



**DEUTSCHE
WOHNEN**

Speech by the CEO Michael Zahn

On the occasion of the Annual General Meeting in Berlin, 1st June 2021



Our word is our bond.

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Ladies and gentlemen Shareholders

Welcome to this year's Annual General Meeting, and thank you for joining us online. I have no doubt that some of you have logged on from what is the most important place for you at the moment: your flat. In this pandemic, we are spending more time than usual in our flats. They serve as a place of refuge and a place of safety where we can protect ourselves against infection. For many people, their flat has also become their place of work. It is where the adults do their daily job and the children their schoolwork. At the same time, we are spending our leisure time at home. It is the place where we read, cook and do sports. The pandemic has changed how we use our homes. And Deutsche Wohnen wants to be proactive in managing these changes. We would like to ensure that our tenants feel happy and secure in their flats – every day.

Our tenants' survey shows that just under 90% of our tenants are satisfied with our flats. And more than 80% are satisfied with Deutsche Wohnen. We are pleased to hear this – but we want to do even better. For example, we would like to further improve our speed of response, particularly when our tenants contact us about a defect. To help us to do this, we are focusing increasingly on building automation so that, where possible, we can identify defects in their very early stages, i.e. before our tenants even notice them.

At this point, I would like to express my sincere thanks to our employees. They have all contributed to this success. It is due to their efforts that our tenants are satisfied – and that, as a company, we are in such a good position today. And this is why we are also delighted that our employees enjoy working with us. We can see this from the number of them who recommend us as an employer: at 84%, we are significantly above the DAX 30 average.

Deutsche Wohnen doesn't just stand for good service: it stands for affordable housing as well. Our average rent is EUR 7.12 per square metre. At the same time, our flats are in attractive and desirable locations. By expanding our new-build activities, we will systematically improve the quality of our portfolio. Already today, 80% of our portfolio is located in Germany's top 8 cities. We will continue to increase this figure.

Deutsche Wohnen's appeal is of equal benefit to our tenants, our employees and you, our shareholders. On 22nd June last year, Deutsche Wohnen became a member of the DAX – proof that our company is an attractive investment. This is also reflected in the performance of our share, which completed the financial year 2020 with a plus of 22.6%. In addition, you benefit from our reliable dividend policy. We are proposing to the AGM today a dividend of EUR 1.03 per share. This represents an increase of 14% compared with the previous year.

Despite all its uncertainties, the financial year 2020 was stable for us and in line with our forecasts. Operating cashflow after interest and taxes – the specialist term for this is FFO I – reached EUR 1.56 per share in 2020 and a total of EUR 544.1 million. This means that FFO I was, as forecast, at the level of the previous year. The Net Asset Value – the specialist term for this is EPRA NAV – was EUR 52.80 per share as at the end of 2020, an increase of 12.3% compared with the previous year. Gross rental income for Deutsche Wohnen remained stable compared with the previous year.

We also made a successful start to the current financial year with an FFO I of EUR 154.8 million in the first quarter. Consequently, we were able to confirm our forecast for 2021 and, despite extensive disposals that add value for the shareholders, can expect a result comparable to that of the previous year.

As you know, in the middle of April the Federal Constitutional Court ruled that the Berlin rent cap was unconstitutional and thereby null and void. This means that we now have legal certainty again. Throughout this matter, we have always clearly stated our position on what the legal position would be in the event of the court, as was to be expected, reaching this decision. Of course, we will put the cancellation of the rent cap into practice in a way that is as socially responsible as possible.

And we are by no means alone with this approach. Indeed, we share the view of the BBU, the Association of Housing Companies in Berlin-Brandenburg, which is that to dispense completely with the payment of what are now rent arrears would be to fall short of our obligations towards the company, its employees and its owners. In Berlin, the association represents approximately 44% of rental housing.

We don't want to put anyone under too much pressure. For this reason, we are offering numerous options for settling any rent arrears. And we will take into

consideration the given financial circumstances of our tenants. To put this into perspective, the sum of money owing in the case of almost 80% of the tenants affected is less than EUR 500. This is not a monthly figure but the sum of all the arrears that have accumulated since the start of the rent cap. We think that payment by instalments makes sense in these cases and are offering variable payment periods of up to 24 months. But, irrespective of the amount of money owed by a tenant, our promise holds good. No tenant with Deutsche Wohnen will lose their flat because of the decision of the Federal Constitutional Court.

