We build on our responsibility

Management report oft the company and the group and annual financial statements for the financial year 2019

DEUTSCHE WOHNEN

Notes on pages 9 and 144 f.

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

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

Appropriation of net profits (proposal of 24 March 2020)

The Management Board proposes the following use of the net profit of EUR 359,000,000.00 reported as at 31 December 2019, comprising profit carry-forwards in the amount of EUR 37,388,049.03, a net loss for the year of EUR 26,925,665.41 and a withdrawal of EUR 348,537,616.38 from the capital reserve pursuant to section 272 para. 2 No. 4 of the German Commercial Code [Handelsgesetzbuch – HGB]:

Distribution to shareholders:

Payment of a dividend of EUR 0,90 per bearer share entitled to dividends for the financial year 2019; on the basis of 351,734,439 bearer shares, this amounts to:	EUR 316,560,995.10
Profit carried forward:	EUR 42,439,004.90
Distributable profit:	EUR 359,000,000.00

The disclosure of the amounts of the dividend payment and the profit carry-forwards is based on the number of no-par value shares that were entitled to dividends at the time of the Management Board's proposal for the distribution of profits. This takes into account that the 8,031,806 own shares held by the company at this time are not entitled to dividends in accordance with section 71b of the German Stock Corporation Act [Aktiengesetz – AktG].

Up to the date of the Annual General Meeting, the number of no-par value shares that are entitled to dividends for the financial year 2019 may change. This can happen because the number of own shares changes. The number of shares entitled to dividends can also rise as a result of requests for the payment of a settlement from external shareholders of GSW Immobilien AG pursuant to the control agreement in place between Deutsche Wohnen SE and GSW Immobilien AG, and the corresponding issuance of new shares of the company out of the Contingent Capital 2014/II (clause 6b of the Articles of Association).

The amount of the dividend of EUR 0.90 per no-par value share entitled to dividends will remain unchanged in any case.

To the extent that the number of no-par value shares that are entitled to dividends, and thus the total amount of the dividend paid out, changes, the amount of the profit carry-forwards will change accordingly.

Contents

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

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

Matthias Hünlein
Chairman of the Supervisory Board

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

Trustful working relationship with the Management Board

Deutsche Wohnen continued its success story in 2019.

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

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

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

Supervisory Board meetings

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

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

Individualized participation of meetings in financial year 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

Efficient work in Supervisory Board committees

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

Three committees ensure efficient work on the Supervisory Board.

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

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

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

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

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

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

Corporate Governance

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

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

Declaration of compliance

Separate and consolidated financial statements discussed in depth

KPMG provided an unmodified opinion.

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

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

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

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

Changes in the Management Board and Supervisory Board

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

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

Management Board was expanded to four members.

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

Berlin, 19 March 2020

On behalf of the Supervisory Board

Matthias Hünlein

EMPLOYEES

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

3,549
employees as at 31 December 2019

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

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

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

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

Focused vocational and professional training safeguards long-term company success

Structured, needs-based employee development, the promotion of work-life balance and family-friendly working conditions, as well as diversity and equality of opportunity, form the cornerstones of our personnel policy. Our superior staff training, trainee and management development programmes and dual course of study options mean that we are able to supply a sizeable proportion of our own future requirements for highly accomplished staff from among our own ranks. Last year our employees and managers again attended numerous days of training courses. They focus on the specific requirements of the

Our employees attended numerous training courses.

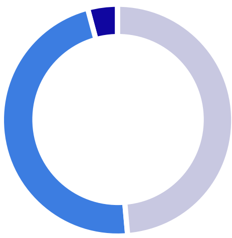
target group and individual employee needs and increasingly include digital learning methods. This supports our managers, especially in terms of the changing leadership role brought about by the digitalisation of the working environment and in terms of the challenges of working across generations, with increasingly flexible forms of collaboration.

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

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

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

1 Amended numbers for 2018



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

Combined management report

FUNDAMENTAL ASPECTS OF THE GROUP

Business model of the Group

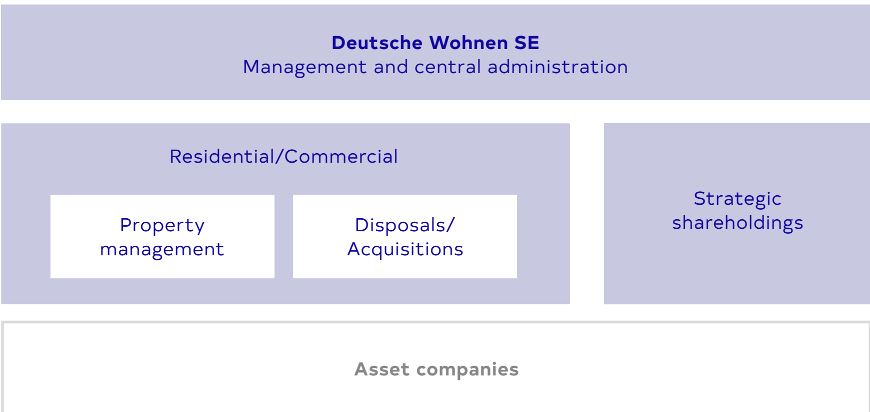
Deutsche Wohnen SE, including its subsidiaries (known hereafter as "Deutsche Wohnen" or "Group"), is currently the third-largest publicly listed property company in Europe by market capitalisation. The company is part of the Deutsche Börse MDAX index.

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

EUR 24.2 bn
Fair value has increased again in 2019.

Organisation and Group structure

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



Property management

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

Our core business is the management of our own properties.

1 Excluding advance payments, units under construction and undeveloped land

Disposals/Acquisitions

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

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

Strategic shareholdings and property-related services

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

We open up business segments throughout strategic shareholdings.

Nursing and Assisted Living

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

Property-related services

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

Group strategy

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

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

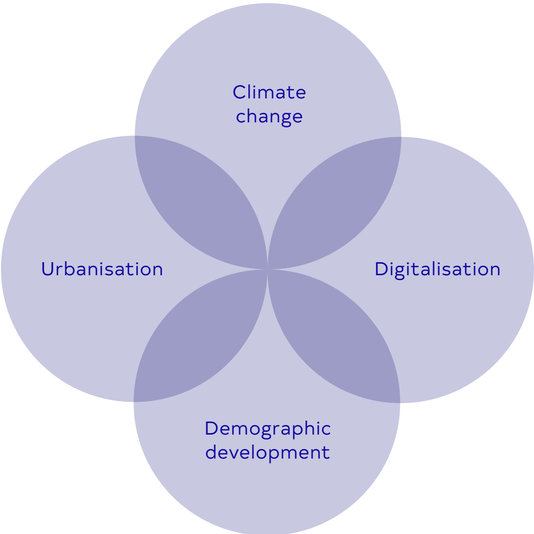
We are also seeing greater demands from our customers: modern fittings, new technologies and property-related services are becoming increasingly important.

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

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

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

Challenges for the property market



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

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

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

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

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

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

Acting with foresight

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

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

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

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

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

Group management

The company is managed at several levels:

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

All primary key performance indicators are measured quarterly.

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

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

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

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

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

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

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

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

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

Regular reports measure the Group's financial performance promptly.

Property portfolio

Overview of portfolio and portfolio strategy: residential properties

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

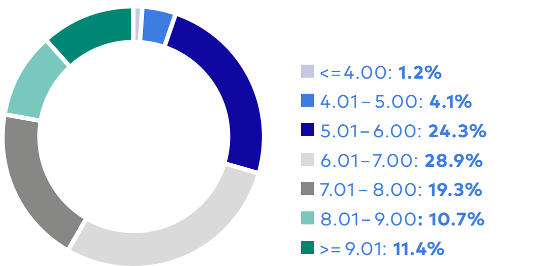
We focus on German metropolitan areas and conurbations.

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

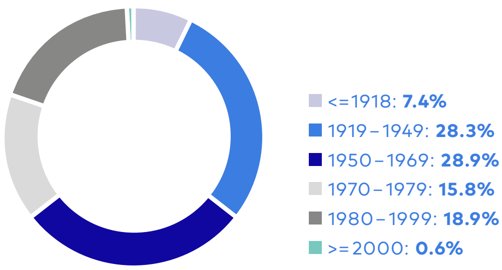
In line with our focused portfolio strategy, our properties are largely concentrated within prosperous metropolitan areas and conurbations with upwards of 500,000 inhabitants. Our core market is Greater Berlin, where approximately 115,700 residential units and approximately 1,900 commercial units are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

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

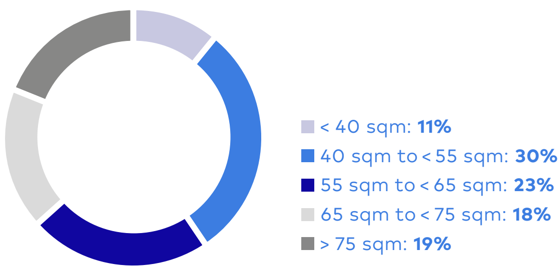
In-place rent EUR/sqm



Year built



Size of unit



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

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

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

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

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

Property portfolio by location/micro-clusters

31/12/2019

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

Portfolio development

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

Acquisitions

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

Disposals

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

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

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

Disposals segment from page 34

Operating performance

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

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

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

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

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

Portfolio investments

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

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

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

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

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

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

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

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

Portfolio valuation

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

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

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

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

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

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

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

Energy efficiency of properties

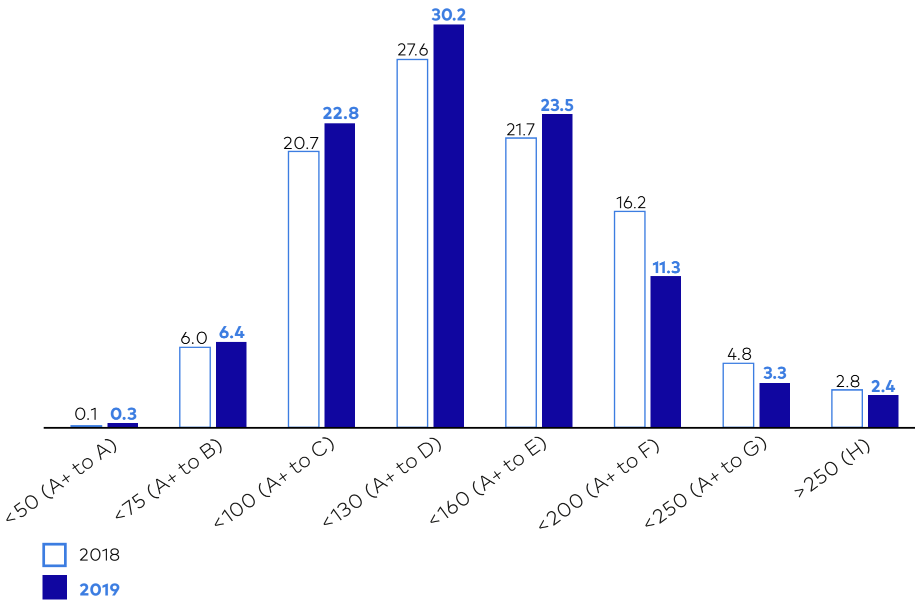
Most of Europe's consumption of energy relates to existing buildings. Through our comprehensive refurbishment measures we are gradually increasing the energy efficiency of our properties.

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

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

Energy intensity of residential units

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



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

Nursing properties

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

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

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

As in the residential segment, we focus our nursing care activities on cities and regions with positive development forecasts, since the need for nursing care and assisted living is particularly high there. In this context we always ensure

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

that we secure prime properties and high-quality nursing and residential care. In this context, we will particularly strengthen investments in new construction projects and selective acquisitions in our strategic target regions.

