special rules if the beneficiary's service or employment contract ends before the close of the waiting period, the number of share options that can be exercised per tranche is equal to the total number of share options in that tranche multiplied by the total percentage of achievement of one or more performance targets as defined above and weighted by performance target as defined above, to compensate for any different achievement of performance targets in favour of the beneficiaries.

At the end of the waiting period, the number of the subscription rights eligible for allocation to each beneficiary is calculated on the basis of the degree of attainment of the performance targets. The beneficiary must pay EUR 1 per share to purchase the shares (exercise the allocated subscription rights). The shares purchased by exercising the option have full voting and dividend rights.

No subscription rights were awarded under the AOP 2014 share option programme in the reporting year (previous year: no subscription rights awarded), so 64,857 subscription rights were outstanding at year-end (previous year: 130,960). The impact of the AOP on the Group's financial performance in both periods was immaterial.

10 Finance expenses

Finance expenses are made up as follows:

EUR m	2020	2019
Current interest	–145.8	–135.5[1]
Accrued interest on liabilities and pensions	–30.7	–25.9[1]
Capitalised interest expenses	8.8	5.6
Non-recurring expenses in connection with financing	–4.0	–13.1
	–171.7	**–168.9**

1 Previous year's figure changed due to exercise of IAS 23 option

The average interest rate for capitalised interest expenses was 1.4% (previous year: 1.4%).

11 Net income from fair value adjustment to financial instruments

Net income from the fair value adjustment consists of negative fair value adjustments to the convertible bonds of EUR 96.2 million (previous year: EUR 58.0 million in positive adjustments), negative value adjustments to derivative financial instruments of EUR 15.6 million (previous year: EUR 29.5 million negative adjustments) and positive adjustments to financial investments classified as financial instruments of EUR 4.9 million (previous year: EUR 0.0 million).

12 Earnings from investments accounted for using the equity method

Earnings from investments accounted for using the equity method came to EUR 8.9 million (previous year: EUR 2.8 million). The increase is principally due to the first equity adjustment for the interests held in the QUARTERBACK Group. For further information see Note B.3 "Disclosure on interests in other companies".

13 Income taxes

Companies which are domiciled in Germany and structured as a limited liability company are subject to German corporation tax at a rate of 15% and a solidarity surcharge of 5.5% of the corporation tax levied. These companies are also subject to trade tax, which is levied at different rates set by the local authority. Companies structured as limited partnerships are only subject to trade tax. The profit less trade tax is attributed to the limited partners for corporation tax purposes. Limited use of corporation and trade tax loss carry-forwards is to be taken into account from the assessment period 2004 onwards. As a result, a positive tax assessment basis up to EUR 1 million may be reduced by an existing loss carryforward without limitation; amounts in excess thereof may at most be reduced to 60% by an existing loss carryforward.

The anticipated nominal income tax rate for 2020 for Deutsche Wohnen SE as the parent company of the Group is 30.18% (previous year: 30.18%).

The income tax expense/benefit comprises the following:

EUR m	2020	2019
Current tax expense	**–71.0**	**–18.9**
Tax expense resulting from capital increase-related costs	**0.0**	**–0.1**
Deferred tax expense		
Properties	–605.9	–531.3
Tax loss carryforwards	–46.8	49.7
Loans	4.1	6.1
Convertible bonds	14.0	–5.3
Interest rate hedges	–0.4	4.6
Pensions	–1.3	–0.1
Other	8.1	–8.4
	–628.2	**–484.6**
	–699.2	**–503.7**

The reconciliation of tax expense/benefit is provided in the following overview:

EUR m	2020	2019
Net income before taxes	2,243.7	2,104.6
Applicable tax rate	30.18%	30.18%
Resulting tax expense	–677.0	–635.1
Permanent effects of non-deductible expenses, trade tax corrections and tax-free income	31.2	90.2
Change in unrecognised deferred taxes on tax loss carryforwards and temporary differences.	–25.6	96.0
Income taxes from other periods	–0.8	–15.5
Other effects	–27.0	–39.3
	–699.2	**–503.7**

The amount of current income taxes for the financial year 2020 includes income from other periods of EUR –0.8 million (previous year: EUR –15.5 million). Of the EUR –25.6 million change in unrecognised deferred taxes on loss carryforwards and accrued temporary differences, EUR 0.1 million reduced current tax expenses (previous year: EUR 1.5 million).

F Segment reporting

Deutsche Wohnen reports by business segments on the basis of the information provided to the decision-makers of the Deutsche Wohnen Group.

Deutsche Wohnen concentrates its business operations on the following four main areas:

Residential Property Management

The main commercial activity of Deutsche Wohnen is the active asset management of residential properties. Asset management comprises the modernisation and maintenance of Deutsche Wohnen's property portfolio, the management of tenancy agreements, tenant support and the marketing of apartments. The focus of property management is on the optimisation of rental income. Opportunities with the potential for rent increases are therefore examined continuously in the course of maintenance work, changes in tenants are used to add value and supply services are purchased and charged on to tenants with the aim of achieving the greatest possible savings. The Residential Property Management segment also consists of new construction activities, mainly project development for the Group's own portfolio.

Disposals

The Disposals segment is another pillar of the Deutsche Wohnen Group's operating business. Privatisation can take the form of either an individual privatisation transaction, i.e. the sale of an individual residential unit (for example, to a tenant), or block sales.

The Disposals segment covers all aspects of preparing and closing sales of residential units from the Group's own assets in the course of optimising and streamlining the portfolio.

Apartments may also be privatised in connection with the future purchase of portfolios, in order to streamline them and for financing purposes.

Certain residential units, particularly in Rhineland-Palatinate, and individual holdings of the GEHAG Group as well as the BauBeCon Group are subject to privatisation restrictions due to the acquisition agreements. In light of these obligations, the Group is bound by certain rules in some cases (for example, sales to tenants, general social conditions, etc.) when making privatisation decisions. In some cases the restrictions also stipulate that none of the assets concerned may be sold for a certain period.

Nursing Operations

The Nursing Operations segment comprises the investments in KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG. The services offered by the Nursing Operations consist of marketing and managing nursing and assisted living facilities and support services provided to the elderly people living in the properties.

Nursing Assets

Earnings contributions from leases with internal and external operators of nursing facilities are presented in the Nursing Assets segment.

Internal transactions mainly consist of management contracts and leases for nursing assets operated by the Group on standard market terms.

The segment reporting is attached to the notes to the consolidated financial statements as Appendix 2.

The segment earnings correspond to the respective sub-totals in the consolidated income statement. The following table shows the reconciliation of the segment earnings with the net income for the period shown in the consolidated income statement:

2020

EUR m	Group	Residential Property Management	Dis-posals	Nursing Opera-tions	Nursing Assets	Other
Income from Residential Property Management	1,197.8	1,197.7	0.0	0.0	0.0	0.1
Income from Nursing Operations	226.1	0.0	0.0	226.1	0.0	0.0
Rental income from Nursing Assets	38.2	0.0	0.0	0.0	38.2	0.0
Other income	21.7	0.1	0.0	0.0	0.0	21.6
Income from sold properties	1,251.6	0.0	1,251.6	0.0	0.0	0.0
Carrying amount of properties sold	–1,221.0	0.0	–1,221.0	0.0	0.0	0.0
Income from sold properties (development)	6.8	6.8	0.0	0.0	0.0	0.0
Carrying amount of properties sold (development)	–7.3	–7.3	0.0	0.0	0.0	0.0
Earnings from disposals	30.1	–0.5	30.6	0.0	0.0	0.0
Cost of materials and services	–540.6	–477.9	–8.9	–40.8	–3.0	–10.0
Staff expenses	–231.8	–16.7	–1.3	–140.1	0.0	–73.7
Other operating expenses	–104.0	–6.1	0.0	–11.5	0.0	–86.4
Other operating income	56.3	30.1	0.0	13.8	0.1	12.3
	693.8	**726.7**	**20.4**	**47.5**	**35.3**	**–136.1**
Depreciation, amortisation and impairment	–40.0	0.0	0.0	0.0	0.0	–40.0
Gains/losses from the fair value adjustment of investment properties	1,856.4	0.0	0.0	0.0	0.0	1,856.4
Impairment losses on financial assets	–7.1	–6.3	0.0	–0.6	–0.2	0.0
Earnings before interest and taxes (EBIT)/ Segment earnings	**2,503.1**	**720.4**	**20.4**	**46.9**	**35.1**	**1,680.3**
Finance income	10.3					
Finance expenses	–171.7					
Net income from fair value adjustment to financial instruments	–106.9					
Earnings from investments accounted for using the equity method	8.9					
Earnings before taxes (EBT)	**2,243.7**					
Income taxes	–699.1					
Profit/loss for the period	**1,544.6**					

2019

EUR m	Group	Residential Property Management	Dis-posals	Nursing Opera-tions	Nursing Assets	Other
Income from Residential Property Management	1,191.7	1,191.7	0.0	0.0	0.0	0.0
Income from Nursing Operations	222.9	0.0	0.0	222.9	0.0	0.0
Rental income from Nursing Assets	45.5	0.0	0.0	0.0	45.5	0.0
Other income	18.6	0.0	0.0	0.0	0.0	18.6
Income from sold properties	767.3	0.0	767.3	0.0	0.0	0.0
Carrying amount of properties sold	−569.6	0.0	−569.6	0.0	0.0	0.0
Income from sold properties (development)	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amount of properties sold (development)	0.0	0.0	0.0	0.0	0.0	0.0
Earnings from disposals	197.7	0.0	197.7	0.0	0.0	0.0
Cost of materials and services	−530.4	−470.2	−10.0	−40.5	−2.5	−7.2
Staff expenses	−211.6	−12.7	−1.5	−129.3	0.0	−68.1
Other operating expenses	−154.7	−3.5	−0.1	−11.1	0.0	−140.0
Other operating income	96.5	26.1	0.0	4.3	0.0	66.1
	876.2	**731.4**	**186.1**	**46.3**	**43.0**	**−130.6**
Depreciation, amortisation and impairment	−42.9	0.0	0.0	0.0	0.0	−42.9
Gains/losses from the fair value adjustment of investment properties	1,401.1	0.0	0.0	0.0	0.0	1,401.1
Impairment losses on financial assets	−3.1	−1.6	0.0	−1.0	0.0	−0.5
Earnings before interest and taxes (EBIT)/ Segment earnings	**2,231.3**	**729.8**	**186.1**	**45.3**	**43.0**	**1,227.1**
Finance income	10.9					
Finance expenses	−168.9					
Net income from fair value adjustment to financial instruments	28.5					
Earnings from investments accounted for using the equity method	2.8					
Earnings before taxes (EBT)	**2,104.6**					
Income taxes	−503.7					
Profit/loss for the period	**1,600.9**					

G Notes on the statement of cash flows

The consolidated statement of cash flows shows how the Group's cash position has changed during the financial year due to the inflow and outflow of funds. It is broken down into cash flow from operating activities, investing and financing activities in line with IAS 7 Statement of Cash Flows.