The court ruling has shown once again that there aren't any simple solutions to the complex situation in Berlin. This is also true of the housing situation in other major cities. People are worried. There is no question that we need new solutions to create affordable housing in Berlin. However, one doesn't get more housing by dispossessing housing companies. On the contrary. The main reason for rising rents is that a lot of people are moving to cities and there isn't enough new building. And let me say quite clearly at this point: the rent cap did not lead to improvements. Rather, as a recently published study by the DIW, one of Germany's leading economic research institutes, shows, the number of rental flats advertised in Berlin since the introduction of the rent cap has halved. What is really needed is new housing, investment and reliable general conditions. Solutions for affordable housing have to be developed by everyone working together. And Deutsche Wohnen will contribute to solving this problem. We are engaged in constructive dialogue with all relevant actors.

As an economically strong company, we are able and willing to take on responsibility. We have set up a corona support fund in the amount of over EUR 30 million. We want to provide the best possible support to all tenants who get into financial difficulty because of the pandemic. Where the state's support programmes don't apply, we help those affected. Last year, over 30% of our flats were let to people with a certificate of eligibility for low-cost housing. Moreover, we supported the campaign #sicherheim, which aims to provide safe houses for women who are victims of domestic violence. In so doing, we intensified our efforts to help women facing abuse at home, something which has become even more important during the pandemic. To put it simply, the safety and security of our tenants is our highest priority.

The same is true of the safety of our employees. At the beginning of the pandemic, we quickly did what was necessary to enable people to work from home, and 80% of our staff have been able to do this. Moreover, this option will remain on offer

after the pandemic. However, anyone who wants to can come to the office as long as they observe our hygiene regulations. We make it possible for our employees to be tested at any time. This means that all our staff can feel safe in the office and return to work there when this makes sense.

Many people - not just our employees - have found that their place of work has moved into a domestic setting. Corona is changing the way we use our homes. And this change will be lasting, even when the acute phase of the pandemic is over. Changing ideas about how to use the home are leading to changes in the expectations of our tenants. These changes include modern equipment in the home and smart technologies. Today, digitisation is creating new opportunities for us. Break-downs in technical systems can be predicted more accurately and remedial measures can be adopted in good time. Our pilot project MiA (My intelligent assistant) has shown that optimised heating management via an app has led to a reduction in energy consumption of up to 10%. This is of benefit to the budget of our tenants and equally to the environment.

A second trend that is changing the demand for housing in the long term is our aging society. Most people would like to stay within their familiar home setting even if they are in need of care. This places new demands on the property market. Here too, it is important to recognise the opportunities provided by digitisation and to combine home amenities with the provision of care. The property sector can contribute to making housing more comfortable for senior citizens. According to estimates made by the Federal Statistical Office, almost 6 million people in Germany above the age of 65 live alone in their flat. Many of these people need support with day-to-day tasks. This is also reflected in the rising demand for places in care homes. It is forecast that the market for nursing care in Germany will continue to grow. By 2030, for example, the number of people needing nursing care in Germany will rise to 4 million. However, there is a shortage of supply on the nursing care market today. And it is important to rectify this.

At the same time, the property sector has to respond to the needs of young people. And this brings us to a further trend which will not abate despite the corona pandemic. We are living in a time of increasing urbanisation. Many young people are drawn to live in vibrant cities. So, population density in major cities is increasing, which means, in turn, that the demand for housing in these areas is relentlessly high. Coupled with this is the fact that a sustainable way of life is becoming increas-

ingly important for our tenants. Put simply, environmental awareness, fortunately, has become a social movement.

Against the background of these megatrends, the question poses itself: What contribution can property companies make so as to respond adequately to these changing needs?

Ladies and gentlemen, Deutsche Wohnen is in an ideal position to develop the right responses to these urgent questions and megatrends. We focus on three sustainable pillars: existing holdings, new builds and nursing care. We are a strong and reliable player on the property market. Our top priority is to develop affordable and liveable housing. With our focus on high-growth metropolitan regions in Germany, we are providing housing in precisely the locations where it is needed. This is why we have a particular presence in the top 8 cities in Germany. And Berlin is and will remain our core market.

We aim to align our housing in the best possible way with the needs of our customers. What does this look like in practice? Let me give you a few examples:

- Example one: In our promise to tenants we have made it clear that, in the event of any rent increases, we will consider the ability of an individual household to pay. This means that the rent will not rise above 30% of the household income.
- Example two: When designing our estates, we try to ensure that they reflect the diversity of society as a whole. This means that one in four flats goes to tenants with a certificate of eligibility for low-cost housing, in other words low-income households. We ensure that there are continuous improvements to the quality of our portfolio by carrying out maintenance and modernisation work on an ongoing basis.
- Example three: In our estates we put into practice new ideas that improve the overall quality of our tenants' living conditions. For example, for some time now we have been offering co-working opportunities in our properties in Berlin-Hellersdorf. Furthermore, we attach great importance to tidy external areas and to having plenty of children's play areas on offer.