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

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

Nursing business: properties and operations

Nursing properties operated by KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG 2019

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

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

Nursing properties with other external operators 2019

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

1 Excluding advance payments, units under construction and undeveloped land

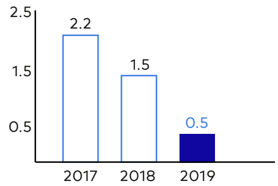
ECONOMIC REPORT

Economic environment

Moderate growth in the German economy

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

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



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

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

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

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

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

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

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

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

German housing market still experiencing an upward trend

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

Transaction volume of residential properties rose by 7%.

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

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

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

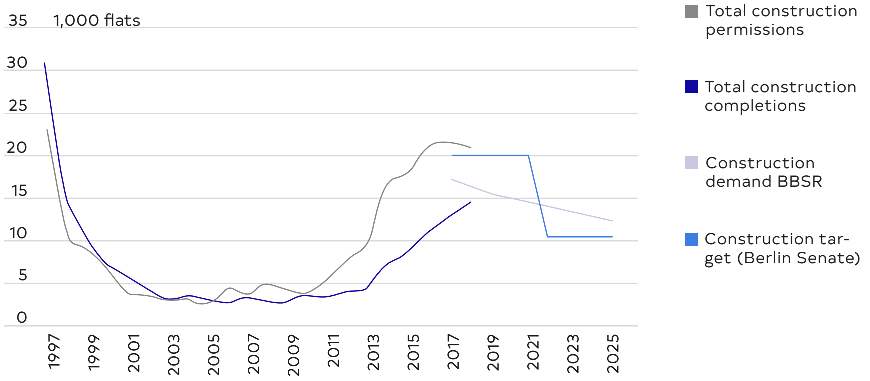
New constructions lags behind housing needs, especially in Berlin.

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

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

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

Construction completion versus demand in Berlin



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

Ongoing momentum in metropolitan areas

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

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

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

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

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

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

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

Market for care properties increasingly important

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

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

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

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

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

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

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

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

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

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

Statement of the Management Board to the economic situation

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

We have again achieved our main targets.

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

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

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

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

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

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

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

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

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

Notes on the financial performance and financial position

Earnings

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

The following overview shows the business performance of the individual segments as well as other items in the consolidated profit and loss statement for the financial year 2019 compared to 2018:

EUR m	2019	2018
Earnings from Residential Property Management	729.8	656.2
Earnings from Disposals	186.1	43.1
Earnings from Nursing and Assisted Living	88.3	55.3
Corporate expenses	–101.4	–93.7
Other expenses/income	–29.7	–1.8
Operating result (EBITDA)	**873.1**	**659.1**
Depreciation and amortization	–42.9	–10.3
Adjustment to the fair value of investment properties	1,406.7	2,179.3
Earnings from companies valued in accordance with the equity method	2.8	2.6
Financial result	–135.1	–203.9
Earnings before taxes (EBT)	**2,104.6**	**2,626.8**
Current taxes	–19.0	–27.6
Deferred taxes	–484.7	–736.6
Profit/loss for the period	**1,600.9**	**1,862.6**

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

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

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

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

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

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

Earnings from Residential Property Management

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

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

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

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

Portfolio from page 18

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

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

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

Portfolio from page 18

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

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

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

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

Earnings from Disposals

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

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

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

Privatisations

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

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

Institutional sales

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

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

Earnings from Nursing and Assisted Living

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

Nursing Operations

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

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

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

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

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

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

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

Nursing Assets

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

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

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

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

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

Corporate expenses

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

11.7%
was the cost ratio.

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

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

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

Other expenses/revenues

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

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

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

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

Depreciation and amortization

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

Financial result

The financial result is made up as follows:

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

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

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

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

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

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

5.7
was the interest cover ratio.

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

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

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

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

Current taxes and deferred taxes

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

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

Assets and financial position

Here are some selected figures from the consolidated balance sheet.

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

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

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

Portfolio
from page 18

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

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

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

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

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

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

Financing

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

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

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

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

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

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

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

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

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

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

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

Consolidated statement of cash flows

The most important cash flows are shown in the following:

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

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

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

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

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

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

Funds from Operations (FFO)

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

11.5%
was the increase of FFO I.

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

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

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

EPRA key performance indicators

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

Overview of EPRA key performance indicators

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

EPRA NAV

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

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

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

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

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

EPRA Triple Net Asset Value (NNNAV)

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

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

1 Difference between the carrying amounts and fair values

EPRA Earnings

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

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

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

EPRA Net Initial Yield

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

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

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

EPRA Vacancies

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

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

EPRA Cost Ratio

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

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

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

REPORT ON THE INDIVIDUAL FINANCIAL STATEMENTS OF DEUTSCHE WOHNEN SE

Foundations of Deutsche Wohnen SE

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

The report on the financial performance and financial position of the Group and the discussion of the risks and opportunities to which it is exposed also fundamentally apply to Deutsche Wohnen SE.

Employees

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

Management Board analysis of business operations

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

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

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

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

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

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

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

Earnings

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

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

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

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

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

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

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

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

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

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

Assets and financial position

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

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

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

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

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

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

The liabilities comprised the following items:

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

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

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

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

The unsecured financial liabilities comprised the following items:

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

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

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

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

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

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

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

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

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

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

Forecast for the 2020 financial year

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

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

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

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

RISK AND OPPORTUNITY REPORT

Risk management system of Deutsche Wohnen

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

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

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

Principles of the risk management policy

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

All employees are trained in risk awareness.

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

Responsibility

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

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

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

Instruments of the risk management system

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

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

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

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

1. Internal control system (ICS)

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

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

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

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

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

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

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

2. Reporting

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

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

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

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

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

3. Risk management

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

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

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

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

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

The observation horizon for the risk measurement is twelve months.

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

Thresholds

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

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

Risk assessment scheme

Amount of damage				
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 occurrence

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

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

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

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

4. Compliance

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

Our Code of Conduct is binding for all employees.

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

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

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

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

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

5. Internal audit

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

Risk management is monitored by an independent individual.

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

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

Risk report

Overall assessment of the risk situation by company's management

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

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

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

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

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

1. General company risks

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

Failure to identify market developments and trends

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

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

Reputational and image risks

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

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

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

Risks of disasters and loss events

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

Risks from changes in data privacy and data protection legislation

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

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

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

2. Legal risks

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

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

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

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

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

3. IT risks

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

Risks from the availability of IT systems

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

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

Risks from vulnerabilities and unauthorised access to IT systems

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

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

4. Letting risks

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

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

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

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

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

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

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

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

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

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

5. Performance risks – personnel

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

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

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

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

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

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

6. Acquisition and disposal risks

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

New legislation

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

Market risks from disposals

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

Risks from acquisitions

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

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

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

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

7. Risks in the nursing segment

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

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

8. Performance risks – property

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

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

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

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

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

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

9. Financial risks

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

Risk from fundamental reform of company taxation

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

Risk of fluctuating valuations

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

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

Liquidity risks

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

Financial market risks and risks of financial instruments

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

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

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

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

Tax risks

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

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

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

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

10. Investment risks

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

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

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

Construction materials may become more expensive due to high demand.

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

The following risks are currently considered not to be material:

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

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

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

Opportunities from future developments

In the financial year 2019, Deutsche Wohnen was able to lay the foundation for its continued positive performance.

Overall, the concentration and focusing of the portfolio on metropolitan regions in recent years, while maintaining our conservative capital structure, offers further potential for value appreciation in the future.

Opportunities from market developments or trends

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

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

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

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

Financial opportunities

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

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

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

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

Opportunities from investments

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

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

FORECAST

General economic conditions

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

German residential property market

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

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

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

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

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

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

Forecasts for the financial year 2020

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

Risk and opportunity report from page 53

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

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

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

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

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

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

6 JLL, press release of 23 January 2020

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

REMUNERATION REPORT

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

Remuneration system for the Management Board

The Management Board receives a fixed and a variable remuneration.

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

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

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

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

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

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

Variable remuneration components

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

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

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

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

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

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

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

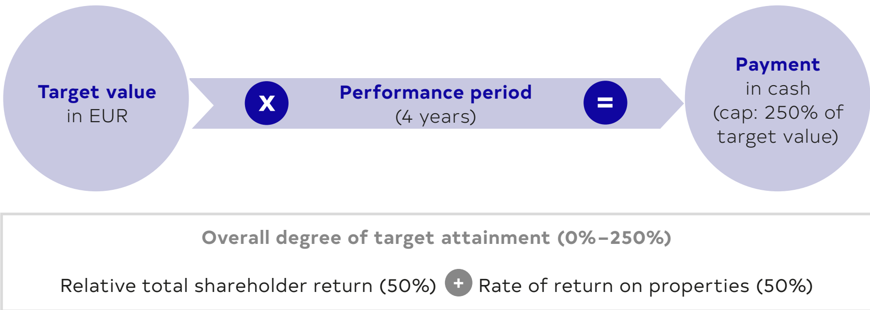
At its meeting held on 13 March 2020 the Supervisory Board approved a performance by the Management Board of 125% for the achievement of financial performance targets for financial year 2019. Adjusted EBITDA without disposals was EUR 718.6 million and earnings from Disposals amounted to EUR 186.1 million,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

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

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

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

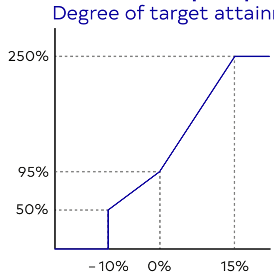
Performance cash plan
Mode of operation



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

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

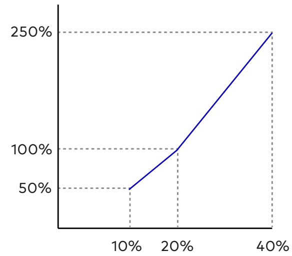
Relative share price performance
Degree of target attainment



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

Using the "return on property" as a performance target incentivises the Management Board members to increase the NAV of Deutsche Wohnen as well as dividend payments to shareholders. This entails a percentage comparison of EPRA NAV per share (adjusted for goodwill) at the beginning of the performance period with the corresponding figure at the end of the performance period. Total annual dividend yields, which express the ratio of the respective annual dividend to EPRA NAV per share for the previous year, are added to this figure. The performance of the property yield over the four-year performance period is measured on the following scale:
- For a "return on property" of 10% the performance is 50%; below 10% the performance is 0%.
- The target value of 100% is only achieved for a property yield of 20% and above.
- The cap of 250% is reached for a property yield of 40%.
- Performance between these two figures is interpolated on a linear basis.

Rate of return on property
Degree of target attainment



Rate of return on property over 4 years

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

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

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

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

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

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

Share ownership guidelines

Share ownership guidelines strengthen the focus on capital markets.

In 2018 share ownership guidelines (SOG) were introduced at Deutsche Wohnen in order to strengthen the focus on capital markets and a shareholding culture. The Management Board members of Deutsche Wohnen undertake to invest 300% of their basic salary (Chief Executive Officer) or 150% of basic salary (ordinary Management Board members) in Deutsche Wohnen shares over a period of four years and to hold them until they cease to be a member of the Management Board. During an accumulation period the Management Board members undertake to build up interim holdings of company shares. This means that at the end of each financial year the total shareholding (including shares already held) of the Management Board members Michael Zahn and Philip Grosse should be at least 25% of the total STI payments (net) made after 1 January 2018. The accumulation period for the Management Board members Michael Zahn and Philip Grosse ends on 31 December 2021. Management Board member Lars Wittan's obligation to invest in and hold shares in Deutsche Wohnen ended when his employment contract on 30 September 2019. At the end of each fiscal year, the total shareholding (including shares already held) of Management Board member Lars Urbansky should be at least 25% of the total of the STI payments (net) paid after 1 January 2020, while being in a build-up phase from 1 April 2019 until 31 March 2023. At the end of each fiscal year, the total shareholding (including shares already held) of Management Board member Henrik Thomsen should be at least 25% of the total of the STI payments (net) paid after 1 January 2020, while being in a build-up phase from 1 January 2020 until 31 December 2023.