Other non-cash operating income and expenses mainly include carrying profits from disposals (2020: EUR 4.4 million; previous year: EUR 146.1 million). In total, Deutsche Wohnen received EUR 1,321.6 million (previous year: EUR 795.2 million) from property disposals. Payments for property investments include payments for modernisation work and the acquisition of investment properties and land and buildings held for sale.

The Group has funds amounting to EUR 430.3 million (previous year: EUR 438.6 million) at its disposal from existing financing commitments that have not been utilised as at the reporting date.

Cash flows from investing and financing activities are determined when payments are made. The cash flow from operating activities in contrast is indirectly derived from the Group's profit/loss.

The changes in liabilities arising out of finance leases during the financial year 2020 were as follows:

EUR m			Non-cash changes			
	Opening balance Balance sheet	Cash changes	Change in the basis of consolidation	Change in fair value	Accruals and deferrals	Closing balance Balance sheet
Financial liabilities	6,327.7	38.5	138.1	0.0	20.8	6,525.1
Convertible bonds	1,682.8	0.0	0.0	85.9	0.0	1,768.7
Corporate bonds	2,014.1	1,124.4	0.0	0.0	–8.9	3,129.6
Total	**10,024.6**	**1,162.9**	**138.1**	**85.9**	**11.9**	**11,423.4**

H Earnings per share

In order to calculate the basic earnings per share, the consolidated earnings are divided by the weighted number of shares outstanding in the financial year.

The diluted and undiluted earnings amount to:

EUR m	2020	2019
Group profit/loss to calculate undiluted earnings	1,502.7	1,529.5
Correction: interest from the convertible bond (after tax)	5.2	5.2
Correction: measurement effect from the convertible bond (after tax)	67.2	–40.5
Adjusted group profit/loss to calculate diluted earnings	**1,575.1**	**1,494.2**

The average number of issued shares (diluted and undiluted) amounts to:

k units	2020	2019
Issued shares, opening balance	357,087	357,014
Addition of issued and own shares purchased in the financial year	–13,314	73
Issued shares, Closing balance	347,773	357,087
Average number of issued shares, undiluted	**347,851**	**357,087**
Number of diluting shares due to exercise of conversion rights and share option programme	33,189	32,899
Average number of issued shares, diluted	**381,040**	**390,986**

The earnings per share amount to:

EUR	2020	2019
Earnings per share		
Undiluted	4.32	4.27
Diluted	4.13	3.82

In 2020 a dividend of EUR 312.6 million or EUR 0.90 per share was paid out for the financial year 2019. A cash dividend of EUR 1.03 per share is planned for the financial year 2020. Based on the number of shares outstanding as at 31 December 2020 and assuming that no shareholders vote for a share dividend, this corresponds to a total dividend distribution of EUR 354.1 million.

I Other disclosures

1 Disclosures on financial instruments

Financial risk management

The management of financial risks is an integral part of the risk management system and as such a tool for achieving the company's primary objective of ensuring the profitability of Deutsche Wohnen – which is mainly focused on the management and development of its own residential holdings – on a sustained basis. For a detailed description of the general risk management system please refer to the section on risks and opportunities in the Group management report.

The measures relating to financial risk management are described below:

The main financial instruments used by the Group – apart from derivative financial instruments and equity instruments – are bank loans, convertible bonds, corporate bonds, registered bonds, bearer bonds, and cash and cash equivalents. The primary purpose of these financial instruments is to finance the Group's business activities. The Group has various other financial assets and liabilities, such as trade receivables and payables that are created directly by its commercial activities.

The Group also carries out derivative transactions in the form of interest rate swaps and floors. The purpose of these derivative financial instruments is to manage interest rate risks that result from the Group's business activities and its sources of finance. There has been no trading of interest rate swaps, nor will there be any future trading in this area.

The tables below show the categorisation of financial instruments into the corresponding classes as per IFRS 7.6 and the allocation to measurement categories as defined in IAS 9:

31/12/2020

EUR m	IFRS 9 measurement category	Measured at amortised costs		At fair value	Value recognised in the balance sheet as per IAS 16/IAS 28	Total balance sheet items
		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount
Trade receivables	AC	35.9	35.9	–	–	35.9
Other assets						
Equity instruments	FVOCI	–	–	0.5	–	0.5
Equity instruments	FVtPL	–	–	22.6	–	22.6
Shares in associates and joint ventures	n/a	–	–	–	365.8	365.8
Lending	AC	0.8	0.8	–	–	0.8
Lease receivables	n/a	–	–	–	28.7	28.7
Other financial assets	AC	350.2	350.2	–	–	350.2
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	–	–	2.6	–	2.6
Cash flow hedges (interest rate swaps)	n/a	–	–	–	–	–
Cash and cash equivalents	AC	583.3	583.3	–	–	583.3
Total financial assets		**970.2**	**970.2**	**25.7**	**394.5**	**1,390.4**
Financial liabilities	AC	6,525.1	6,798.7	–	–	6,525.1
Convertible bonds	FVtPL	–	–	1,768.7	–	1,768.7
Corporate bond	AC	3,129.6	3,486.5	–	–	3,129.6
Trade payables	AC	362.0	362.0	–	–	362.0
Other liabilities						
Lease liabilities	n/a	–	–	–	148.7	148.7
Other financial liabilities	AC	249.9	249.9	–	–	249.9
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	–	–	32.5	–	32.5
Cash flow hedges (interest rate swaps)	n/a	–	–	24.8	–	24.8
Total financial liabilities		**10,266.6**	**10,897.1**	**1,826.0**	**148.7**	**12,241.3**

AC – Financial assets and financial liabilities valued at amortised costs (Amortised Cost)
FVtPL – Measured at fair value through profit and loss (Fair Value through Profit and Loss)
FVOCI – Measured at fair value through equity (Fair Value through Other Comprehensive Income)

31/12/2019

EUR m	IFRS 9 measurement category	Measured at amortised costs		At fair value	Value recognised in the balance sheet as per IAS 16/IAS 28	Total balance sheet items
		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount
Trade receivables	AC	24.9	24.9	–	–	24.9
Other assets						
Equity instruments	FVOCI	–	–	2.3	–	2.3
Shares in associates and joint ventures	n/a	–	–	–	22.6	22.6
Lending	AC	4.1	4.1	–	–	4.1
Lease receivables	n/a	–	–	–	28.7	28.7
Other financial assets	AC	98.2	98.2	–	–	98.2
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	–	–	1.3	–	1.3
Cash flow hedges (interest rate swaps)	n/a	–	–	–	–	–
Cash and cash equivalents	AC	685.6	685.6	–	–	685.6
Total financial assets		**812.8**	**812.8**	**3.6**	**51.3**	**867.6**
Financial liabilities	AC	6,327.7	6,604.8	–	–	6,327.7
Convertible bonds	FVtPL	–	–	1,682.8	–	1,682.8
Corporate bond	AC	2,014.1	2,117.4	–	–	2,014.1
Trade payables	AC	300.5	300.5	–	–	300.5
Other liabilities						
Lease liabilities	n/a	–	–	–	169.4	169.4
Other financial liabilities	AC	281.3	281.3	–	–	281.3
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	–	–	33.2	–	33.2
Cash flow hedges (interest rate swaps)	n/a	–	–	18.9	–	18.9
Total financial liabilities		**8,923.6**	**9,304.0**	**1,734.9**	**169.4**	**10,827.9**

AC – Financial assets and financial liabilities valued at amortised costs (Amortised Cost)
FVtPL – Measured at fair value through profit and loss (Fair Value through Profit and Loss)
FVOCI – Measured at fair value through equity (Fair Value through Other Comprehensive Income)

The fair value of the financial assets and liabilities was measured for the purpose of valuation and the disclosures in the notes on the basis of Level 2 of the fair value hierarchy – with the exception of liabilities for employees' put options and equity instruments (Level 3).

The DCF valuation method based on observable market parameters, in particular market interest rates, was used for the derivatives. The fair value of the convertible bonds was measured using the listed prices for the securities. Liabilities for put options represent discounted, contractually agreed purchase prices, which can be derived from predictable future cash flows.