- Example four: We are building solar panel systems on the roofs of our properties so that electricity can be locally generated. These measures also benefit the environment and climate protection. Modernisation work in our holdings is only carried out in close consultation with the tenants.

- Example five: With our commitment to Care and Assisted Living, we are making a contribution to making life liveable at all ages. We manage nursing care facilities with the aim of giving the residents the greatest possible degree of independence. In this sector too, we concentrate on growing cities because it is there that the need for nursing care places is especially great. Last year, we achieved a great deal in this segment of our business. Both subsidiaries have come through the pandemic well. By now, all the residents have been vaccinated. And in Hamburg the building work on our new residential care homes is just beginning. It is our aim to expand the nursing care segment of our business up to a contribution of 15% of consolidated EBITDA.

This list of examples is not exhaustive, but I hope it gives you a sense of the direction of our thinking with regard to the further development of our portfolio.

In order to make Deutsche Wohnen fit for the future, we see two strategic courses of action combined with specific goals:

1. We want to be climate-neutral by 2040.
2. We want to build new housing in the top 8 cities in Germany to ease the pressure on the housing market.

Climate-friendly housing and construction have been a concern of ours for a long time now. Climate change is the most significant long-term challenge for our society. The property sector has enormous potential for achieving global climate protection goals because it is responsible for around 30% of all CO₂ emissions. So, we want to speed up our climate protection efforts and be climate-neutral by 2040. This means 10 years earlier than the German federal government and the EU originally envisaged. We are even exceeding the climate goals that were tightened again recently.

We are able to set ourselves such an ambitious goal because we have ensured that we are starting from a position of strength. For years now, we have been making

extensive investments in energy-efficient modernisation work. Today, we lead our sector when it comes to the CO₂ intensity of our holdings. On our journey towards climate-neutrality we are active on two fronts. Firstly, we reduce the energy requirement in our holdings. And secondly, we reduce CO₂ emissions by developing renewable forms of energy. To minimise the energy requirement in our holdings, we will continue to carry out energy-efficient refurbishment work. Accordingly, we will continue to increase our investment in this area significantly and, in the case of complex refurbishment projects, we will increase the proportion of energy-efficient refurbishment work from 30% to 50%. We can optimise energy consumption by providing better insulation and more efficient heating systems. We plan to refurbish approximately 5,000 units a year. This corresponds to a refurbishment rate of 3% a year – significantly higher than the national average rate of 1%.

However, this alone will not be enough to achieve climate-neutrality. This is why we are also focussing on the low-carbon generation of heat and electricity and an expansion of renewable energies. We plan to cover half of our heat and electricity requirements by increasing the share of renewable energies. We are installing more and more solar systems on the roofs of our own buildings. And in existing buildings we are developing gas-powered combined heat and power plants (CHPs). Moreover, modern technologies like building automation and smart heating management make flats more climate-friendly. Finally, at the end of March we issued two green corporate bonds on the capital markets for the first time in a total amount of EUR one billion. The order book was hugely oversubscribed. For us, this is proof of the great confidence that the capital markets have in our sustainability strategy. The proceeds from the issue will be used particularly for energy-efficient refurbishments and the sustainable construction of new-build flats.

As you can see, we take climate protection seriously. Indeed, it is a signature issue for us. This is also shown by our new remuneration system for the Management Board, which will be put to the vote today. It is planned in future that a significant proportion of the long-term, variable remuneration should relate to non-financial targets. Such targets are, in particular, climate targets, but also employee and customer satisfaction. This structure also reflects the responsibility which Deutsche Wohnen has towards society. It is not only in line with the German Companies Act as amended by the Second Shareholders' Rights Directive (ARUG II), but in our view is very much in line with the times as well.

Our second strategic goal is to build new housing in the top 8 cities in Germany. Desirable conurbations – like Berlin, Central Germany with Leipzig and Dresden, and Munich and Stuttgart – need more housing. Last year, we already strengthened our new-build activities and also acquired the Munich-based project developer ISARIA. We also acquired a 40% stake in Quarterback. With the help of these acquisitions, we can realise new-build projects more quickly and also create a centre of know-how for the construction of sustainable buildings. Specifically, this means that all new builds are certified and are characterised by high sustainability standards. Currently, our plan is for Quarterback to build approximately 18,000 flats over the next 10 years. We will transfer around 9,000 of these into our own holdings. Alongside property management and our commitment to nursing care, new builds will become a key component of the corporate strategy of Deutsche Wohnen.