Total Management Board remuneration

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

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

	Benefits granted				Benefits received	
EUR thousand	2018 Target	2019 Target	2019 Min	2019 Max	2018	2019
Base salary	1,025	1,025	1,025	1,025	1,025	1,025
Perquisites	34	34	34	34	34	34
Total fixed remuneration	**1,059**	**1,059**	**1,059**	**1,059**	**1,059**	**1,059**
Short-term variable compensation (STI)	500	500	0	625	625	587
Long-term incentive (LTI) 2018–2022	750	750	0	1,875	2,701[1]	1,527[1]
Total variable remuneration	**1,250**	**1,250**	**0**	**2,500**	**3,326**	**2,114**
Total	**2,309**	**2,309**	**1,059**	**3,559**	**4,385**	**3,173**

1 Benefits in kind from options exercised

Lars Wittan (Member of the Management Board from 01/10/2011 until 30/09/2019)

	Benefits granted				Benefits received	
EUR thousand	2018 Target	2019 Target	2019 Min	2019 Max	2018	2019
Base salary	450	338	338	338	450	338
Perquisites	24	18	18	18	24	18
Total fixed remuneration	**474**	**356**	**356**	**356**	**474**	**356**
Short-term variable compensation (STI)	300	225	0	281	375	352
Long-term incentive (LTI) 2018–2022	400	300	0	750	925[1]	529[1]
Total variable remuneration	**700**	**525**	**0**	**1,031**	**1,300**	**881**
Total	**1,174**	**881**	**356**	**1,387**	**1,774**	**1,237**

1 Benefits in kind from options exercised

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

	Benefits granted				Benefits received	
EUR thousand	2018 Target	2019 Target	2019 Min	2019 Max	2018	2019
Base salary	398	437	437	437	398	437
Perquisites	22	22	22	22	22	22
Total fixed remuneration	**420**	**459**	**459**	**459**	**420**	**459**
Short-term variable compensation (STI)	225	281	0	352	219	264
Long-term incentive (LTI) 2018–2022	300	375	0	938	0	0
Total variable remuneration	**525**	**656**	**0**	**1,290**	**219**	**264**
Total	**945**	**1,115**	**459**	**1,749**	**639**	**723**

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

	Benefits granted				Benefits received	
EUR thousand	2018 Target	2019 Target	2019 Min	2019 Max	2018	2019
Base salary	0	225	225	225	0	225
Perquisites	0	16	16	16	0	16
Total fixed remuneration	**0**	**241**	**241**	**241**	**0**	**241**
Short-term variable compensation (STI)	0	150	0	188	0	0
Long-term incentive (LTI) 2018–2022	0	75	0	188	0	0
RSU[1]	0	137	0	137		0
Total variable remuneration	**0**	**362**	**0**	**513**	**0**	**0**
Total	**0**	**603**	**241**	**754**	**0**	**241**

1 Amount corresponds to the IFRS cash value of 3,125 RSU.

Henrik Thomsen (Management Board member since 01/10/2019)

	Benefits granted				Benefits received	
EUR thousand	2018 Target	2019 Target	2019 Min	2019 Max	2018	2019
Base salary	0	113	113	113	0	113
Perquisites	0	5	5	5	0	5
Total fixed remuneration	**0**	**118**	**118**	**118**	**0**	**118**
Short-term variable compensation (STI)	0	75	0	94	0	0
Long-term incentive (LTI) 2018–2022	0	88	0	220	0	0
RSU	0	0	0	0		0
Total variable remuneration	**0**	**163**	**0**	**314**	**0**	**0**
Total	**0**	**281**	**118**	**432**	**0**	**118**

No loans or advance payments were made to members of the Management Board of Deutsche Wohnen SE in financial year 2019.

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

	Michael Zahn					Lars Wittan					Philip Grosse				
	2014	2015	2016	2017	Total	2014	2015	2016	2017	Total	2014	2015	2016	2017	Total
Basis: 150% of LTI in EUR thousand	1,125	1,125	1,125	1,125		390	390	390	600		n/a	n/a	112.5	337	
Reference price in EUR	16.96	24.16	24.37	31.80		16.96	24.16	24.37	31.80		n/a	n/a	28.57	31.80	
Options granted	66,332	46,565	46,163	35,377	194,437	22,995	16,142	16,003	18,867	74,007	n/a	n/a	3,937	10,613	14,550
Thereof exercised options	66,332	46,565	–	–	112,897	22,995	16,142	–	–	39,137	n/a	n/a	–	–	0
Remaining options	0	0	46,163	35,377	81,540	0	0	16,003	18,867	34,870	n/a	n/a	3,937	10,613	14,550

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

The second tranche (2015) of the SOP 2014 became eligible for exercise in March 2019 after the Supervisory Board had determined the level of performance. Michael Zahn and Lars Wittan each exercised all of their share options in this tranche in financial year 2019 and received shares from Contingent Capital 2014/III.

Total expenses recognised for share-based remuneration in the reporting period were EUR 11 thousand for Michael Zahn, EUR 3 thousand for Lars Wittan, EUR 1 thousand for Philip Grosse, EUR 0 for Henrik Thomsen and EUR 0 for Lars Urbansky.

In addition to their outstanding share options, Michael Zahn holds 81,565 company shares, Philip Grosse 21,184 company shares, Henrik Thomsen 1,565 company shares and Lars Urbansky 1,215 company shares as of 31 December 2019.

Remuneration system for the Supervisory Board

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

The remuneration paid to Supervisory Board members in the financial year 2019 amounted to EUR 744,167 (previous year: EUR 772,083) net of value added tax. Matthias Hünlein received EUR 255,000 net (previous year: EUR 182,083), Dr Andreas Kretschmer received EUR 127,500 net (previous year: EUR 140,833), Jürgen Fenk received EUR 95,000 net (previous year: EUR 86,667), Arwed Fischer received EUR 43,750 net (Supervisory Board member since 18 June 2019), Tina Kleingarn received EUR 77,917 net (previous year: EUR 43,750), Dr Florian Stetter received EUR 105,000 net (previous year: EUR 101,250) and Claus Wisser received EUR 40,000 net (previous year: EUR 82,500, left the Supervisory Board as of 18 June 2019).

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

Furthermore, the company has taken out general liability insurance on behalf of the members of the Supervisory Board (so-called D&O insurance), with retention of 10% of the value of the damage in question. The excess is capped at one-and-a-half times the fixed annual remuneration for the respective Supervisory Board member for all losses occurring in a given insurance year.

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

TAKEOVER-RELATED INFORMATION

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

Issued capital and shares

The registered share capital of Deutsche Wohnen SE as at 31 December 2019 amounted to EUR 359,715,653.00 (previous year: EUR 357,014,286.00). It is divided into 359,715,653 no-par value bearer shares, each representing a notional share of the registered capital of EUR 1.00 per share. Deutsche Wohnen SE issues bearer shares only.

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

Capital increase

On 12 July 2019 the company's Management Board decided, with the approval of the Supervisory Board, to use authorised capital to increase capital against contributions in kind. The in-kind contributions consisted of pro rata dividend entitlements from 101,027,046.6 shares, amounting to EUR 84,862,719.14 in total, which were created by the resolution taken at the Annual General Meeting on 18 June 2019 on the use of distributable profits. On 18 July 2019, 2,617,281 new no-par value bearer shares with dividend rights from 1 January 2019 onwards were issued.

Equity interests representing more than 10% of voting rights

Pursuant to section 33 para. 1 of the German Securities Trading Act [Wertpapierhandelsgesetz – WpHG], any shareholder whose shareholding reaches, exceeds or falls below the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights of a publicly listed company must inform that company and the German Federal Financial Supervisory Authority [Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin] accordingly without delay. Any such notifications are published by Deutsche Wohnen SE pursuant to section 40 of the German Securities Trading Act [Wertpapierhandelsgesetz – WpHG]. BlackRock, Inc. reported a direct or indirect stake in the share capital of Deutsche Wohnen SE in 2019 that exceeded the threshold of 10% of voting rights. However, as of 31 December 2019, there were no holdings exceeding 10% of the voting rights.

Power of the Management Board to issue or buy back shares

Authorised Capital

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

Contingent Capital

Contingent capital for compensation of GSW shareholders

The issued capital of the company was originally contingently increased by up to a further EUR 15 million by means of the issuance of up to 15 million new no-par value bearer shares with dividend rights pursuant to a resolution adopted by the Annual General Meeting held on 11 June 2014 **(Contingent Capital 2014/II)**. This contingent capital increase serves to grant compensation in the form of shares in the company to the external shareholders of GSW Immobilien AG ("GSW") in accordance with the provisions of the domination agreement between the company and GSW dated 30 April 2014, currently at the exchange ratio of 7.0790 no-par value shares of Deutsche Wohnen SE in exchange for three no-par value shares of GSW Immobilien AG, as adjusted on 4 June 2015 in accordance with section 5 para. 4 of the domination agreement. To the extent that this is necessary pursuant to section 5 para. 2 of the domination agreement, the company will pay compensation for fractional shares in cash. EUR 9,147,904.00 of this Contingent Capital 2014/II had been used – by means of the issuance of 9,147,904 new no-par value bearer shares with a corresponding increase in the issued capital – by 31 December 2019, with EUR 5,852,096.00 remaining as at 31 December 2019. An Appraisal Proceeding pursuant to section 1 para. 1 of the German Act on Appraisal Proceedings [Gesetz über das gesellschaftsrechtliche Spruchverfahren – SpruchG], for a review of the appropriateness of the settlement offer and the compensation is pending with the district court of Berlin due to corresponding motions brought forward by individual shareholders of GSW. Therefore, GSW shareholders may, pursuant to section 305 para. 4, sentence 3 of the German Stock Corporation Act [Aktiengesetz – AktG], exchange their GSW shares for Deutsche Wohnen shares in accordance with the terms of the offer, the ruling in the shareholder action or an amicable settlement reached in this context, within two months of the publication in the German Federal Gazette [Bundesanzeiger] of the final ruling in the shareholder action. Should a court order or the terms of an amicable settlement determine a larger amount of compensation or a larger settlement, external shareholders of GSW may, to the extent permitted by the relevant statutory provisions, be able to demand additional settlement or compensation payments. In light of this, an issuance of shares remains a possibility.

Contingent capital to serve the share option programme 2014

Furthermore, the contingent increase of the registered capital, originally by up to EUR 12,879,752.00 by means of the issuance of up to 12,879,752 new no-par value bearer shares, each representing a share of the registered capital of EUR 1.00, has been authorised **(Contingent Capital 2014/III)**. This contingent capital serves solely to issue share options to the members of the Management Board of the company and to selected executives of the company and affiliated companies in accordance with the more specific provisions of the authorising resolution adopted by the Annual General Meeting held on 11 June 2014. The contingent capital increase will only be implemented insofar as holders of share options exercise their subscription rights with regard to shares of the company and the company does not grant its own shares for the purpose of upholding these subscription rights. Any new shares issued as a result of the exercise of share options will – to the extent legally and effectively permissible – be entitled to dividends for the first financial year with regard to which, at the time of their issuance, no resolution had yet been adopted by the Annual General Meeting as to the use of the net profit. Alternatively, the new shares will be entitled to dividends as of the financial year in which they accrue. EUR 152,034.00 of this Contingent Capital 2014/III had been used – by means of the issuance of 152,034 new no-par value bearer shares with a corresponding increase in the issued capital – by 31 December 2019, with EUR 12,727,718.00 remaining as at 31 December 2019.