The following table shows the contractual, undiscounted payments:

31/12/2020

EUR m	Carrying amount				Maturities
		2021	2022	2023	>2024
Original financial liabilities					
Financial liabilities	6,525.1	140.1	169.4	872.4	5,900.1
Convertible bonds	1,768.7	7.4	7.4	7.4	1,617.0
Corporate bond	3,129.6	244.5	44.5	44.5	3,271.7
Trade payables	429.9	362.0	48.7	1.0	18.2
Other liabilities					
Liabilities from finance leases	148.7	23.7	19.5	18.6	140.1
Other financial liabilities	249.9	87.1	0.0	0.0	162.8
Derivative financial liabilities	**57.3**	**8.9**	**9.7**	**9.3**	**28.3**
Total	**24.8**	**873.8**	**299.3**	**953.3**	**11,138.2**

31/12/2019

EUR m	Carrying amount				Maturities
		2020	2021	2022	>2023
Original financial liabilities					
Financial liabilities	6,327.7	120.0	100.5	247.8	3,997.5
Convertible bonds	1,682.8	7.4	7.4	7.4	1,624.4
Corporate bond	2,014.1	508.9	26.3	26.3	1,744.7
Trade payables	300.5	267.0	8.5	8.5	16.5
Other liabilities					
Liabilities from finance leases	169.4	23.4	22.8	18.5	171.2
Other financial liabilities	281.3	127.5	0.0	0.0	153.7
Derivative financial liabilities	**52.1**	**8.8**	**10.0**	**8.7**	**25.0**
Total	**10,827.9**	**1,096.6**	**166.9**	**308.8**	**7,716.6**

The profits and losses from financial assets and liabilities are as follows:

31/12/2020

EUR m	IFRS 9 measurement category	From interests	From dividends	From subsequent valuations			From disposals	From components of other comprehensive income	Net income
				At fair value	Write-down	Write-back			
Financial assets and financial liabilities at amortised costs	AC	–139.7	–2.0	0.0	–2.6	1.3	–3.5	–5.0	–151.5
At fair value through profit or loss	FVtPL	–27.7	0.0	–107.1	0.0	0.0	0.0	0.0	–134.8
At fair value through other comprehensive income	FVOCI	0.0	0.0	10.3	–3.5	0.0	0.0	0.0	6.8
Total		**–167.5**	**–2.0**	**–96.8**	**–6.0**	**1.3**	**–3.5**	**–5.0**	**–279.5**

31/12/2019

EUR m	IFRS 9 measurement category	From interests	From dividends	From subsequent valuations			From disposals	From components of other comprehensive income	Net income
				At fair value	Write-down	Write-back			
Financial assets and financial liabilities at amortised costs	AC	–148.6	0.0	0.0	–0.3	2.0	–5.3	–2.2	–154.4
At fair value through profit or loss	FVtPL	–22.6	0.0	28.5	0.0	0.0	0.0	0.0	5.9
At fair value through other comprehensive income	FVOCI	0.0	0.0	–43.6	–1.5	0.0	–0.3	0.0	–45.4
Total		**–171.2**	**0.0**	**–15.1**	**–1.8**	**2.0**	**–5.5**	**–2.2**	**–193.9**

AC – Financial assets and financial liabilities valued at amortised costs (Amortised Cost)
AfS – Financial assets available for disposal (Available for Sale)
FVtPL – Measured at fair value through profit and loss (Fair Value through Profit and Loss)
FVOCI – Measured at fair value through equity (Fair Value through Other Comprehensive Income)
LaR – Loans and Receivables
FAHfT – Financial assets assessed at fair value and recognised in profit/loss (Financial Assets Held for Trade)
FLaC – Financial liabilities carried forward at amortised cost (Financial Liabilities at Cost)
FLHfT – Liabilities assessed at fair value and recognised in profit/loss (Financial Liabilities Held for Trade)

Changes in the fair value of convertible bonds resulting from counterparty risk are recognised in other comprehensive income.

The main risks to the Group from financial instruments consist of interest rate-related cash flow, liquidity, default and market risks. Company management draws up and reviews risk management guidelines for each of these risks, which are described below:

Default risk

Default risk, or the risk that a counterparty does not meet their payment obligations, are addressed by means of credit lines and monitoring procedures. The company obtains collateral where appropriate. There is no significant concentration of default risk at Deutsche Wohnen, either for a single counterparty or for a group of counterparties with similar characteristics. The maximum default risk is the recognised carrying amount of the financial assets.

Liquidity risk

The Group monitors the risk of a liquidity shortfall on a daily basis using a liquidity planning tool. This tool takes into account the inflows and outflows of cash from the operating activities and payments relating to financial liabilities.

Deutsche Wohnen seeks to ensure that sufficient liquidity is available to meet future obligations at all times. Deutsche Wohnen currently has a debt capital ratio of approximately 55% (previous year: 53%) and a loan-to-value ratio of 37.0% (previous year: 35.4%).

Interest rate-related cash flow risks

The interest rate risk to which the Group is exposed is mainly derived from non-current financial liabilities with floating interest rates.

The Group's interest expenses are managed by a combination of fixed-interest and floating-rate debt. To structure this combination cost-efficiently the Group arranges interest rate swaps, which entail the Group swapping the difference between fixed and floating interest rates with the counterparty for an agreed nominal amount at regular intervals. These interest rate swaps hedge the underlying debt. Accordingly, interest rate risk only exists for floating-rate financial liabilities that are not hedged by interest rate swaps. Applied to these financial liabilities, an increase/reduction of 0.5% in the interest rate on the balance sheet date would have resulted in an increase/a reduction in the interest expenses of EUR 4.8 million/EUR 1.8 million (previous year: EUR 5.3 million/EUR –2.5 million). Applied to the derivative financial instruments, an increase/reduction of 0.5% in the interest rate on the balance sheet date would have resulted in an increase/a reduction in the interest expenses of EUR 15.3 million/EUR –17.4 million (previous year: EUR 22.2 million/EUR –23.3 million). Applied to the other comprehensive income, an interest adjustment in the same amount would have resulted in an increase/a reduction of EUR 9.5 million/EUR –9.9 million (previous year: EUR 10.4 million/EUR –10.9 million).

Market risk
Deutsche Wohnen's financial instruments not carried at fair value primarily include cash and cash equivalents, trade receivables, lease receivables, other current assets, financial liabilities, trade payables and other liabilities.

The carrying amount of cash and cash equivalents is very close to its fair value due to the short maturity of these financial instruments. The carrying amount of receivables and liabilities on normal commercial credit terms is based on cost, which is also very close to their fair value.

Fair value risks may arise for fixed interest rate and hedged loans if the market interest rate falls below the interest rates agreed for the Group's loans. In this case Deutsche Wohnen generally negotiates with the banks, and adjusts and refinances loans to avoid any detrimental interest rates.

Netting of financial assets and financial liabilities
Financial assets and liabilities will only be netted pursuant to global netting agreements where an enforceable legal offset right exists on the balance sheet date and settlement on a net basis is planned. Where a claim for netting is not enforceable in the ordinary course of business, the global netting agreement will only give rise to a conditional offset right. In this case the financial assets and liabilities are shown in the balance sheet at their gross amounts on the reporting date.

Deutsche Wohnen enters into financial futures transactions as a means of hedging against cash flow risks. These derivatives are based on standardised netting agreements with the banks, which may give rise to a contingent offset right and the presentation of futures transactions on a gross basis on the reporting date.

Claims arising out of operating costs which have not yet been accounted for in the amount of EUR 342.3 million (previous year: EUR 356.2 million) were offset against instalments on advance payments of operating costs in the amount of EUR 355.7 million (previous year: EUR 372.4 million) on the balance sheet for the financial year 2020. There are no contingent rights to offset derivatives against liabilities from derivatives.

2 Capital management

The prime objective of the Group's capital management is to ensure that it maintains a good credit rating and a good equity ratio to support its business operations and maximise shareholder value.

Management of the capital structure takes liabilities to banks and other lenders and cash holdings into account.

The key figures for capital management are:

- the equity/debt ratio and the leverage ratio

The Group aims to achieve an equity ratio of 40%. Future investments are therefore also made on the basis of a balanced financing structure. The equity ratio as of the reporting date income was 45% (previous year: 47%).

- Loan-to-Value ratio

The ratio of financial liabilities to the value of the investment properties is defined as the loan-to-value ratio.

EUR m	31/12/2020	31/12/2019
Financial liabilities	6,525.1	6,327.7
Convertible bonds	1,768.7	1,682.8
Corporate bonds	3,129.6	2,014.1
	11,423.4	**10,024.6**
Cash and cash equivalents	–583.3	–685.6
Net financial liabilities	**10,840.1**	**9,339.0**
Investment properties	28,069.5	25,433.3
Less right-of-use assets held as investment properties from leases	–51.6	–62.8
Non-current assets held for sale	163.6	571.2
Land and buildings held for sale	472.2	468.9
Investments in property and land-owning companies	361.9	4.6[1]
Loans to property and land-owning companies	252.3	0.0[1]
	29,267.9	**26,415.2**[1]
Loan-to-Value ratio in %	**37.0**	**35.4**

1 Calculation method has been changed to include equity investments in and loans to property companies.

3 Events after the balance sheet date

As part of the further development of new construction activities, Isaria München Projektentwicklungs GmbH was sold to QUARTERBACK Immobilien Group for EUR 12.5 million in the first quarter of 2021, so that new construction competencies of Deutsche Wohnen Group are merged into the QUARTERBACK Immobilien Group.

On the 30 September 2019 the Data Privacy and Freedom of Information Officer imposed a fine on Deutsche Wohnen SE due to the allegation of breaches of the EU General Data Protection Regulation (GDPR). The alleged infringements relate to a data archival solution that Deutsche Wohnen SE has already replaced. In response to the company’s appeal, the district court discontinued the proceedings in February 2021 because the penalty notice was invalid. The Data Privacy and Freedom of Information Officer immediatly lodged a complaint with regrad to the decision of the berlin district court.

We are not aware of any other material events after the reporting date.

4 Other financial obligations and contingent liabilities

Other financial obligations of EUR 32.8 million in total result from management contracts for IT services (previous year: 16.2 million).

In addition, there are current obligations of EUR 414.8 million (previous year: EUR 219.0 million) resulting from the acquisition of a number of property portfolios. Order commitments and investment obligations resulted in financial obligations of EUR 265.2 million (previous year: EUR 168.7 million) and EUR 656.7 million (previous year: EUR 562.5 million) respectively.

One Group company (Rhein-Pfalz Wohnen GmbH) has been certified as a refurbishment and development agency (sections 158 and 167 of the German Federal Building Code (Baugesetzbuch – BauGB). Rhein-Pfalz Wohnen GmbH performs the duties incumbent upon it as the trustee of the local authorities.

In the GSW subgroup there are land charges in connection with building obligations for a total of EUR 10.6 million (previous year: EUR 10.6 million).