Allow me to explain with reference to one example what this means. In the case of our new-build project in Daumstraße in Berlin, we are re-thinking how people live together in their neighbourhood. We are building just under 300 flats using a hybrid-timber construction. Why timber? Because timber grows back without the consumption of fossil fuels and is completely recyclable. As a poor conductor of heat, it provides perfect insulation at all times of the year. For this reason, our buildings achieve the KfW efficiency standard 55 and the gold standard of the German Sustainable Building Council. In this neighbourhood, we are also offering e-mobility solutions with our own mobility hub. And in a co-working space, tenants can avoid commuting time and still keep the office separate from the home. Finally, the combination of digital components and sustainable building materials creates a trendsetting estate that we can all be proud of.

But before we can even start to build, we have to purchase plots of land. However, in recent times the prices for land – especially in metropolitan regions – have risen drastically. For this reason, we have to change our way of thinking, especially in cities. To meet the growing demand for housing, it is necessary to exploit the potential in city centres for redensification and, at the same time, to build higher. The aim has to be: more square metres on the same plot of land. Redensification is also crucial because a smaller building area means lower CO2 emissions.

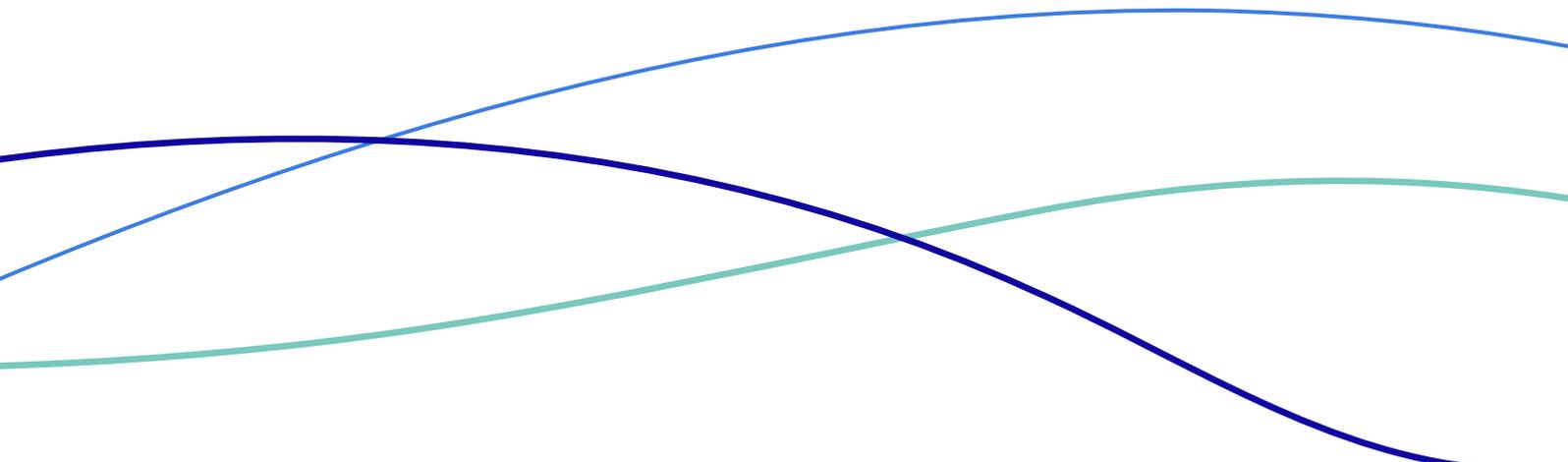
Our project in the Berlin district Westend is a good example of how to deal with new-build potential. Deutsche Wohnen intends to build a modern, integrated city

estate here in close proximity to the Olympic Stadium with 661 rental flats, a nursery school and some commercial units as well. What is special about this project is that we are demolishing a total of 204 flats in the former estate of the British allies and are then going to increase the total number of flats on the same area by 457. Since we are building on our own land, we do not have to pay any land costs and can also provide 369 flats at controlled rents. In this way, we are creating at a low cost urgently needed, affordable and sustainable housing in the centre of Berlin-Charlottenburg. But this is just one example out of many which show that there is unbelievable potential for new builds, particularly in major cities, and that this potential has to be realised as a matter of urgency when creating affordable housing. With our three strong pillars - existing holdings, new builds and nursing care – combined with a convincing climate strategy, we look to the future with self-confidence and optimism.

We anticipate that the company will develop soundly in the financial year 2021. We will make extensive investments to further improve the quality of our holdings. In particular, we are planning to invest in energy efficiency and digital infrastructure. We anticipate investments in the amount of EUR 800 million, of which 50% will be allocated to new builds.

Ladies and gentlemen, we want to design liveable housing. And we want to align our housing with the needs of its residents. After all, home is life's focal point for people – more than ever in the pandemic. For us, there is no doubt that "Life is at home here." And this is why we have given this name to our current campaign, which we launched in the middle of April. With the help of this campaign, we would like to enter into dialogue with all relevant interested parties. For it is only in this way that we can improve.

I wish you all the very best. Stay safe!



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