Contingent capital to serve the convertible bonds 2017–2024

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

Contingent capital to serve the convertible bonds 2017–2026

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

Contingent capital to serve future conversion or option obligations

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

Acquisition of own shares

The acquisition of own shares is authorised pursuant to article 9 para. 1 c) (ii) SE Regulation in conjunction with section 71 et seq. German Stock Corporation Act [Aktiengesetz – AktG] and also, as at the balance sheet date, by the Annual General Meeting held on 15 June 2018. The Management Board is authorised, with the consent of the Supervisory Board and subject to compliance with the principle of equal treatment of shareholders pursuant to article 9 para. 1 c) (ii) SE Regulation in conjunction with section 53a German Stock Corporation Act [Aktiengesetz – AktG] to purchase and use the company's own shares until 14 June 2023 up to a total amount of 10% of the company's outstanding share capital at the time the resolution is passed, or at the time the authorisation is used if this figure is lower. Shares acquired using this authorisation together with other own shares the company has previously acquired and still holds or are attributable to it under section 71a et seq. of the German Stock

Corporation Act [Aktiengesetz – AktG] may not at any time exceed 10% of the company's share capital. The authorisation may not be used for the purpose of trading in own shares.

Utilising the authorisation the Management Board of Deutsche Wohnen SE, with consent of the Supervisory Board, has resolved to carry out a share buy-back program on 12 November 2019 with a maximum volume of up to 25 million shares of Deutsche Wohnen SE for a total maximum purchase price (excluding incidental costs) of up to EUR 750 million. The buy-back via Xetra trading of the Frankfurt Stock Exchange will begin on 15 November 2019 and will terminate at the end of 30 October 2020 at the latest. The shares bought back shall be used for purposes permitted by the authorisation to acquire own shares by the Annual General Meeting of 15 June 2018. More detailed information pursuant to article 5 section 1 lit. b) and section 3 of the Regulation (EU) No. 596/2014 in conjunction with article 2 section 2 and section 3 of the Commission Delegated Regulation (EU) No. 2016/1052 is available on the internet at www.deutsche-wohnen.com/share-buy-back.

Share buy-back programme

As at 31 December 2019, the company held 2,628,698 own shares. A share capital of EUR 2,628,698.00 is attributable to these own shares.

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

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

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

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

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

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

The employment contracts of the members of the Management Board likewise contain provisions applicable in the event of a change of control. In the event of premature termination of their employment due to a change in control of the company, the members of the Management Board will receive benefits in accordance with the requirements of section 4.2.3 of the German Corporate Governance Code in the version effective on the balance sheet date and with the limitation on the cap on remuneration prescribed therein in each case.

CORPORATE MANAGEMENT

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

Corporate governance report

Berlin, 19 March 2020

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

NON-FINANCIAL GROUP STATEMENT

Deutsche Wohnen SE is publishing this non-financial Group statement for the 2019 financial year in accordance with section 315b et seq. of the German Commercial Code [Handelsgesetzbuch – HGB], pursuant to the German CSR Directive Implementation Act [CSR-Richtlinie-Umsetzungsgesetz – CSR-RUG]. The statement addresses the most important non-financial matters, which were identified based on their having a significant impact on the environment or the company's employees, or due to their relevance to social issues, corruption, bribery, human rights or the business activities of Deutsche Wohnen in 2019. In writing the statement, we have followed the standards of the Global Reporting Initiative. The reported key figures are self-defined indicators of performance.

An internal process has been established with the specialist departments and the Management Board to determine the main topics of the non-financial Group statement in accordance with the CSR-RUG. Based on the GRI Standards, the impact and risks of activities carried out by Deutsche Wohnen were assessed with regard to the sustainability issues specified in legislation in addition to their relevance for understanding the company's performance and results. There follows a report on the identified key topics. We have structured the non-financial Group statement in line with our five fields of activity, following the structure of our sustainability report.

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

Furthermore, the combined management report presents additional measures and activities carried out by Deutsche Wohnen SE as part of its sustainability management programme. References can be found in the relevant sections of the non-financial Group statement. With regard to risks and risk management, we refer to the combined management report in addition to those presented in this statement.

Risk and opportunity report from page 53

The non-financial Group statement has been subjected to a voluntary audit with limited assurance by accounting firm KPMG AG.[1] More detailed information about the activities of Deutsche Wohnen SE in the area of sustainability can be found in the comprehensive sustainability report, scheduled for publication online in June 2020 at www.deutsche-wohnen.com/sustainability. This report will be prepared in accordance with the GRI Standards (Core option).

Sustainability report

Business model

Deutsche Wohnen is one of the leading publicly listed real estate companies in Germany and Europe. Its property portfolio comprises around 164,000 residential and commercial units and has a fair value of some EUR 24.2 billion.[2] Our portfolio also includes nursing properties with a fair value of around EUR 1.3 billion, comprising approximately 12,200 beds and apartments for assisted living. Further information about the business model can be found in the combined management report.

Fundamental aspects of the Group from page 13

1 Only the figures for 2019 were checked within this non-financial statement.
2 Excluding advance payments, units under construction and undeveloped land

Responsible business management

Through its core business of providing housing, the real estate sector has an influence on how people live together as well as the design of cities. As one of the largest property companies in Europe, we recognise our duty to assume responsibility in these areas. We see the challenges of tomorrow as an opportunity to define a strategic approach to responsible business management and to integrate our targets in our day-to-day activities.

As part of the housing industry, Deutsche Wohnen is currently the focal point for many challenging trends affecting our society, including climate protection, gentrification, a shortage of housing, rising rents and demographic change. On the one hand the need for additional housing is undisputed, but on the other it has to be affordable, all while taking national and international climate goals into account. These challenges have become much more prominent in the public debate and have already led to political responses. By the decision to freeze rents in Berlin (Mietendeckel), for example, the Berlin Senate has introduced a significant regulatory intervention in the housing market of the capital city.

The housing industry is facing many social challenges.

This development shows that our business is dependent on the social and regulatory environment. Which is why we are convinced that we will only be able to address the challenges described above adequately when tenants and policymakers support the activities required to create urgently needed housing. At the same time the affordability of housing must not be played off against climate protection. Here, too, the involvement of all stakeholders is called for to distribute the burden of climate protection fairly, because this is the only way we can afford problems of acceptance. In its voluntary commitment, "Our promise to our tenants", Deutsche Wohnen has taken a clear position and so is actively involved in improving the pressure on the housing market. The Berlin Dialogues organised by Deutsche Wohnen in October and November 2019 also contributed to an active exchange between policymakers responsible for the housing sector and the general public. The results are documented in a Pact for Fair Housing, which was published in December 2019. The pact comprises the following elements: 1. Urgently needed housing should be provided by systematic new building; 2. Tenants should be supported and protected according to their individual income; 3. Refurbishment should be subsidised, the division of costs regulated and climate protection measures advanced; 4. Unused building land should be reclaimed for urban development. The proposals it has generated were presented to the public in December 2019.

Deutsche Wohnen is actively involved in improving the pressure on the housing market.

The Deutsche Wohnen sustainability strategy

Sustainability and responsibility for the environment, society, customers and employees are vitally important for Deutsche Wohnen. We firmly believe that a sustainable approach to business secures the future viability of our company and benefits our stakeholders.

Our strategic approach aims to combine cost-effectiveness with quality housing for our customers and energy efficiency in our properties. We therefore invest substantially to insulate the fabric of the buildings and improve the energy balance of the technical facilities. In doing so we pay attention to the wider energy environment and the use of environmental and durable materials. We are aware of our social responsibility in our refurbishment work and give a high priority to carrying it out in a socially acceptable way.

To this end, we foster a corporate culture whose main pillars are respect, diversity, openness and high quality. The fact that sustainability forms part of the group strategy is reflected in our daily work processes.

Sustainability is reflected in our daily work process.

Since 2013 Deutsche Wohnen has followed the globally acknowledged GRI guidelines to report on its understanding of sustainability and its sustainability performance in an economic, ecological and social context. In addition, we follow the best-practice recommendations for sustainability reporting from EPRA (EPRA sBPR), an association of publicly listed property companies, in order to ensure continuity and comparability for investors across the European real estate industry. Furthermore, we are committed to the German Sustainability Code [Deutscher Nachhaltigkeitskodex – DNK], and we meet the supplementary requirements that specifically apply to the housing sector.

Regular, transparent communication with our stakeholders is of great importance for our company and, in particular, for the further development of our sustainability strategy. Our key stakeholders include our customers, employees, investors and analysts, business partners, politicians, trade associations and the media.

Sustainability programme

Our sustainability programme consists of strategic and operational goals as well as the related measures in our five areas of activity. In addition, it documents the progress we make and our performance against targets in the corresponding areas. The programme forms the basis for managing our sustainability goals, which also contribute to the achievement of our business objectives. The entire Management Board is responsible for the sustainability strategy. The Sustainability Management/CSR Reporting department, which is responsible for the operational implementation, reports directly to the CFO. An overarching Sustainability Board was also established the previous year to ensure the strategic management and continuous development of sustainability within the company and of the sustainability programme.

The entire Management Board is responsible for the sustainability strategy.

Avoidance of human rights abuses

Respect for human rights is part of responsible corporate governance for Deutsche Wohnen. Our aspiration and our goal is to comply with human rights in all areas of our business activities. Deutsche Wohnen expects its business partners to do the same and to take steps to ensure that their own business partners, sub-contractors and service providers in turn meet their own duty of care in human rights matters. The Code of Conduct for business partners of Deutsche Wohnen specifies these expectations, building on the applicable conventions of the International Labour Organisation (ILO) and the UN Guiding Principles of Business and Human Rights. They are particularly intended to prevent any form of unethical or illegal working conditions, such as illegal, forced, obligatory or child labour, and to stop any form of discrimination based on origin, skin colour, ethnicity, religion, political conviction, gender, sexual orientation, disability, age or other personal characteristics. Deutsche Wohnen reserves the right to take appropriate action against business partners for grave breaches of the Code of Conduct.

The avoidance of human rights abuses also forms part of specific clauses in framework agreements with individual business partners, particularly relating to the prevention of illegal employment or payment of the minimum wage. Other examples include contractual provisions on health and safety at work, which are intended to ensure the safety of the people employed by our contractors on our building sites.

We expect our business partners to behave with integrity. The companies concerned must therefore be listed in the Directory of Companies and Suppliers for Public Contracts [Unternehmer- und Lieferantenverzeichnis – ULV] in Berlin or prequalified in all other regions of Germany. Alternatively, companies must complete a self-declaration for suitability with the disclosures required by section 6a of VOB/A.

We expect our business partners to behave with integrity.

One key instrument for detecting human rights abuses is the whistle-blower scheme for employees, customers and suppliers. No human rights abuses were reported or identified via this scheme in the reporting period.

Combating corruption and bribery

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

We have implemented clear rules on corruption prevention.

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

Managers sensitize their employees to compliance with the internal Code of Conduct.

Deutsche Wohnen has drawn up a Code of Conduct to implement the values, principles and rules of responsible corporate governance and to combat corruption and bribery in day-to-day business. It applies to all the staff across Deutsche Wohnen. The Code of Conduct is reviewed regularly and is continuously developed. An anti-corruption policy also includes detailed instructions on compliance with legislation and internal rules for combating corruption and bribery. Unlawful influencing of or by business partners by means of preferential treatment, gifts or other benefits is prohibited without exception under the policy. All employees are required to confirm that they have received and understood this policy when they start work. Managers must make their employees aware of the need for compliance. An e-learning programme for permanent staff training is available to all employees with intranet access. Furthermore, in line with the principle of double verification, a signature policy applies throughout the company based on value limits. This may require a second signature and a plausibility check when an order is placed, for example. Risks arising from corporate governance are monitored in the legal and compliance department and are included in a risk inventory as part of the overall risk management system.