Employees of F&W Fördern & Wohnen AöR – formerly pflegen & wohnen AöR -, who started their employment before 31 July 2001 have or will have additional benefit entitlements under legislation known as HmbZVG. After the spin-out and subsequent privatisation of PFLEGEN & WOHNEN HAMBURG GmbH on 01 November 2005 F&W and the buyers of the shares in PFLEGEN & WOHNEN HAMBURG GmbH agreed to divide the entitlements to company retirement benefits. All entitlements acquired up to 31 December 2005 are to be covered by F&W or the Free and Hanseatic City of Hamburg. Entitlements acquired after this date are covered by PFLEGEN & WOHNEN HAMBURG GmbH, Hamburg. PFLEGEN & WOHNEN HAMBURG GmbH, Hamburg, recognises retirement benefit provisions for its share. F&W and PFLEGEN & WOHNEN HAMBURG GmbH have taken on joint and several liability for these obligations, so that each company is also liable for the entitlements covered by the other. In the event that F&W becomes insolvent, PFLEGEN & WOHNEN HAMBURG GmbH has a contractual right to claim the entitlements covered by F&W from the Free and Hanseatic City of Hamburg, so there is no economic risk that PFLEGEN & WOHNEN HAMBURG GmbH will have to stand in for these entitlements. The entitlements covered by F&W come to EUR 21.4 million as of 31 December 2020 (previous year: EUR 21.3 million).

5 Services provided by the auditors

The auditor of Deutsche Wohnen SE and the Group is KPMG AG Wirtschaftsprüfungsgesellschaft. The following net expenses were incurred in the reporting year.

EUR thousand	2020	2019
Audit services	1,561	1,298
Other assurance work	87	86
Other services	202	18
	1,850	**1,401**

6 Related party disclosures

A related party is a person or entity that has control over the Deutsche Wohnen Group or significant influence over its financial and commercial policies. The following control relationships were taken into account when determining the significant influence that related parties of the Deutsche Wohnen Group have over its financial and commercial policies.

Related entities

The affiliates, joint ventures and associates included in the consolidated financial statements are related entities.

Transactions with related entities

Please refer to B.3 “Disclosure on interests in other companies” for an overview of transactions between the QUARTERBACK Group as a material joint venture and the Deutsche Wohnen Group.

Related persons

Related persons are the members of the Management Board and Supervisory Board and their close family members.

Members of the Management Board of Deutsche Wohnen SE

In financial year 2020 the Management Board was composed as follows:

Name	Occupation	Memberships of supervisory boards and other supervisory bodies within the meaning of section 125 para. 1, sentence 5, German Stock Corporation Act [Aktiengesetzt – AktG]
Michael Zahn Chair of the Management Board	Chief Executive Officer, CEO	• DIC Asset AG[1], Frankfurt/Main (Member of the Supervisory Board since 08/07/2020) • IOLITE IQ GmbH[2], Berlin (Member of the Supervisory Board) • PFLEGEN & WOHNEN HAMBURG GmbH[2], Hamburg (Deputy Chair of the Supervisory Board since 25/05/2020) • QUARTERBACK Immobilien AG[2], Leipzig (Member of the Supervisory Board since 14/08/2020, Deputy Chair of the Supervisory Board since 20/08/2020) • G+D Gesellschaft für Energiemanagement GmbH[2], Magdeburg (Chair of the Advisory Board) • Funk Schadensmanagement GmbH[2], Berlin (Chair of the Advisory Board) • DZ Bank AG, Frankfurt/Main (Member of the Advisory Board) • Füchse Berlin Handball GmbH, Berlin (Member of the Advisory Board) • GETEC Wärme & Effizienz GmbH, Magdeburg (Member of the Real Estate Advisory Board)
Philip Grosse	Chief Financial Officer, CFO	• GSW Immobilien AG[1, 2], Berlin (Chair of the Supervisory Board) • GEHAG GmbH[2], Berlin (Deputy Chair of the Supervisory Board) • Eisenbahn-Siedlungs-Gesellschaft Berlin mbH[2], Berlin (Chair of the Supervisory Board) • QUARTERBACK Immobilien AG[2], Leipzig (Member of the Supervisory Board since 14/08/2020) • Commerzbank AG[1], Frankfurt/Main (Member of the Regional Advisory Board East)
Henrik Thomsen	Chief Development Officer, CDO	none
Lars Urbansky	Chief Operating Officer, COO	• GEHAG GmbH[2], Berlin (Chair of the Supervisory Board) • Eisenbahn-Siedlungs-Gesellschaft Berlin mbH[2], Berlin (Member of the Supervisory Board) • GEHAG Vierte Beteiligung SE[2], Berlin (Member of the Supervisory Board)

1 Publicly listed company
2 Company in the Deutsche Wohnen Group

Members of the Supervisory Board of Deutsche Wohnen SE

In financial year 2020 the Supervisory Board was composed as follows:

Name	Occupation	Memberships of supervisory boards and other supervisory bodies within the meaning of section 125 para. 1, sentence 5, German Stock Corporation Act [Aktiengesetz – AktG]
Matthias Hünlein Chair	Managing Director Tishman Speyer Properties Deutschland GmbH, Frankfurt/Main	• Tishman Speyer Investment Management GmbH[1], Frankfurt/Main (Deputy Chair of the Supervisory Board)
Jürgen Fenk Deputy Chair since 05/06/2020	CEO Stone Holding SASU, Paris, Frankreich (Primonial Group)	• SIGNA Development Selection AG[1], Innsbruck, Austria (Member of the Supervisory Board) • GALERIA Karstadt Kaufhof GmbH[1], Essen (Member of the Supervisory Board until 26/02/2021)
Arwed Fischer	Member of various supervisory boards	• 6B47 Real Estate Investors AG, Vienna, Austria (Chair of the Supervisory Board) • SUMMIQ AG, Munich (Chair of the Supervisory Board) • Five Quarters Real Estate AG, Hamburg (Deputy Chair of the Supervisory Board)
Kerstin Günther since 05/06/2020	Managing Director of Helmholtz Zentrum Munich Deutsches Forschungszentrum für Gesundheit und Umwelt (GmbH), Munich	none
Tina Kleingarn	Partner of Westend Corporate Finance, Frankfurt/Main	none
Dr Florian Stetter	CEO of Rockhedge Asset Management AG, Krefeld	• C&P Immobilien AG, Graz, Austria (Member of the Supervisory Board) • Noratis AG, Eschborn (Deputy Chair of the Supervisory Board) • Historie & Wert Aktiengesellschaft, Wuppertal (Chair of the Supervisory Board) • Intelliway Services AD, Sofia, Bulgaria (Member of the Board of Directors)
Retired member of the Supervisory Board		
Dr Andreas Kretschmer Deputy Chair until 05/06/2020	Management consultant, Düsseldorf	none

1 Company belongs to a larger group

Transactions with related parties

There were no transactions with related parties in 2020.

7 Remuneration of the Management Board and Supervisory Board

The remuneration paid to the members of the Management Board and the Supervisory Board in accordance with their service contracts was as follows:

EUR m	2020	2019
Management Board remuneration		
Non-performance-related remuneration	2.3	2.2
Performance-related remuneration	3.4	3.0
Total	**5.7**	**5.2**
Supervisory Board remuneration		
Fixed remuneration components	0.8	0.7
Total	**0.8**	**0.7**

The non-performance-related components of Management Board remuneration include a fixed salary and a company car. The performance-based components comprise both short-term incentives, structured on a short-term and long-term basis, and long-term incentives.

Supervisory Board members only receive a fixed remuneration.

No provisions have been made for retirement benefits to active or former members of the Management Board or Supervisory Board.

With regard to all other matters, we refer to the remuneration report contained in the combined management report.

8 Corporate Governance

The Management Boards and the Supervisory Boards of Deutsche Wohnen SE and GSW Immobilien AG have issued a declaration of compliance with the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act [Aktiengesetz – AktG] and made it permanently available to the shareholders online at www.deutsche-wohnen.com and www.gsw.de.

Berlin, 19 March 2021

Michael Zahn
Chair of the Management Board

Philip Grosse
Management Board

Henrik Thomsen
Management Board

Lars Urbansky
Management Board

Appendix 1 to the Notes to the consolidated financial statements

SHAREHOLDINGS [3]

as at 31 December 2020

Company and registered office	Agre of capital in %	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
Subsidiaries, fully consolidated				
AGG Auguste-Viktoria-Allee Grundstücks GmbH, Berlin	100.00[1]	25.0	0.0	31/12/20
Algarobo Holding B.V., Baarn, Netherlands	100.00	23,663.4	–7.0	31/12/20
Alpha Asset Invest GmbH & Co. KG, Berlin	100.00[2]	753.8	250.9	31/12/20
Amber Dritte VV GmbH, Berlin	94.90[1]	–7,295.6	21.2	31/12/20
Amber Erste VV GmbH, Berlin	94.90[1]	–11,050.4	0.0	31/12/20
Amber Zweite VV GmbH, Berlin	94.90[1]	–11,830.2	283.3	31/12/20
Aragon 13. VV GmbH, Berlin	94.90[1]	–6,228.2	432.1	31/12/20
Aragon 14. VV GmbH, Berlin	94.90[1]	–10,598.0	694.9	31/12/20
Aragon 15. VV GmbH, Berlin	94.90[1]	–6,259.8	293.5	31/12/20
Aragon 16. VV GmbH, Berlin	94.90[1]	–9,637.6	0.0	31/12/20
Aufbau-Gesellschaft der GEHAG mit beschränkter Haftung, Berlin	100.00	8,596.0	561.9	31/12/20
BauBeCon BIO GmbH, Berlin	100.00[1]	8,626.5	0.0	31/12/20
BauBeCon Immobilien GmbH, Berlin	100.00[1]	686,438.3	208,404.6	31/12/20
BauBeCon Wohnwert GmbH, Berlin	100.00[1]	26,710.2	0.0	31/12/20
Beragon VV GmbH, Berlin	94.90[1]	–10,242.4	539.0	31/12/20
C. A. & Co. Catering KG, Wolkenstein	100.00	0.2	21.0	31/12/20
Ceragon VV GmbH, Berlin	94.90[1]	–7,835.3	253.0	31/12/20
Communication Concept Gesellschaft für Kommunikationstechnik mbH, Leipzig	100.00	3,449.3	1,615.5	31/12/19
DELTA VIVUM Berlin I GmbH, Berlin	94.90[1]	12,443.1	1,681.5	31/12/20
DELTA VIVUM Berlin II GmbH, Berlin	94.90[1]	–1,530.4	364.3	31/12/20
Deutsche Wohnen Asset Immobilien GmbH, Frankfurt/Main	100.00[1]	25.0	0.0	31/12/20
Deutsche Wohnen Berlin 5 GmbH, Berlin	94.90[1]	3,415.6	0.0	31/12/20
Deutsche Wohnen Berlin 6 GmbH, Berlin	94.90[1]	506.9	0.0	31/12/20
Deutsche Wohnen Berlin 7 GmbH, Berlin	94.90[1]	2,738.0	0.0	31/12/20
Deutsche Wohnen Berlin I GmbH, Berlin	94.00[1]	1,488.1	0.0	31/12/20
Deutsche Wohnen Berlin II GmbH, Berlin	94.90[1]	4,809.5	0.0	31/12/20
Deutsche Wohnen Berlin III GmbH, Berlin	94.90[1]	24,705.1	0.0	31/12/20
Deutsche Wohnen Berlin X GmbH, Berlin	94.80[1]	7,691.7	0.0	31/12/20
Deutsche Wohnen Berlin XI GmbH, Berlin	94.80[1]	7,504.6	0.0	31/12/20
Deutsche Wohnen Berlin XII GmbH, Berlin	94.80[1]	1,761.1	0.0	31/12/20
Deutsche Wohnen Berlin XIII GmbH, Berlin	94.80[1]	6,858.4	0.0	31/12/20
Deutsche Wohnen Berlin XIV GmbH, Berlin	94.80[1]	10,666.3	0.0	31/12/20
Deutsche Wohnen Berlin XV GmbH, Berlin	94.80[1]	12,102.0	0.0	31/12/20
Deutsche Wohnen Berlin XVI GmbH, Berlin	94.80[1]	6,596.9	0.0	31/12/20
Deutsche Wohnen Berlin XVII GmbH, Berlin	94.80[1]	5,914.2	0.0	31/12/20

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Company and registered office	Agre of capital in %	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
Deutsche Wohnen Berlin XVIII GmbH, Berlin	94.80[1]	3,256.7	0.0	31/12/20
Deutsche Wohnen Beteiligungen Immobilien GmbH, Frankfurt/Main	100.00[1]	1,025.0	0.0	31/12/20
Deutsche Wohnen Beteiligungsverwaltungs GmbH & Co. KG, Berlin	100.00[2]	1,020.0	150.9	31/12/20
Deutsche Wohnen Construction and Facilities GmbH, Berlin	100.00[1]	275.0	0.0	31/12/20
Deutsche Wohnen Corporate Real Estate GmbH, Berlin	100.00[1]	25.0	0.0	31/12/20
Deutsche Wohnen Direkt Immobilien GmbH, Frankfurt/Main	100.00	1,956,626.9	–23.9	31/12/20
Deutsche Wohnen Dresden I GmbH, Berlin	100.00[1]	5,087.3	0.0	31/12/20
Deutsche Wohnen Dresden II GmbH, Berlin	100.00[1]	3,762.4	0.0	31/12/20
Deutsche Wohnen Fondsbeteiligungs GmbH, Berlin	100.00[1]	17,825.0	0.0	31/12/20
Deutsche Wohnen Immobilien Management GmbH, Berlin	100.00[1]	1,610.0	0.0	31/12/20
Deutsche Wohnen Kundenservice GmbH, Berlin	100.00[1]	25.7	0.0	31/12/20
Deutsche Wohnen Management GmbH, Berlin	100.00[1]	325.0	0.0	31/12/20
Deutsche Wohnen Management- und Servicegesellschaft mbH, Frankfurt/Main	100.00[1]	325.6	0.0	31/12/20
Deutsche Wohnen Multimedia Netz GmbH, Berlin	100.00[1]	638.0	0.0	31/12/20
Deutsche Wohnen Reisholz GmbH, Berlin	100.00[1]	3,563.5	0.0	31/12/20
Deutsche Wohnen Technology GmbH, Berlin (vormals: Deutsche Wohnen Beschaffung und Beteiligung GmbH, Berlin)	100.00[1]	25.0	0.0	31/12/20
Deutsche Wohnen Zweite Fondsbeteiligungs GmbH, Berlin	100.00[1]	64,025.2	0.0	31/12/20
DW Pflegeheim Dresden Grundstücks GmbH, Munich	100.00	3,035.7	214.9	31/12/20
DW Pflegeheim Eschweiler Grundstücks GmbH, Munich	100.00	4,507.3	94.3	31/12/20
DW Pflegeheim Frankfurt/Main Grundstücks GmbH, Munich	100.00[1]	6,083.9	0.0	31/12/20
DW Pflegeheim Friesenheim Grundstücks GmbH, Munich	100.00[1]	2,621.2	0.0	31/12/20
DW Pflegeheim Glienicke Grundstücks GmbH, Munich	100.00[1]	4,565.4	0.0	31/12/20
DW Pflegeheim Konz Grundstücks GmbH, Munich	100.00[1]	10,337.6	0.0	31/12/20
DW Pflegeheim Meckenheim Grundstücks GmbH, Munich	100.00	3,658.7	132.2	31/12/20
DW Pflegeheim Potsdam Grundstücks GmbH, Munich	100.00	2,626.2	290.8	31/12/20
DW Pflegeheim Siegen Grundstücks GmbH, Munich	100.00[1]	2,824.6	0.0	31/12/20
DW Pflegeheim Weiden Grundstücks GmbH, Munich	100.00[1]	4,456.4	0.0	31/12/20
DW Pflegeheim Würselen Grundstücks GmbH, Munich	100.00[1]	3,790.3	0.0	31/12/20
DW Pflegeresidenzen Grundstücks GmbH, Munich	100.00	27,707.1	–551.5	31/12/20
DW Property Invest GmbH, Berlin	100.00[1]	328.5	0.0	31/12/20
DWRE Alpha GmbH, Berlin	100.00[1]	343.8	0.0	31/12/20
DWRE Braunschweig GmbH, Berlin	100.00[1]	16,325.2	0.0	31/12/20
DWRE Dresden GmbH, Berlin	100.00[1]	25.0	0.0	31/12/20
DWRE Halle GmbH, Berlin	100.00[1]	25.0	0.0	31/12/20
DWRE Hennigsdorf GmbH, Berlin	100.00[1]	1,085.3	0.0	31/12/20

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Company and registered office	Agre of capital in %	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
DWRE Leipzig GmbH, Berlin	100.00[1]	25.0	0.0	31/12/20
Eisenbahn-Siedlungs-Gesellschaft Berlin mit beschränkter Haftung, Berlin	94.90	11,889.8	0.0	31/12/20
EMD Energie Management Deutschland GmbH, Berlin	100.00[1]	30,022.8	0.0	31/12/20
Eragon VV GmbH, Berlin	94.90[1]	–9,170.2	0.0	31/12/20
FACILITA Berlin GmbH, Berlin	100.00	5,740.7	497.0	31/12/20
Faragon V V GmbH, Berlin	94.90[1]	–7,319.0	301.7	31/12/20
Fortimo GmbH, Berlin	100.00[1]	6,127.2	0.0	31/12/20
Gehag Acquisition Co. GmbH, Berlin	100.00	1,557,217.2	1,436.3	31/12/20
GEHAG Beteiligungs GmbH & Co. KG, Berlin	100.00[2]	21,912.1	271.7	31/12/20
GEHAG Dritte Beteiligungs GmbH, Berlin	100.00[1]	378.8	0.0	31/12/20
GEHAG Erste Beteiligungs GmbH, Berlin	100.00[1]	45.0	0.0	31/12/20
GEHAG Erwerbs GmbH & Co. KG, Berlin	99.99[2]	45,904.8	1,137.0	31/12/20
GEHAG GmbH, Berlin	100.00	2,522,634.0	52,820.3	31/12/20
GEHAG Grundbesitz I GmbH, Berlin	100.00[1]	26.0	0.0	31/12/20
GEHAG Grundbesitz II GmbH, Berlin	100.00[1]	25.0	0.0	31/12/20
GEHAG Grundbesitz III GmbH, Berlin	100.00[1]	25.0	0.0	31/12/20
GEHAG Vierte Beteiligung SE, Berlin	100.00[1]	20,220.5	0.0	31/12/20
GEHAG Zweite Beteiligungs GmbH, Berlin	100.00[1]	16,625.0	0.0	31/12/20
Geragon VV GmbH, Berlin	94.90[1]	–8,232.6	261.9	31/12/20
GGR Wohnparks Alte Hellersdorfer Straße GmbH, Berlin	100.00[1]	9,576.8	1,855.8	31/12/20
GGR Wohnparks Kastanienallee GmbH, Berlin	100.00[1]	44,153.0	5,207.7	31/12/20
GGR Wohnparks Nord Leipziger Tor GmbH, Berlin	100.00[1]	6,680.3	0.0	31/12/20
GGR Wohnparks Süd Leipziger Tor GmbH, Berlin	100.00[1]	3,390.2	0.0	31/12/20
Grundstücksgesellschaft Karower Damm mbH, Berlin	100.00[1]	1,099.3	0.0	31/12/20
GSW Acquisition 3 GmbH, Berlin	100.00[1]	91,798.9	11,357.7	31/12/20
GSW Corona GmbH, Berlin	100.00[1]	3,777.3	0.0	31/12/20
GSW-Fonds Weinmeisterhornweg 170–178 GbR, Berlin	78.19	–5,183.5	91.9	31/12/20
GSW Gesellschaft für Stadterneuerung mbH, Berlin	100.00	2,808.5	1,359.3	31/12/20
GSW Grundvermögens- und Vertriebsgesellschaft mbH, Berlin	100.00[1]	15,255.7	0.0	31/12/20
GSW Immobilien AG, Berlin	93.97	1,317,268.7	221,247.6	31/12/20
GSW Immobilien GmbH & Co. Leonberger Ring KG, Berlin	94.00[2]	454.5	22.3	31/12/20
GSW Pegasus GmbH, Berlin	100.00[1]	30,702.3	0.0	31/12/20
GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Zweite Beteiligungs KG, Berlin	93.44[2]	–8,009.3	1,019.4	31/12/20
Hamburger Ambulante Pflege- und Physiotherapie "HAPP" GmbH, Hamburg	100.00	–1,126.9	–469.4	31/12/20
Hamburger Senioren Domizile GmbH, Hamburg	100.00	2,496.3	373.0	31/12/20
Haragon VV GmbH, Berlin	94.90[1]	–5,441.7	177.8	31/12/20
Haus und Heim Wohnungsbau-GmbH, Berlin	100.00[1]	2,798.7	0.0	31/12/20
HESIONE Vermögensverwaltungsgesellschaft mbH, Frankfurt/Main	100.00	147.9	16.9	31/12/20