Code of Conduct for business partners

The Code of Conduct for business partners of Deutsche Wohnen that came into effect in May 2019 is based on the Code of Conduct for our employees. We attach great importance to respectful cooperation with our business partners. The Code defines the standards for our business partners in terms of compliance with legislation, integrity and ethical benchmarks. So for example we expect all our business partners to follow the laws and regulations applicable to them, particularly anti-corruption, anti-money laundering, monopolies, competition, environmental, data protection and capital markets legislation. We do not tolerate any form of corruption or other unfair business practices and expect the same from our business partners. Conflicts of interest that could lead to corruption risks are also to be avoided.

In the reporting year 2019 there was one confirmed case of corruption at a subsidiary of Deutsche Wohnen. The contractual relationship with the freelancer concerned was ended. The police were informed after an internal investigation had been completed. The public prosecution service is still carrying out enquiries. Otherwise, no incidents of corruption have been identified and there were no confirmed cases of employees being dismissed or warned because of corruption.[3]

Data protection

Deutsche Wohnen processes personal data, in particular about its customers, employees, applicants and business partners, for reasons such as fulfilling its contractual obligations or for statutory purposes. Responsible information handling and compliance with data protection regulations are high priorities for us.

3 As of 31/12/2019

An internal data protection coordinator liaises between internal contacts who deal with specific data protection issues in each department and the external data protection officer. This happens in close discussion with an in-house counsel in the legal and compliance department who primarily deals with data protection issues.

The General Data Protection Regulation [Datenschutz-Grundverordnung – GDPR] and the Federal Data Protection Act [Bundesdatenschutzgesetz – BDSG] are the most important pieces of legislation that define generally applicable data protection rules. The necessary technical and organisational measures have been implemented within the company to protect data, and we are constantly working to optimise these in line with requirements.

In the reporting year there was one notifiable incident, which was reported to the data protection authority. The incident was due to an individual mistake. The person responsible was again made aware of the importance of data protection. The competent data protection authority confirmed that it had received the report, but did not make any further use of its powers.

In another case the competent supervisory authority imposed a fine on Deutsche Wohnen SE in the fourth quarter of 2019, which Deutsche Wohnen SE has appealed against. If the supervisory authority does not retract the fine, the case will be sent for judicial review. The alleged infringements relate to a data archival solution that Deutsche Wohnen SE has already replaced.

Responsibility for our customers and properties

Contemporary living standards and a sound infrastructure are not only important for the well-being of each individual; they also contribute to a positive social climate.

Through ongoing investment in maintenance and refurbishment, Deutsche Wohnen maintains the quality of the buildings in its portfolio and ensures that they remain attractive. We focus on strong tenant communities, which allow the stable development of urban neighbourhoods. Combined with dedicated administrative staff and a central service centre well placed to deal with any questions from tenants, this means we make an important contribution to the satisfaction of our customers.

When planning new city estates we follow acknowledged sustainability certification processes that cover the entire lifecycle of a building.

Tenant dialogue

In the event of maintenance and refurbishment work, Deutsche Wohnen provides information at an early stage and establishes contact with tenants through activities such as tenant meetings, tenant talks and personal visits. First and foremost, our customers can reach us through local estate offices or our central Service Centre. We have also set up an online customer portal that is constantly being developed and improved. In doing so, we aim to intensify contact with our tenants while simplifying processes and making them faster. Tenants can find answers to many questions about their tenancy and other useful services on our website. In addition to increasing the exchange of information, we aim to encourage more active participation by our residents in the life of their estates.

Online
customer portal

Customer satisfaction

In its voluntary commitment published in 2019, "Our promise to our tenants", Deutsche Wohnen is making an active contribution to relieving the pressure on the housing market. Deutsche Wohnen did not raise rents to the full extent or at all in a total of 259 cases in 2019 as a result of its tenant promise.

Our tenant promise

Our focus is on long-term tenancies and high customer satisfaction. We measured this satisfaction in 2017 and 2019 by carrying out a comprehensive tenant survey, and intend to repeat this process every year in order to identify specific improvements with the potential to increase satisfaction. At the same time, we can see to what extent measures taken have had an effect and where further optimisation is required. The participation rate for the survey rose from 20% in 2017 to 36% in 2019. The latest survey of our tenants revealed that Deutsche Wohnen has improved in the main areas covered by the questionnaire in comparison with the previous survey. Of the tenants surveyed, 78% are satisfied or very satisfied with Deutsche Wohnen as a landlord. This is some seven percentage points more than in 2017. 87% said they were satisfied or very satisfied with their apartment, which is an increase of six percentage points. There is potential for improvement, however, as with the processing time or the cleanliness of the estates. We have already increased the number of caretakers in order to give our tenants a point of contact on-site and to improve the level of service, cleanliness and security.

Performance indicator	2019	2017
Tenant survey: Satisfaction with housing situation	87%	81%
Satisfaction with Deutsche Wohnen as landlord	78%	71%

Health and safety of customers

The health and safety of our customers is our main concern. The building materials used have an impact on the environment throughout the life cycle, from the extraction of raw materials to manufacturing processes and disposal. For this reason, Deutsche Wohnen pays attention to ecological and health-related aspects in procurement. Given that environmentally friendly materials are usually more expensive, this decision has a direct impact on the bottom-line result.

Deutsche Wohnen's consumption of materials relates to three categories: major projects, such as the refurbishment of residential units; smaller projects carried out as part of its ongoing maintenance activities; and new construction measures. These projects are carried out by external subcontractors, which means that Deutsche Wohnen is only able to influence the choice of materials by imposing specifications. As a rule, all materials used must comply with German laws and regulations. Any specifications that are more stringent represent an additional contribution to environmental protection.

Dealing with contaminated sites

The majority of residential units in Deutsche Wohnen's portfolio were not built by the company itself. In certain cases, these buildings still contain materials that were deemed to be modern from a technical perspective at the time of construction, but would now be considered harmful if they were released into the environment. These materials should be replaced before they can come into contact with their surroundings.

The handling of hazardous building materials is subject to strict regulations in the form of guidelines and laws. When replacing and disposing of asbestos and other notifiable waste, Deutsche Wohnen adheres to the Technical Rules for Hazardous Substances [Technische Regeln für Gefahrenstoffe – TRGS], which are part of the Technical Building Rules [Technische Baubestimmungen]. Any materials in existing buildings containing asbestos or other harmful substances are replaced with suitable materials. The contaminated materials are disposed of correctly in order to avoid any risk to people or the environment. In the 2019 financial year, a subcontractor was commissioned by a contractor to dispose of unknown contaminated excavated earth without consent or approval. The contractor has so far not been able to provide evidence of the proper disposal of the excavated earth by presenting proper disposal certificates. Competent authorities were involved.

When carrying out maintenance and refurbishment work as well as new construction projects, we treat ground soil on the site with due care. New building plots are carefully examined for contamination and are treated in accordance with the statutory requirements of the Federal Soil Protection Act [Bundes-Bodenschutzgesetz – BBodSchG].

Specifications for system providers

As part of its technical facility management Deutsche Wohnen works with a system provider, B&O Service Berlin GmbH. This company carries out repair and maintenance work in line with the contractual provisions, whereby it may also outsource work to subcontractors. Standard price lists apply to some of the work it carries out. So in the case of tenant turnover they cover 80% to 90% of the standardised work carried out when one tenant moves out and a new tenant moves in. They define the standard-quality products that system suppliers can install, including washbasins, tiles and fittings. Another standard price list was developed in 2017 with quality criteria for frequent work with an individual contract value of more than EUR 1,000 in the ongoing maintenance segment.

As part of its technical facility management activities, Deutsche Wohnen coordinates the purchase of materials, products and services also through the system service provider B&O Service Berlin GmbH. The applicable quality standards on this front are the building rules lists issued by the German Institute of Construction Technology [Deutsches Institut für Bautechnik – DIBt]. As part of the quality assurance system, approval of services rendered ensures that the relevant specifications are met.

Refurbishment work

We refurbish our portfolio in a sustainable way.

Deutsche Wohnen is continually refurbishing its portfolio. We follow an approach that is as sustainable as possible, making individual plans for each building. For example, we use mineral wool to insulate facades, avoiding polystyrene. When working on windows, we aim to restore old installations with wooden frames where possible and fit new windows made from plastic or wood as appropriate. We also make sustainable plans when redesigning outdoor facilities. This applies to the handling of rainwater, for instance, the planting of trees adapted to the climate (resistant, tough species that can withstand dry periods) and increasing biodiversity by planting a wide range of species that attract pollinators.

Our portfolio includes many residential estates that are several decades old. About 80% of our properties were built before the 1980s and more than a third are buildings from before 1949. Here we aim to remain as close as possible to the original design, especially when carrying out refurbishment work.

This applies to factors such as the colour of facades, plasterwork and the restoration of balconies. For our listed properties, we work closely with conservation experts and the local listed building authorities, acting in compliance with all the applicable regulations.

Criteria for new construction projects

Deutsche Wohnen ensures that its new construction projects are in line with recognised sustainability criteria, such as the standards of the German Sustainable Building Council [Deutsche Gesellschaft für Nachhaltiges Bauen – DGNB] or the Sustainable Housing evaluation system [Nachhaltiger Wohnungsbau – NaWoh]. Qualified agencies for sustainable building certification monitor new construction projects and provide advice, concepts and measurements that are necessary for the respective sustainability certification. They also coordinate documentation for planning and construction, incorporating specifications for sustainable materials in supplier contracts. For all construction work, materials should only be used if there is established proof that they do not present health or environmental risks with regard to their extraction, transport, processing, use and disposal. Checks and quality assurance are carried out by the commissioned architect.

Responsibility for our employees

77%
of the surveyed employees are satisfied with Deutsche Wohnen.

Only with highly qualified, motivated employees is Deutsche Wohnen able to continue its successful business activities into the future. For that reason, recruitment and staff retention are very important. We want to be an attractive employer for employees and junior staff, offering interesting career development and professional opportunities while guaranteeing fair remuneration and making it possible to achieve a healthy balance between work and family life. In particular, we pay close attention to the qualified training and development of our staff. All these topics, the regular and systematic staff survey and structured debriefing sessions with departing employees as part of our fluctuation analysis feed into our HR development work.[4] This allows us to avoid the costs associated with staff turnover and ensure the successful implementation of our corporate strategy. In 2019, 71% of all employees asked took part in the survey. The results show that 77% of them are satisfied with Deutsche Wohnen as an employer. The welcome culture, mutual support within the team and management were all rated very highly, for instance. Potential for improvement is seen, for example, in terms of better information flows between organisational units.

We have established a binding Code of Conduct for all employees and managers and implemented employer values that promote trust and mutual respect among all staff and in dealings with third parties. Building on the new value system we have initiated an ideas competition entitled “Opportunity Thinker”. In this context, all employees were asked to think of strategic ideas or suggestions for operating improvements. It produced a total of 118 suggestions, which were ranked and judged by a jury. Four of the ideas were selected for special prizes, including concrete ideas for improving everyday work processes for our employees, an ideas competition for our customers and a blood donation scheme for Deutsche Wohnen employees. Some of these ideas have already been put into practice and others will be in the future.

4 The following HR development work relates to all companies with employees, apart from FACILITA, PFLEGEN & WOHNEN HAMBURG and SYNVIA media GmbH.

Staff development

The Human Resources department has a policy of structured staff development and individual support, helping employees to develop their personal strengths. Regular staff surveys, our "protected space" format for internal job changes, and a generational analysis provide important information about the abilities and needs of our employees. These activities help us to appoint in-house specialists to fill key roles and to retain employees who demonstrate strong performance for the long term.