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Company and registered office	Agre of capital in %	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
Holzmindener Straße/Tempelhofer Weg Grundstücks GmbH, Berlin	100.00[1]	25.0	0.0	31/12/20
HSI Hamburger Senioren Immobilien GmbH & Co. KG, Hamburg	100.00[2]	7,076.0	4,562.5	31/12/20
HSI Hamburger Senioren Immobilien Management GmbH, Hamburg	100.00	2,344.7	–0.7	31/12/20
Iragon VV GmbH, Berlin	94.90[1]	–6,250.5	486.9	31/12/20
ISABELL GmbH, Berlin (vormals: Brillant 3275. GmbH, Berlin)	100.00	135,965.3	–96,059.7	31/12/20
ISARIA Dachau Entwicklungsgesellschaft GmbH, Munich	100.00[1]	13,325.7	–849.9	31/12/20
ISARIA Hegeneck 5 GmbH, Munich	100.00	393.7	79.1	31/12/20
Isaria Munich Projektentwicklungs GmbH, Munich (vormals: ISARIA Objekt Neu 02 GmbH, Munich)	100.00	13,094.7	44.6	31/12/20
ISARIA Objekt Achter de Weiden GmbH, Munich	100.00	322.8	81.4	31/12/20
ISARIA Objekt Garching GmbH, Munich	100.00	30.7	7.8	31/12/20
ISARIA Objekt Hoferstraße GmbH, Munich	100.00	–798.7	–12.4	31/12/20
ISARIA Objekt Norderneyer Straße GmbH, Munich	100.00	17.9	–7.1	31/12/20
ISARIA Objekt Preußenstraße GmbH, Munich	100.00	–412.3	–717.3	31/12/20
ISARIA Objekt Schwedler Trio GmbH, Munich	100.00	–19,211.6	–18,792.9	31/12/20
ISARIA Stuttgart GmbH, Munich	100.00	539.4	4.0	31/12/20
Karagon VV GmbH, Berlin	94.90[1]	–5,639.0	127.2	31/12/20
KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin	100.00	12,976.5	5,420.1	31/12/20
KATHARINENHOF Service GmbH, Berlin	100.00	25.0	0.0	31/12/20
Laragon VV GmbH, Berlin	94.90[1]	–10,089.9	0.0	31/12/20
Larry I Targetco (Berlin) GmbH, Berlin	100.00[1]	193,057.2	0.0	31/12/20
Larry II Targetco (Berlin) GmbH, Berlin	100.00[1]	520,878.6	0.0	31/12/20
LebensWerk GmbH, Berlin	100.00	457.1	0.0	31/12/20
Long Islands Investments S.A., Luxemburg	100.00	1,705.5	–405.1	31/12/20
Main-Taunus Wohnen GmbH & Co. KG, Eschborn	99.99[2]	9,893.4	5,547.3	31/12/20
Maragon VV GmbH, Berlin	94.90[1]	–2,528.3	0.0	31/12/20
Objekt Gustav-Heinemann-Ring GmbH, Munich	100.00	–1,538.4	–865.1	31/12/20
Omega Asset Invest GmbH, Berlin	100.00	48.7	11.0	31/12/20
PFLEGEN & WOHNEN HAMBURG GmbH, Hamburg	100.00	8,359.1	0.0	31/12/20
PFLEGEN & WOHNEN Service GmbH, Hamburg	100.00	307.3	119.4	31/12/20
PFLEGEN & WOHNEN Textil GmbH, Hamburg	100.00	467.8	114.9	31/12/20
PUW AcquiCo GmbH, Hamburg	100.00	51,705.5	–508.3	31/12/20
PUW OpCo GmbH, Hamburg	100.00	–1,157.0	–417.9	31/12/20
PUW PFLEGENUNDWOHNEN Beteiligungs GmbH, Hamburg	100.00	68,138.4	3,733.9	31/12/20
Rhein-Main Wohnen GmbH, Frankfurt/Main	100.00[1]	1,922,249.3	129,161.7	31/12/20
Rhein-Mosel Wohnen GmbH, Mainz	100.00[1]	1,006,189.5	75,248.1	31/12/20
Rhein-Pfalz Wohnen GmbH, Mainz	100.00[1]	1,392,054.4	10,136.0	31/12/20

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Company and registered office	Agre of capital in %	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
RMW Projekt GmbH, Frankfurt/Main	100.00[1]	16,238.3	0.0	31/12/20
RPW Immobilien GmbH & Co. KG, Berlin	94.00[2]	59,889.1	32,155.1	31/12/20
Seniorenresidenz "Am Lunapark" GmbH, Leipzig	100.00	102.3	0.0	31/12/20
SGG Scharnweberstraße Grundstücks GmbH, Berlin	100.00[1]	25.0	0.0	31/12/20
Sophienstraße Aachen Vermögens-verwaltungsgesellschaft mbH, Berlin	100.00[1]	2,193.0	0.0	31/12/20
Stadtentwicklungsgesellschaft Buch mbH, Berlin	100.00	3,917.2	–69.2	31/12/20
SYNVIA energy GmbH, Magdeburg	100.00	k. A.	k. A.	k. A.
SYNVIA media GmbH, Magdeburg	100.00	1,753.5	–544.7	31/12/19
SYNVIA mobility GmbH, Magdeburg	100.00	k. A.	k. A.	k. A.
TELE AG, Leipzig	100.00	1,027.6	807.6	31/12/19
WIK Wohnen in Krampnitz GmbH, Berlin	100.00[1]	2,263.5	0.0	31/12/20
Wohnanlage Leonberger Ring GmbH, Berlin	100.00[1]	850.9	0.0	31/12/20
Zisa Grundstücksbeteiligungs GmbH & Co. KG, Berlin	94.90[2]	1.0	344.2	31/12/20
Zisa Verwaltungs GmbH, Berlin	100.00	68.4	–21.6	31/12/20
Zweite GSW Verwaltungs- und Betriebsgesellschaft mbH, Berlin	100.00	69.7	–22.8	31/12/20
Joint ventures, consolidated at equity				
B & O Service Berlin GmbH, Berlin	24.94	5,626.2	0.0	30/06/20
Casa Nova 2 GmbH, Grünwald	50.00	–795.7	–812.6	31/12/19
Casa Nova 3 GmbH, Grünwald	50.00	–1,698.5	–716.5	31/12/19
Casa Nova GmbH, Grünwald	50.00	–84.7	–102.9	31/12/19
Deutsche KIWI.KI GmbH, Berlin	49.00	547.6	–312.6	31/12/19
DWA Beteiligungsgesellschaft mbH, Berlin (vormals: Brillant 3335. GmbH, Berlin)	50.00	k. A.	k. A.	k. A.
Funk Schadensmanagement GmbH, Berlin	49.00	199.5	99.5	31/12/19
G+D Gesellschaft für Energiemanagement mbH, Magdeburg	49.00	23,305.9	5,954.7	31/12/19
GSZ Gebäudeservice und Sicherheitszentrale GmbH, Berlin	33.33	384.1	139.2	31/12/19
IOLITE IQ GmbH, Berlin	33.33	–149.4	–174.4	31/12/19
LE Property 2 GmbH & Co. KG, Leipzig	49.00	–856.5	25.0	31/12/19
LE Quartier 1 GmbH & Co. KG, Leipzig	46.50	25.0	1,811.0	31/12/19
LE Quartier 1,1 GmbH & Co. KG, Leipzig	49.00	–99.1	–27.9	31/12/19
LE Quartier 1,4 GmbH, Leipzig	50.00	–240.3	–225.5	31/12/19
LE Quartier 1,5 GmbH, Leipzig	44.00	14.7	–1.0	31/12/19
LE Quartier 1,6 GmbH, Leipzig	50.00	–36.1	–52.5	31/12/19
LE Quartier 5 GmbH & Co. KG, Leipzig	44.00	3.0	–4,506.2	31/12/19
Projektgesellschaft Jugendstilpark Munich mbH, Leipzig	50.00	166.5	963.6	31/12/19
QUARTERBACK Immobilien AG, Leipzig	40.00	18,576.5	–786.9	31/12/19
Siwoge 1992 Siedlungsplanung und Wohnbauten Gesellschaft mbH, Berlin	50.00	9,563.3	388.6	31/12/19
Telekabel Riesa GmbH, Riesa	26.00	226.9	115.5	31/12/19
WB Wärme Berlin GmbH, Schönefeld	49.00	20.7	–4.3	31/12/19