We foster the development of suitable junior staff through our various apprenticeship, trainee and management development programmes as well as dual courses of study. Deutsche Wohnen has won several prizes in this area, including the Fair Company Award from the website karriere.de, and the Excellent Training Quality certificate from the Chamber of Trade and Industry. In addition, we were given five out of five stars by the business magazine Capital in the categories Vocational Training and Dual Study Courses in its survey of Germany's Best Training Company, making us one of the best companies in Germany for an apprenticeship.

Through an internal professional development programme we ensure that training is suited to the specific needs of the target group. To ensure that these activities are effective, we are also currently implementing a structured efficiency analysis for the contents of the programme.

Performance indicators for the training programme[1]	2019	2018	2017
Investment in professional training	EUR 641 thousand	EUR 788 thousand	EUR 685 thousand
Training hours per employee	15	22	18
Training ratio for total workforce	43.0%	54.8%	73.4%
Training ratio for managers	78.6%	81.9%	89%

1 Not including FACILITA, PFLEGEN & WOHNEN HAMBURG and SYNVIA media GmbH

Fair remuneration

The performance-related pay structure introduced[5] in 2014, which is in line with the market, sets out uniform, gender-independent standards and is intended to increase overall employee satisfaction. Clear rules form the basis for equal pay for equal work. On the basis of a comprehensive market survey (collective bargaining agreements, pay surveys for the property industry), five to seven salary levels were defined as appropriate for all the functions in the individual Deutsche Wohnen companies. They are reviewed regularly on the basis of current market benchmarks and adjusted as necessary, most recently in April 2019.

5 The remuneration structure does not cover the upper level of management below the Management Board.

Work-life balance and additional benefits

To promote a positive work-life balance, Deutsche Wohnen offers a range of part-time and flexitime models. Employees also have the option of working from a home office. An occupational health management programme offers benefits such as health awareness days, free massages, organic fruit and sports events with the aim of creating a healthy working environment. Following an employee survey on occupational health management, the company also introduced the “machtfit” health platform with a wide range of subsidised health and fitness courses for staff. Further information can be found in the “Employees” section.

Part-time and flexitime models improve work-life balance.

Employees from page 10

Performance indicators[1]	2019	2018	2017
Part-time ratio[2]	13.6%	12.3%	9.2%
Use of home office	48%	22%	n.a.
Use of “machtfit” (number of bookings)	1,087	797	n.a.

1 Not including FACILITA, PFLEGEN & WOHNEN HAMBURG and SYNVIA media GmbH
2 As of 31/12/2019

Responsibility for the environment and climate

The signatory countries to the Paris Agreement have agreed on common goals for reducing energy consumption and CO_2 emissions. The German government’s target is to reduce emissions of greenhouse gases by 80% to 95% compared with 1990 by the year 2050. Deutsche Wohnen is convinced that climate protection is a task for the whole of society, which has to be tackled by companies, the state and citizens equally. This requires a constructive dialogue in the spirit of socially acceptable climate protection, which involves all stakeholders.

As a sponsoring member of the foundation Stiftung 2° [Deutsche Unternehmer für Klimaschutz] Deutsche Wohnen supports this commercial alliance for climate protection. With its position paper “Recommendations for Improving Climate Protection in the Property Sector” as part of the Stiftung 2° Business Initiative for Climate Protection Legislation, Deutsche Wohnen underlines its engagement for a predictable framework for achieving the climate protection goals.

Energy

The property sector plays a key role in climate protection in Germany, with some 20 million rental units. Property accounts for around 36% of energy consumption and more than one-third of climate emissions in Germany. Older buildings in particular have great potential for improving their energy efficiency.

In order to make a contribution to achieving the national and international climate protection targets, Deutsche Wohnen boosts the energy efficiency of the buildings in its portfolio and uses energy from renewable souces. With all these activities, the aim is to manage the interdependencies between economic, ecological and social aspects.

Energy management is the responsibility of the Chief Development Officer (CDO) at Deutsche Wohnen. He is involved in the strategic planning of energy management and attends the monthly meetings. Additionally, important decisions are discussed and made in the regular Board meetings of Deutsche Wohnen.

Energy concept: holdings

As part of our portfolio investments we have spent over EUR 1 billion in the past three years. In the years ahead we are planning further investments, depending on the regulatory environment, to keep improving the quality of our residential holdings. The relevant measures include adding insulation to facades, basement ceilings and roofs, as well as improving the standard of equipment in apartments, replacing or renovating windows to improve energy efficiency, progressively switching of energy carrier, and renewing heat generation plants. One of the goals in this area is to cut annual CO_2 emissions by 20,000 tonnes from 2022 onwards. As a result, Deutsche Wohnen also intends to ensure compliance with current and future legal requirements, such as the Federal Immission Control Act [Bundes-Immissionsschutzgesetz – BimSchG] and the German Energy Saving Ordinance [Energieeinsparverordnung – EnEV]. Further information about this topic can be found the combined management report.

Property portfolio from page 18

Performance indicator	2019	2018	2017
Average energy intensity[1]	128,9 kWh/ sqm per year	132.3 kWh/ sqm per year	133.4 kWh/ sqm per year

1 Weighted average of final enery consumption based on current energy performance certificates of properties (the approximately 30,000 listed units are not taken into consideration because no energy certificate is required for them).

Energy requirement of tenants

In the housing sector, it is customary for tenants to enter into their own contracts with utility companies for the supply of electricity and gas. Deutsche Wohnen has no direct influence on the choice of suppliers or the energy consumption of tenants. Around 90% of the general electricity supply for our rental portfolio was from certified green electricity (100% renewable energy).

We try to raise our tenants' awareness of environmental issues. For example, a billing system based on the consumption of resources (heating, hot water and cold water) can influence a change in consumer behaviour. In the context of complex refurbishment work this is achieved by fitting of heat cost allocators or meters for cold and hot water, which allows consumption-based billing.

Energy concept for new buildings

By 2023 Deutsche Wohnen intends to build new estates qualifying for recognised sustainability certificates (NaWoh and DGNB) for up to 5,000 tenants. When planning and building new estates we ensure greater energy efficiency, as well as other measures. Accordingly, we examine ways to reduce energy consumption and to use renewable energy at an early stage, incorporating these into our urban development plans. Our focus here is on the energy standard of planned buildings and the supply of heating. Deutsche Wohnen therefore designs and constructs new buildings in accordance with integrated energy concepts. Further information can be found in the combined management report.

Criteria for new construction projects from page 92

In-house energy consumption

As part of the energy audit conducted in accordance with DIN EN 16247-1 in January 2019, Deutsche Wohnen had comprehensive information about energy consumption collected at its own office locations and verified by on-site inspections. Analysis of this data revealed potential energy savings as well as possible measures to optimise energy flows in the company. Since 2012, we have been using energy from certified green electricity to meet most of the total in-house electricity requirements of our administrative offices.

Social responsibility

We promote the healthy development of our estates.

To us, the neighbourhood is just as important as the home itself. That is why we promote the healthy development of our estates by ensuring a balanced social and demographic tenant structure, protecting small traders and setting up nurseries and childcare centres, for instance. As part of the urban community we are also committed to many charitable projects, particularly in the provision of suitable living space, as well as financial support for activities in the fields of the arts, culture and sport. We also consider our investments to protect historic architecture in the spirit of listed building regulations as a key part of our social engagement.

The Management Board is closely involved in the strategic planning of all major activities.

Urban design

The design of Deutsche Wohnen housing estates has a positive impact on the surrounding areas. Most buildings are surrounded by green open spaces that are tended by Deutsche Wohnen as recreation areas that also improve air quality. Other features that promote a pleasant living environment include green roofs and playgrounds. In our "promise to our tenants" we undertake in future to let one in four apartments to tenants entitled to a certificate of eligibility to live in social housing (Wohnberechtigungsschein), who would otherwise have difficulties finding accommodation. In addition, we offer advice for tenants whose needs have changed. Deutsche Wohnen will never terminate a tenancy agreement to use the apartment itself.

In the business field of Nursing and Assisted Living, our facilities have been transformed over a number of years into social and community centres offering a broad range of cultural activities and in-house restaurants. These are open to residents as well as external guests.

Social engagement

Deutsche Wohnen would also like to help to make cities a pleasant place to live and to strengthen social structures through ongoing dialogue and cooperation with residents, politicians and providers of social services. In its "promise to our tenants" Deutsche Wohnen also undertakes to increase its engagement for non-profit and social projects. We are currently examining for what we will provide resources in the years ahead. We will also enter into discussions with people from the urban community and decide together on how the funds will be used.

Our social responsibility applies particularly to our core housing-related competences. We let commercial space in our neighbourhoods to social institutions on favourable terms, subsidise the employment of social workers and provide housing to people experiencing hardship. We have also been working with local authorities and social initiatives since 2015 to facilitate the integration of refugees. We donate money to support initiatives that have a positive influence on relationships between neighbours in our estates and that help to build a successful community.

Performance indicator	2019	2018	2017
Newly let apartments to people in social hardship	3.5%	4.5%	4.8%

In addition, we are a Platinum Partner of the Berlin Füchse handball team, an Official Partner of the Berlin Olympic Centre [Olympiastützpunkt – OSP] and an Official Title Partner of the Women's Sculling Team within the German Rowing Association [Deutschen Ruderverband – DRV] for professional athletes in Berlin. The aim of the partnerships with both the OSP and the DRV is to ensure that the athletes have optimal training conditions to prepare for the Olympic Games 2020 in Tokyo. The focus of the long-term cooperation with the Berlin Füchse is partly on supporting the outstanding and sustainable junior division of this successful handball club.

Preservation of listed buildings

Deutsche Wohnen is one of the largest private owners of listed residential properties in Germany, with more than 30,000 residential units in this category. They include the four housing estates in Berlin that are UNESCO World Cultural Heritage sites: Ringsiedlung Siemensstadt, Weiße Stadt, Wohnstadt Carl Legien and the Hufeisensiedlung Britz. We have many years of experience in the conservation of historic buildings and monuments, for instance in the area of energy-related refurbishment work. By protecting historic buildings and listed architecture, we make a contribution to the preservation of our cultural identity. This also benefits our estates and our tenants.

Our property portfolio includes four UNESCO World Heritage communities in Berlin.

Deutsche Wohnen is currently refurbishing several listed housing estates. Due notice of all measures is given to the local listed building authority [Untere Denkmalbehörde – UD] in accordance with the Law for the Protection of Monuments in Berlin, and we do not carry out the work until approval has been received. If possible, buildings are restored to the condition they would have been in at the time of construction.

In early 2017, we became a sponsoring member of the Federal Foundation for Baukultur so that we could share our expertise and foster dialogue.

Berlin, 19 March 2020

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

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR REGARDING THE NON-FINANCIAL GROUP STATEMENT[1]

To the Supervisory Board of Deutsche Wohnen SE, Berlin

We have performed a limited assurance engagement on the Non-Financial Group Statement (hereinafter "Statement") of Deutsche Wohnen SE (hereinafter "Deutsche Wohnen") according to Section 315b and 315c in conjunction with 289c to 289e HGB (German Commercial Code) for the business year from January 1 to December 31, 2019.

Management's Responsibility

The legal representatives of the entity are responsible for the preparation of the Report in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report in a way that is free of – intended or unintended – material misstatements.

Independence and Quality Assurance on the Part of the Auditing Firm

We are independent from the entity in accordance with the requirements of independence and quality assurance set out in legal provisions and professional pronouncements and have fulfilled our additional professional obligations in accordance with these requirements.