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Associated companies, consolidated at equity				
Comgy GmbH, Berlin	14.61	2,991.0	–1,681.7	31/12/19
KIWI.KI GmbH, Berlin	21.11	351.2	–3,114.6	31/12/19
Krampnitz Energie GmbH, Potsdam	25.10	k. A.	k. A.	k. A.
Zisa Beteiligungs GmbH, Berlin	49.00	22.8	–1.9	31/12/19
Shareholdings, not consolidated				
AVUS Immobilien-Treuhand GmbH & Co. KG, Hamburg (vormals: AVUS Immobilien-Treuhand GmbH & Co. KG, Berlin)	100.00	320.7	–19.9	31/12/19
BAU-KULT.GmbH, Amt Wachsenburg	6.00	3,002.2	–797.2	31/12/19
Deutsche Netzmarketing GmbH, Cologne	2.56	2,864.5	247.3	31/12/19
Erste JVS Real Estate Verwaltungs GmbH, Berlin	11.00	–103.4	–95.5	31/12/19
GbR Fernheizung Gropiusstadt, Berlin	46.10	612.4	–43.3	31/12/20
Implementum II GmbH, Grevenbroich	11.00	7.0	–16.0	31/12/18
Jägerpark Projektentwicklungsgesellschaft mbH, Berlin	6.00	–0.2	3.1	31/12/19
LE Campus GmbH, Leipzig	6.00	–279.3	481.7	31/12/19
LE Central Office GmbH, Leipzig	11.00	83.4	–28.4	31/12/19
LE Quartier 100 GmbH, Frankfurt/Main	6.00	–27.5	–47.8	31/12/19
LE Quartier 101 GmbH, Frankfurt/Main	6.00	19.3	–3.7	31/12/19
LE Quartier 102 GmbH, Frankfurt/Main	6.00	43.6	19.7	31/12/19
LE Quartier Spinnerei Straße GmbH, Frankfurt/Main	6.00	23.5	2.1	31/12/19
LE Quartier Torgauer Straße GmbH, Frankfurt/Main	6.00	20.3	–0.1	31/12/19
Marcolini Grundbesitz GmbH, Dresden	6.00	–1,203.2	–278.6	31/12/19
Projektgesellschaft Erfurt Nr. 8 GmbH, Leipzig	6.00	1,403.1	731.3	31/12/19
QUARTERBACK Premium 1 GmbH, Berlin (vormals: MCG blueorange Projekt 1 GmbH, Berlin)	11.00	92.9	–202.5	31/12/19
Quartier 315 GmbH, Leipzig (vormals: Lichtenberg 8 B.V., Amsterdam, Niederlande)	15.00	k. A.	k. A.	k. A.
Sea View Projekt GmbH, Leipzig (vormals: ROBEX Deutschland GmbH, Stadtlohn)	11.00	5,230.0	–138.0	31/12/19
SIAAME Development GmbH, Berlin	20.00	–33.1	k. A.	31/12/17
STRABAG Residential Property Services GmbH, Berlin	0.49	246.7	0.0	31/12/19
VRnow GmbH, Berlin	10.00	78.0	–186.1	31/12/17
Westside Living GmbH, Leipzig	11.00	–349.6	–98.2	31/12/19
WirMag GmbH, Grünstadt (vormals: WirMag GmbH, Bad Dürkheim)	14.85	1,239.0	–645.7	31/12/19

Appendix 2 to the Notes to the consolidated financial statements

GROUP SEGMENT REPORTING

for the financial year 2020

EUR m	External revenue		Internal revenue		Total revenue		Segment earnings	
	2020	2019	2020	2019	2020	2019	2020	2019
Segments								
Residential Property Management	1,203.0	1,196.7	4.2	4.4[1]	1,207.2	1,201.1[1]	720.4	729.8
Disposals	1,251.6	767.3	10.8	7.9	1,262.4	775.2	20.4	186.1
Nursing Operations	238.1	225.2	0.0	0.0	238.1	225.2	46.9	45.3
Nursing Assets	38.3	45.4	26.9	26.8	65.2	72.2	35.1	43.0
Reconciliation with the consolidated financial statements								
Central function and other operating activities	0.2	0.3	127.1	128.7	127.3	129.0	–136.1	–131.1
Consolidations and other reconciliation	0.0	0.0	–169.0	–167.8[1]	–169.0	–167.8[1]	0.0	0.0
	2,731.2	**2,234.9**	**0.0**	**0.0**	**2,731.2**	**2,234.9**	**686.7**	**873.1**

1 Previous year's figure amended

INDEPENDENT AUDITOR'S REPORT

To Deutsche Wohnen SE, Berlin

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of Deutsche Wohnen SE, Berlin, and its subsidiaries (subsequently: Group), which comprise the consolidated balance sheet as of December 31, 2020, the consolidated profit and loss statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2020, to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report (hereinafter: 'group management report') of Deutsche Wohnen SE and the Group for the financial year from January 1, 2020, to December 31, 2020. In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2020, and of its financial performance for the financial year from January 1, 2020, to December 31, 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2020, to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Valuation of residential and commercial investment property held for investment, nursing properties as well as project developments

For the valuation (measurement) of property held for investment, please refer to the details provided in the notes to the consolidated financial statements in Sections A.4, C.1, C.2 and D.1.

FINANCIAL STATEMENT RISK

Investment property (largely consisting of residential and commercial property, nursing properties and project developments) is reported in the consolidated financial statements of Deutsche Wohnen as of December 31, 2020, in the amount of EUR 28.1 billion. Deutsche Wohnen measures investment property at fair value. In the year under review, income from positive changes in fair value of EUR 1.65 billion were recognized in the consolidated profit and loss statement.

Deutsche Wohnen determines the fair value of the portfolio of residential and commercial investment property internally using a discounted cash flow model. In addition, Jones Lang LaSalle SE (hereinafter referred to as JLL) provides an appraisal which is used by Deutsche Wohnen to verify the in-house valuation (measurement) of residential and commercial property. For the valuation of project development of residential and commercial property, Deutsche Wohnen uses the residual valuation calculations of JLL as a base. Nursing properties are valued (measured) by W&P Immobilienberatung GmbH (hereinafter referred to as W&P) using a discounted cash flow model.

In-house valuation and valuations (measurements) of JLL and W&P are carried out as of the measurement date (December 31, 2020).

Numerous assumptions relevant to measurement are made when assessing the value of investment property, which are complex and subject to considerable estimation uncertainties and judgments. Even minor changes in the assumptions relevant to measurement may have a material effect on the resulting fair value.

The key assumptions for measuring the value of portfolio of residential and commercial property as of the measurement date were annual rental growth as well as the discount and capitalization rates.

The key assumptions for the residual value calculation for project developments of residential and commercial properties as of the measurement date were the net present values after completion, the out-standing project development costs including financing costs and development profit.

The key assumptions for measuring the value of nursing properties as of the measurement date were market rents, discount rates and maintenance expenses.

Due to existing estimation uncertainties and judgments, there is the risk for the financial statements that the measurement of investment property is inappropriate.

Moreover, there is the risk for the financial statements that the disclosures on property held for investment required in the notes pursuant to IAS 40 and IFRS 13 are incomplete and inadequate.

OUR AUDIT APPROACH

Our audit procedures in respect of the portfolio of residential and commercial property included, in particular, an assessment of the internal valuation method used with a view to compliance with IAS 40 in conjunction with IFRS 13, the accuracy and completeness of data used for property portfolios, as well as appropriateness of assumptions for measurement, such as the annual rental growth and discount/capitalization rates used. We conducted our audit with the involvement of our valuation experts.

We assessed the internal valuation methods in terms of the valuation model’s suitability as well as (financial) mathematical accuracy, and verified that the assumptions and data relevant for measurement were appropriately recorded as of the measurement date.

We compared the target rents processed in the in-house valuation model with the target rents stored in the ERP system. Prior to that, we confirmed the appropriateness and functionality of the controls implemented in the rental process which ensure that the target rents stored in the ERP system are in agreement with the contractual rents.

Subsequently, we assessed the appropriateness of the assumptions made for measurement based on a representative selection of properties, which was supplemented by elements deliberately selected on a risk-oriented basis. For this purpose, we assessed the appropriateness of the assumptions made for determining property-specific annual rental growth and discount/capitalization rates by comparing these to market and industry-specific benchmarks, taking into account the type and location of properties selected. We carried out on-site inspections for deliberately selected properties to verify the respective property’s condition.

We were satisfied with the competence, professional skills and impartiality of JLL, engaged by Deutsche Wohnen to value its residential and commercial property, assessed the valuation method used for their appraisal with regard to compliance with IAS 40 in conjunction with IFRS 13 and compared the external appraisal with the internal measurements (valuation).

Furthermore, we compared the fair values of the portfolio of residential and commercial property determined by Deutsche Wohnen with observable multipliers provided by recognized external providers.

Our audit procedures in respect of the project development of residential and commercial properties particularly included:

- Evaluation of the competence, professional skills and impartiality of JLL engaged by Deutsche Wohnen for the valuation of project development of residential and commercial properties.
- Evaluation of the valuation method used for valuation taking into consideration the specific assumptions for measurement in view of compliance with IAS 40 in conjunction with IFRS 13.
- Evaluation of the accuracy and completeness of the data used.
- Evaluation of the appropriateness of the key measurement assumptions used such as the net present values after completion, the outstanding project development costs including financing costs and development profit.

We conducted our audit with the involvement of our valuation experts.

We assessed the appropriateness of the assumptions made for measurement using a deliberate risk-based selection of project developments. We carried out on-site inspections for deliberately selected project developments to verify the respective status of project development.

For nursing properties, we verified the competence, professional skills and impartiality of W&P, evaluated the valuation method used and assessed the completeness and accuracy of the numerical data. We evaluated the appraisal with regard to key assumptions for measurement for a risk-based deliberate selection of properties. We conducted our audit with the involvement of our valuation experts.

We also assessed the completeness and adequacy of disclosures on investment property required in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13.

OUR OBSERVATIONS

The assumptions and data for measurement of the residential and commercial investment property held for investment, nursing properties and project developments are appropriate.

The disclosures on investment property in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13 are complete and appropriate.

Other Information

Management and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the group management report, whose content was not audited:

- the non-financial group statement, which is contained in Section 9 of the group management report,
- the corporate governance statement for the Company and the Group referred to in Section 8 of the group management report.