Our audit firm applies the national statutory provisions and professional pronouncements for quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Practitioner's Responsibility

Our responsibility is to express a conclusion on the Report based on our work performed within our limited assurance engagement.

1 Our engagement applied to the German version of the Report 2019. This text is a translation of the Independent Assurance Report issued in the German, whereas the German text is authoritative.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" published by IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance of whether any matters have come to our attention that cause us to believe that the Report of the entity has not been prepared, in all material respects, in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB. We do not, however, provide a separate conclusion for each disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor's own judgement.

Within the scope of our engagement, we performed amongst others the following procedures:
- Inquiries of personnel on the group level, who are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting boundaries of Deutsche Wohnen
- A risk analysis, including a media search, to identify relevant information on Deutsche Wohnen's sustainability performance in the reporting period
- Assessment of the suitability of internally developed definitions
- Evaluation of the design and implementation of the systems and processes for determining, processing and monitoring of disclosures relating to environmental, employee and social matters, respect for human right, and combating corruption and bribery, including the consolidation of the data
- Inquiries of personnel on the group level who are responsible for determining disclosures on concepts, due diligence processes, results and risks, for conducting internal controls and consolidation of the disclosures
- Evaluation of selected internal and external documentation
- Analytical evaluation of data and trends of quantitative disclosures
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on interviews and evaluation of documentation
- Assessment of the overall presentation of the disclosures.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Report of Deutsche Wohnen for the business year from January 1 to December 31, 2019 is not prepared, in all material respects, in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB.

Restriction of Use/Clause on General Engagement Terms

This assurance report is issued for the purposes of the Supervisory Board of Deutsche Wohnen, Berlin, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of Deutsche Wohnen, Berlin, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer (German Public Auditors) and Wirtschaftsprüfungsgesellschaften (German Public Audit Firms) (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms having taken note of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the General Engagement Terms with respect to us.

Berlin, March 19, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Hell   ppa. Zimen

Annual financial statements

BALANCE SHEET

as of 31 December 2019

EUR	31/12/2019	31/12/2018
Assets		
A. Non-current assets		
I. Intangible assets		
1. Purchased concessions, intellectual property rights and similar rights and licences	2,962,097.83	4,715,566.05
2. Advance payments	4,008,837.66	2,925,446.48
	6,970,935.49	**7,641,012.53**
II. Property, plant and equipment		
1. Buildings on third-party land	3,764.16	36,372.05
2. Other equipment, furniture and fixtures	8,479,347.46	7,016,857.88
3. Advance payments on property, plant and equipment	232,562.98	0.00
	8,715,674.60	**7,053,229.93**
III. Financial assets		
1. Shares in affiliates	4,369,779,417.02	4,368,961,289.31
2. Loans to affiliates	2,503,962,671.60	589,882,671.60
	6,873,742,088.62	4,958,843,960.91
	6,889,428,698.71	**4,973,538,203.37**
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliates	1,115,245,433.64	2,525,039,123.98
2. Other assets	44,176,351.05	22,946,315.04
	1,159,421,784.69	**2,547,985,439.02**
II. Cash on hand, bank balances	**635,153,720.64**	**276,156,370.88**
	1,794,575,505.33	**2,824,141,809.90**
C. Accurals and deferrals	**25,204,055.95**	**9,540,843.82**
Of which commissions EUR 23,727,034.07 (previous year: EUR 8,619,896.97)		
	8,709,208,259.99	**7,807,220,857.09**

EUR	31/12/2019	31/12/2018
Equity and liabilities		
A. Equity		
I. Issued share capital	**359,715,653.00**	**357,014,286.00**
1. Contingent capital as of 31 December 2019 EUR 133,579,814.00 (Previous year: EUR 133,663,900.00)		
2. Nominal value of treasury shares	–2,628,698.00	0.00
	357,086,955.00	**357,014,286.00**
II. Capital reserve	2,603,210,196.10	**2,965,494,043.96**
III. Retained earnings		
Statutory reserves	1,022,583.76	1,022,583.76
IV. Distributable profit	359,000,000.00	**348,000,000.00**
	3,320,319,734.86	**3,671,530,913.72**
B. Provisions		
1. Provisions for pensions and similar obligations	1,243,485.00	1,070,410.00
2. Tax provisions	0.00	300.00
3. Other provisions	52,396,435.44	12,689,396.79
	53,639,920.44	**13,760,106.79**
C. Liabilities		
1. Bonds	3,641,597,000.06	2,815,932,311.39
Of which convertible EUR 1,600,000,000.00 (Previous year: EUR 1,600,000,000.00)		
2. Liabilities to banks	60,354,422.22	239,477.78
3. Trade payables	3,518,972.11	2,012,468.72
4. Liabilities to affiliates	1,622,664,062.06	1,301,481,715.32
5. Other liabilities	4,081,306.40	2,263,863.37
Of which from taxes EUR 1,070,596.81 (Previous year: EUR 2,197,860.42)		
	5,332,215,762.85	**4,121,929,836.58**
D. Accurals and Deferrals	**3,032,841.84**	**0.00**
	8,709,208,259.99	**7,807,220,857.09**

PROFIT AND LOSS STATEMENT

for the period from 1 January 2019 to 31 December 2019

EUR	2019	2018
1. Revenue	47,689,217.89	52,647,617.12
2. Other operating income	2,373,976.74	1,804,045.09
3. Staff expenses		
a) Wages and salaries	–22,336,198.09	–20,597,986.58
b) Social security contributions and expenses for pensions and benefits	–3,060,933.40	–2,324,732.85
Of which for pensions EUR 1,502,146.56 (previous year: EUR 1,146,239.57)		
	–25,397,131.49	–22,922,719.43
4. Depreciation and amortization		
On non-current intangible assets and property, plant and equipment	–4,573,596.49	–3,841,609.11
5. Other operating expenses	–65,636,162.32	–44,148,597.80
6. Income from equity investments	71,623,001.66	77,705,490.97
Of which from affiliates EUR 71,623,001.66 (previous year: EUR 77,705,490.97)		
7. Income from profit and loss transfer agreements	19,320,515.02	21,333,062.09
8. Income from non-current lending	22,480,156.68	7,902,639.82
Of which from affiliates EUR 22,480,156.68 (previous year: EUR 7,902,639.82)		
9. Other interest and similar income	13,488,631.39	17,798,560.12
Of which from affiliates EUR 13,427,359.52 (previous year: EUR 17,712,728.43)		
10. Expenses from loss transfers	–51,421,773.50	–30,581,004.92
11. Interest and similar expenses	–56,692,563.87	–24,782,977.79
Of which from affiliates EUR 3,093,340.74 (previous year: EUR 341,600.03)		
Of which from discounting EUR 89,605.91 (previous year: EUR 64,800.61)		
12. Income taxes	–163,100.00	–34.00
13. Earnings after taxes	**–26,908,828.29**	**52,914,472.16**
14. Other taxes	–16,837.12	–4,598.00
15. Net profit/loss for the year	**–26,925,665.41**	**52,909,874.16**
16. Profit carried forward	37,388,049.03	47,264,224.80
17. Transfer from capital reserve	348,537,616.38	247,825,901.04
18. Distributable profit	**359,000,000.00**	**348,000,000.00**

NOTES

A General information on the financial statements

Deutsche Wohnen SE is a publicly listed company based in Berlin, Germany. It is registered under HRB 190322 B in the Commercial Register of Berlin-Charlottenburg District Court.

The annual financial statements were produced in accordance with section 242 et seq. and section 264 et seq. of the German Commercial Code [Handelsgesetzbuch – HGB], the additional stipulations of the German Stock Corporation Act [Aktiengesetz – AktG] and the regulations and law concerning European stock corporations. The company is a large corporation as defined in section 267 para. 3 of the German Commercial Code [Handelsgsetzbuch – HGB].

The income statement is structured in accordance with the total cost method. The financial year is the calendar year.

B Accouting policies and valuation methods

The following accounting policies and valuation methods remained the basis for the compilation of the annual financial statements.

1 Non-current assets

Intangible assets acquired in return for payment of consideration are reported at cost on the balance sheet and depreciated in accordance with their useful lives less any scheduled depreciation and amortization (three to six years; on a straight-line basis).

Property, plant and equipment is recognised at its acquisition or production cost less any scheduled depreciation and amortization (one to twenty-three years, ona straight-line basis).

As in the previous year, no interest on borrowing was included in production cost in the financial year and no expenses as defined by section 255 para. 2 of the German Commercial Code [Handelsgesetzbuch – HGB] were included in production cost.

Low-value assets up to a value of EUR 250.00 are fully depreciated and amortized in the year of acquisition. Since the beginning of the financial year 2018, low-value assets with a value of between EUR 250.00 and EUR 800.00 have been depreciated and amortized over a period of five years.

Shares in affiliated companies are recognised at cost, less any write-downs to fair value on the reporting date in the case of impairment. The key value driver in assessing the value of shares in affiliated property holding companies is the fair value of the properties. If the reasons for the impairment no longer exist, the write-downs are reversed in accordance with section 253 para. 5 of the German Commercial Code [Handelsgesetzbuch – HGB]. Loans to affiliated companies are recognised on the balance sheet at their nominal value.

The fair values established for the IFRS consolidated financial statements of Deutsche Wohnen SE, Berlin are used to determine the fair value of the properties. The fair values were determined as at 31 December 2019 following an internal valuation of the company's residential and commercial properties. In parallel, the residential and commercial properties were valued by Jones Lang LaSalle SE, Frankfurt/Main, and the nursing care properties by W&P Immobilienberatung GmbH, Frankfurt/Main, in accordance with internationally recognised valuation methods. The overall value was confirmed. The key valuation parameters are rental growth, discounting factor and capitalisation factor and the maintenance schedule for the nursing properties.

2 Current assets

Current assets are recognised at their acquisition cost less any write-downs to fair value on the reporting date, where this is lower.

Receivables and other assets are held at the lower of nominal value and fair value.

Cash-at-hand and bank balances are recognised at their nominal value.

3 Prepaid expenses

Payments made as at the balance sheet date are recognised as prepaid expenses to the extent that they constitute expenses for a period after the reporting date. Discounts and non-recurrent handling fees charged by lenders upon the granting of loans, which, together with current interest income, represent uniform consideration in economic terms for the allocation of loans, are recognised as prepaid expenses on the basis of section 250 para. 3 of the German Commercial Code [Handelsgesetzbuch – HGB] and reversed through profit or loss over the term of the loans.

4 Deferred taxes

Differences between the commercial and tax bases of assets and liabilities or due to tax loss carry-forwards, if they are expected to decrease in subsequent financial years and result in an overall tax burden, are recognised on the balance sheet in a net amount as deferred tax liabilities. Any resulting overall tax benefit (deferred tax assets) will not be recognised on the balance sheet. Deferred taxes are calculated using the tax rates applicable at the time the differences are expected to reverse and are not discounted. Deferred taxes from subsidiary companies are recognised in the figures relating to the parent company.

5 Provisions for pensions

As in the previous year all of the company's retirement benefit liabilities have been determined in accordance with the Projected Unit Credit Method on the basis of an actuarial opinion prepared with reference to the "Mortality tables 2018G" drawn up by Professor Dr Klaus Heubeck. The interest rate published by the Bundesbank of 2.71% p.a. as of 31 December 2019 (previous year: 3.21% p.a.) was used, which in accordance with section 253 para. 2 sentence 2 German Commercial Code [Handelsgesetzbuch – HGB] is the average market rate for the past ten financial years, with an assumed remaining term to maturity of 15 years. Any earnings impact of changes in interest rates is shown in staff expenses. A rise in income of 2.50% p.a. (previous year: 2.50% p.a.), an increase in the contribution assessment threshold of 3.00% p.a. (previous year: 2.25% p.a.) and pension adjustments of 1.75% p.a. (previous year: 1.75% p.a.) were taken into account. Claims arising out of reinsurance policies are offset against provisions for retirement benefit liabilities pursuant to sentence 2 of section 246 para. 2 of the German Commercial Code [Handelsgesetzbuch – HGB].