The other information also includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor’s report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

In accordance with our engagement letter, we conducted a separate assurance engagement of the Group's non-financial statement. Please refer to our assurance report dated March 22, 2021, for information on the nature, scope and findings of this assurance engagement.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, „deutsche-wohnense-2020-12-31.zip" (SHA256-Hashwert: 15f6d4930735b522cd4659b4c-41c1f84a1dbe2c76e8bcf12867dd4265e154ee9), and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2020, contained in the "Report on the Audit of the Consolidated Financial Statements and the Group Management Report" above.

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on June 5, 2020. We were engaged by the Supervisory Board on December 2, 2020. We have been the group auditor of Deutsche Wohnen SE without interruption since the financial year 2016.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the group management report:

Assurance review of the non-financial group statement, comfort letter, support in enforcement proceedings and other contractually agreed assurance services.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is René Drotleff.

Berlin, March 22, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

gez. Schmidt
Wirtschaftsprüfer
[German Public Auditor]

gez. Drotleff
Wirtschaftsprüfer
[German Public Auditor]

RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable accounting standards, the consolidated financial statements give a true and fair view of the net assets, financial and earnings position of the Group and the management report of the company and the Group gives a true and fair view of the development of the business including the business result and the position of the Group and describes the main opportunities and risks associated with the Group's expected future development."

Berlin, 19 March 2021
Deutsche Wohnen SE

Michael Zahn Chair of the Management Board	Philip Grosse Management Board	Henrik Thomsen Management Board	Lars Urbansky Management Board

GLOSSARY

Core$^+$, Core, Non-Core
Clustering of property markets in order to assess appeal and future prospects from Deutsche Wohnen's perspective. Core$^+$ locations (metropolitan regions) are seen as particularly dynamic and fast-growing. Core locations show stable growth. Non-Core locations are seen as slow-growing and are therefore earmarked for disposal.

Cost ratio
Staff and general expenses (corporate expenses) in relation to contracted rental income. The staff and general expenses (corporate expenses) of the disposal segment are not included.

EBIT
Earnings before Interest and Taxes

EBITDA
Earnings before Interest, Taxes, Depreciation and Amortisation. EBITDA is calculated by subtracting corporate expenses and other expenses and revenues from the total segment results from Residential Property Management, Disposals, Nursing Operations and Nursing Assets.

EBITDA (adjusted)
EBITDA plus one-off expenses and minus one-off revenues arising in conjunction with one-off projects (e.g. restructuring or acquisitions).

EBITDAR
EBITDAR is used to describe the result of the segments Nursing Operations and Nursing Assets. EBITDAR is the EBITDA from the operating business of the nursing facilities before internal rent and lease expenses for the facilities. External rental and lease expenses are not included in the EBITDA calculation in accordance with IFRS 16 Leasing Accounting and are therefore not eliminated in the EBITDAR.

EBT
Earnings before Taxes. The Group also calculates this key figure as adjusted Earnings before Taxes (adjusted EBT). EBT (as reported) is adjusted for the gains/losses from fair value adjustments of investment properties, net income from fair value adjustment to financial instruments and other one-off effects.

EPRA
EPRA, or the European Public Real Estate Association, is a public industry association representing the interests of listed European property companies. Its work includes developing guidelines and standards for transparency in the listed property sector.

EPRA Cost Ratio
The EPRA Cost Ratio is a key figure measuring cost efficiency. Operating expenses are considered in relation to rental income.

EPRA Earnings
When calculating EPRA Earnings, which represent the recurring earnings from the core operating business, the Group result is adjusted for, in particular, valuation effects, deferred taxes and earnings from Disposals.

EPRA NAV
The EPRA Net Asset Value indicates the asset value or intrinsic value of a property company. The value is calculated based on consolidated equity (before minority interests) adjusted for the effects of the exercise of options, convertible bonds and other rights to equity and adjusted for the fair values of derivative financial instruments and deferred taxes, i.e. adjusted for items which do not impact on the long-term development of the Group. From fiscal year 2021 EPRA NAV is replaced by the EPRA NTA.

EPRA Net Disposal Value (NDV)
The EPRA Net Disposal Value (NDV) represents the shareholder value if company assets are sold and liabilities are repaid prematurely. The NDV is comparable to the so far reported NNNAV and will replace it in the future.

EPRA Net Initial Yield (NIY)
The EPRA Net Initial Yield is the annualised contracted rental income in relation to the fair value of the completed property portfolio plus an investor's estimated additional purchase costs.

EPRA Net Reinstatement Value (NRV)
The EPRA Net Reinstatement Value (NRV) reflects the value which is required to recover assets of the company with same capital structure. Deutsche Wohnen has not opted for the off balance sheet valuation of intangible assets.

EPRA Net Tangible Assets (NTA)
The EPRA NTA reflects the current net asset value with the underlying assumption that entities buy and sell assets. Deferred tax liabilities are adjusted for investment properties. The NTA corresponds broadly to the so far reported EPRA NAV adjusted by Goodwill. For Deutsche Wohnen the NTA is of particular relevance. Deutsche Wohnen has not made use of the possibility to add real estate transfer tax and therefore based calculations on the IFRS balance sheet (net) values.

EPRA Triple Net Asset Value (NNNAV)
The EPRA NNNAV is calculated based on the EPRA NAV, taking into account the fair value of financial liabilities, derivative financial instruments and corporate bonds as well as deferred taxes. From fiscal year 2021 EPRA NNNAV is replaced by the EPRA NDV.

EPRA Vacancy Rate
The EPRA Vacancy Rate is calculated based on the estimated annualised market rent for vacant areas in relation to the market rent of the entire portfolio.

Fair value
The fair value is the amount at which an asset could be exchanged between knowledgeable, willing and independent business partners.

FFO
FFO is, from the company's perspective, a benchmark, liquidity-oriented indicator for property companies which is derived from the Group profit and loss account and is the basis for the dividend payout. Based on EBITDA (adjusted), adjustments are made for any one-off items, non-cash finance expenses/revenues and non-cash tax expenses/revenues. FFO I (without Disposals) is adjusted for the earnings from Disposals. FFO II (including Disposals) includes the earnings from Disposals as well as personnel and material expenses (corporate expenses) for the Disposal segment.

Financial covenants
Financial covenants are agreements included in some financing contracts in which the borrower undertakes to comply with certain financial indicators set out in subsidiary agreements for the duration of the credit agreement.

Hedging ratio
The ratio of financial liabilities with fixed or hedged interest rates, convertible bonds and corporate bonds to the total nominal value of financial liabilities, convertible bonds and corporate bonds.

In-place rent
The in-place rent (contracted rent) is the sum of the contractually agreed net cold rent payments for the area let in the relevant properties for the relevant period or as at the relevant reporting date.

In-place rent per square metre
The in-place rent per square metre is the contractually owed net cold rent for the residential units let divided by the lettable area.

Institutional disposal
Disposal of buildings (block sales)

Like-for-like rental growth
Like-for-like rental growth describes the operating rental growth of the residential holdings which were managed continuously throughout the comparison period. Unless otherwise indicated, the in-place rent per square metre at the beginning of the comparison period is compared in the calculation with the corresponding value at the end of the period. Changes to rent which occur as a result of acquisitions and disposals in the comparison period are adjusted accordingly.

LTV ratio
The Loan-to-Value ratio describes the ratio of the total net financial liabilities to the value of investment properties plus non-current assets held for sale and land and buildings held for sale.

Maintenance
Maintenance expenditures are measures for maintaining the functional condition of the property. These include, for instance, repairs and the replacement of building components. Larger and complex maintenance expenditures are reported under the item refurbishment activities.

Multiple in-place rent
The multiple in-place rent is calculated from the fair value divided by the annualised rental income on the relevant reporting date.

Multiple market rent
The multiple market rent is calculated from the fair value divided by the annualised market rent on the relevant reporting date. The new letting rents achieved in the current year are used as the market rent.

New letting rent
Deutsche Wohnen determines the new letting rent based on the average agreed monthly net cold rent payments per square metre on the basis of the newly agreed rental contracts in the non-rent restricted units for the respective properties during the financial year. The new letting rent is used as the market rent for the valuation of the management portfolio.

NOI
The Net Operating Income is the operating earnings from Residential Property Management minus the staff, general and administration expenses (corporate expenses) arising in this context. It is comparable to the net rental income or the EBITDA from letting.

Potential gross rental income
The rent potential is the sum of in-place rents and vacancy losses.

Privatisation
Disposal of residential units.

Refurbishment activities
Refurbishment activities include all measures for the sustainable improvement of the technical condition of the property and for bringing the units up to modern standards. In addition to complex modernisation and maintenance measures, this also includes renovations of apartments when there is a change of tenant. Typical refurbishment measures involve improving the energy efficiency of the building by, for example, installing insulating windows or other forms of insulation, and also include the replacement of pipes and windows and the renovation of bathrooms. Only part of the refurbishment costs are modernisation measures within the meaning of section 555 b of the German Civil Code [Bürgerliches Gesetzbuch – BGB] that entitle the landlord to increase the rent in accordance with section 559 of the German Civil Code [Bürgerliches Gesetzbuch – BGB].

Rent potential
Difference between the market rent and the in-place rent

Vacancy loss
Vacancy loss is the sum of the latest contractually agreed net cold rent payments for those areas of the relevant properties which are not rented out during the relevant period or as at the relevant reporting date but which are lettable.

Vacancy rate
The vacancy rate describes the ratio of the vacancy loss to the anticipated rent as at the relevant reporting date.

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The German version of this report is legally binding. The company cannot be held responsible for any misunderstanding or misinterpretation arising from this translation.

FINANCIAL CALENDAR 2021

25/03/2021	Publication of Consolidated / Annual Financial Statements 2020 – Annual Report 2020
12/05/2021	Publication of Interim Statement as of 31 March 2021/1st Quarter
01/06/2021	Annual General Meeting 2021, Frankfurt/Main
13/08/2021	Publication of Interim Report as of 30 June 2021/Half-year results
12/11/2021	Publication of Interim Statement as of 30 September 2021/1st-3rd Quarters

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