6 Tax provisions and other provisions

Tax provisions and other provisions are recognised for the amount required to settle the obligation, based on sound business judgement. They cover all foreseeable losses from pending transactions and contingent liabilities. Other provisions with remaining term to maturity of more than one year are discounted at the interest rates published by the Bundesbank.

7 Liabilities

Liabilities are recognised at their settlement amount. Non-current, non-interest-bearing liabilities are discounted.

8 Deferred income

Payments received before the balance sheet date are recognised as deferred income to the extent that they constitute income for a period after the reporting date.

9 Share-based remuneration

The Management Board of Deutsche Wohnen has been receiving share-based remuneration in the form of subscription rights (share options) since the financial year 2014. The share option programme is fundamentally an option plan that is settled using equity instruments.

The expenses incurred as a result of the issuance of the share options are valued at the fair value of the share options allocated at the time of their allocation and calculated using generally recognised option pricing models. The expenses resulting from the issuance of the share options are reported together with a corresponding increase in equity (capital reserve).

In 2019 a restricted share unit (RSU) programme was introduced for Management Board members that has been categorised as cash-settled share-based remuneration. In this remuneration program, the goods or services acquired and the uncertain liability that arises must be recorded with the intrinsic value. Until the uncertain liability is settled, the intrinsic value of the uncertain liability must be redetermined on each reporting date and on the settlement date and all changes in the intrinsic value must be recognized in profit or loss.

C Notes to the balance sheet

1 Non-current assets

The structure and development of non-current assets are shown in the attached statement of changes in non-current assets (Appendix 1 to the notes).

The company has either direct or indirect shareholdings in the following[1] companies in accordance with section 285 para. 11 of the German Commercial Code [Handelsgesetzbuch – HGB]. The reporting of equity and earnings is based on commercial accounting standards and the accounting standards applicable in the relevant country of domicile. The company does not have any shareholdings in major corporations, as defined in section 285 para. 11b of the German Commercial Code [Handelsgesetzbuch – HGB], which exceed 5.0% yet fall below 20.0% of the voting rights in those corporations.

1 The company is also indirectly a member of a partnership.

Company and registered office	Share in %	Equity in EUR thousand	Earnings in EUR thousand	Reporting date
AGG Auguste-Viktoria-Allee Grundstücks GmbH, Berlin	100.00[1,3]	25.0	0	2019
Algarobo Holding B.V., Baarn, Netherlands	100.00[1]	23,670.4	9,055.70	2019
Alpha Asset Invest GmbH & Co. KG, Berlin	70.00[1,4]	502.8	224.5	2019
Amber Dritte VV GmbH, Berlin	94.90[1,3]	–7,316.8	0	2019
Amber Erste VV GmbH, Berlin	94.90[1,3]	–11,050.4	0	2019
Amber Zweite VV GmbH, Berlin	94.90[1,3]	–12,113.5	0	2019
Aragon 13. VV GmbH, Berlin	94.90[1,3]	–6,660.3	180.4	2019
Aragon 14. VV GmbH, Berlin	94.90[1,3]	–11,292.9	30.8	2019
Aragon 15. VV GmbH, Berlin	94.90[1,3]	–6,553.2	75.3	2019
Aragon 16. VV GmbH, Berlin	94.90[1,3]	–9,637.6	0	2019
Aufbau-Gesellschaft der GEHAG mit beschränkter Haftung, Berlin	100.00[1]	8,034.2	71.6	2019
AVUS Immobilien-Treuhand GmbH & Co. KG, Berlin	100.00[1]	340.5	–10	2018
B & O Service Berlin GmbH, Berlin	24.94[1,5]	5,626.2	0	30/06/2019
BauBeCon BIO GmbH, Berlin	100.00[1,3]	8,626.5	0	2019
BauBeCon Immobilien GmbH, Berlin	100.00[1,3,5]	478,033.7	24,945.20	2019
BauBeCon Wohnwert GmbH, Berlin	100.00[1,3]	26,710.2	0	2019
Beragon VV GmbH, Berlin	94.90[1,3]	–10,781.4	173.7	2019
C. A. & Co. Catering KG, Wolkenstein	100.00[1]	0.2	15.6	2019
Ceragon VV GmbH, Berlin	94.90[1,3]	–8,088.3	0	2019
Communication Concept Gesellschaft für Kommunikationstechnik mbH, Leipzig	100.00[1]	3,333.8	712.3	2018
DELTA VIVUM Berlin I GmbH, Berlin	94.90[1,3]	10,761.5	1,458.70	2019
DELTA VIVUM Berlin II GmbH, Berlin	94.90[1,3]	–1,894.8	227.4	2019
Deutsche KIWI.KI GmbH, Berlin	49.00[1]	410.2	–107.8	2018
Deutsche Wohnen Asset Immobilien GmbH, Frankfurt/Main	100.00[1,3]	25.0	0	2019
Deutsche Wohnen Berlin 5 GmbH, Berlin	94.90[1,3]	3,415.6	0	2019
Deutsche Wohnen Berlin 6 GmbH, Berlin	94.90[1,3]	506.9	0	2019
Deutsche Wohnen Berlin 7 GmbH, Berlin	94.90[1,3]	2,738.0	0	2019
Deutsche Wohnen Berlin I GmbH, Berlin	94.00[1,3]	1,488.1	0	2019
Deutsche Wohnen Berlin II GmbH, Berlin	94.90[1,3]	4,809.5	0	2019
Deutsche Wohnen Berlin III GmbH, Berlin	94.90[1,3]	24,705.1	0	2019
Deutsche Wohnen Berlin X GmbH, Berlin	94.80[1,3]	7,691.7	0	2019
Deutsche Wohnen Berlin XI GmbH, Berlin	94.80[1,3]	7,504.6	0	2019
Deutsche Wohnen Berlin XII GmbH, Berlin	94.80[1,3]	1,761.1	0	2019
Deutsche Wohnen Berlin XIII GmbH, Berlin	94.80[1,3]	6,858.4	0	2019
Deutsche Wohnen Berlin XIV GmbH, Berlin	94.80[1,3]	10,666.3	0	2019
Deutsche Wohnen Berlin XV GmbH, Berlin	94.80[1,3]	12,102.0	0	2019
Deutsche Wohnen Berlin XVI GmbH, Berlin	94.80[1,3]	6,596.9	0	2019
Deutsche Wohnen Berlin XVII GmbH, Berlin	94.80[1,3]	5,914.2	0	2019
Deutsche Wohnen Berlin XVIII GmbH, Berlin	94.80[1,3]	3,256.7	0	2019
Deutsche Wohnen Beschaffung und Beteiligung GmbH, Berlin	100.00[1,3]	25.0	0	2019

1 Indirect shareholding
2 Direct and indirect shareholding
3 Exemption pursuant to section 264 para. 3 of the German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements of Deutsche Wohnen SE
4 Exemption pursuant to section 264 b of the German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements of Deutsche Wohnen SE
5 Large corporations

Company and registered office	Share in %	Equity in EUR thousand	Earnings in EUR thousand	Reporting date
Deutsche Wohnen Beteiligungen Immobilien GmbH, Frankfurt/Main	100.00[1,3]	1,025.0	0	2019
Deutsche Wohnen Beteiligungsverwaltungs GmbH & Co. KG, Berlin	100.00[1,4]	983.6	–0.1	2019
Deutsche Wohnen Construction and Facilities GmbH, Berlin	100.00[3]	275.0	0	2019
Deutsche Wohnen Corporate Real Estate GmbH, Berlin	100.00[3]	25.0	0	2019
Deutsche Wohnen Direkt Immobilien GmbH, Frankfurt/Main	100.00[1]	1,956,650.8	–25.6	2019
Deutsche Wohnen Dresden I GmbH, Berlin	100.00[1,3]	5,087.3	0	2019
Deutsche Wohnen Dresden II GmbH, Berlin	100.00[1,3]	3,762.4	0	2019
Deutsche Wohnen Fondsbeteiligungs GmbH, Berlin	100.00[3]	17,825.0	0	2019
Deutsche Wohnen Immobilien Management GmbH, Berlin	100.00[3]	1,610.0	0	2019
Deutsche Wohnen Kundenservice GmbH, Berlin	100.00[1,3]	25.7	0	2019
Deutsche Wohnen Management GmbH, Berlin	100.00[3]	325.0	0	2019
Deutsche Wohnen Management- und Servicegesellschaft mbH, Frankfurt/Main	100.00[3]	325.6	0	2019
Deutsche Wohnen Multimedia Netz GmbH, Berlin	100.00[1,3]	638.0	0	2019
Deutsche Wohnen Reisholz GmbH, Berlin	100.00[1,3]	3,563.5	0	2019
Deutsche Wohnen Service Center GmbH, Berlin	100.00[1,3]	596.0	95.8	2019
Deutsche Wohnen Zweite Fondsbeteiligungs GmbH, Berlin	100.00[3]	64,025.2	0	2019
DW Pflegeheim Dresden Grundstücks GmbH, Munich	100.00[1]	2,820.8	–244.6	2019
DW Pflegeheim Eschweiler Grundstücks GmbH, Munich	100.00[1]	4,413.0	74.5	2019
DW Pflegeheim Frankfurt am Main Grundstücks GmbH, Munich	100.00[1]	6,083.9	276.4	2019
DW Pflegeheim Friesenheim Grundstücks GmbH, Munich	100.00[1]	2,621.2	61.4	2019
DW Pflegeheim Glienicke Grundstücks GmbH, Munich	100.00[1]	4,565.4	73.9	2019
DW Pflegeheim Konz Grundstücks GmbH, Munich	100.00[1]	10,337.6	372.2	2019
DW Pflegeheim Meckenheim Grundstücks GmbH, Munich	100.00[1]	3,526.5	94	2019
DW Pflegeheim Potsdam Grundstücks GmbH, Munich	100.00[1]	2,335.4	–239.3	2019
DW Pflegeheim Siegen Grundstücks GmbH, Munich	100.00[1]	2,824.6	36.7	2019
DW Pflegeheim Weiden Grundstücks GmbH, Munich	100.00[1]	4,456.4	107.3	2019
DW Pflegeheim Würselen Grundstücks GmbH, Munich	100.00[1]	3,790.3	74.6	2019
DW Pflegeresidenzen Grundstücks GmbH, Munich	100.00[1]	28,258.5	376	2019
DW Property Invest GmbH, Berlin (formerly: Deutsche Wohnen Service Merseburg GmbH, Merseburg)	100.00[1,3]	328.5	0	2019
DWRE Alpha GmbH, Berlin	100.00[1,3]	343.8	0	2019
DWRE Braunschweig GmbH, Berlin	100.00[1,3]	16,325.2	0	2019
DWRE Dresden GmbH, Berlin	100.00[1,3]	25.0	0	2019
DWRE Halle GmbH, Berlin	100.00[1,3]	25.0	0	2019
DWRE Hennigsdorf GmbH, Berlin	100.00[1,3]	1,085.3	0	2019
DWRE Leipzig GmbH, Berlin	100.00[1,3]	25.0	0	2019
Eisenbahn-Siedlungs-Gesellschaft Berlin mit beschränkter Haftung, Berlin	94.90[1]	11,889.8	0	2019

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5 Large corporations

Company and registered office	Share in %	Equity in EUR thousand	Earnings in EUR thousand	Reporting date
EMD Energie Management Deutschland GmbH, Berlin	100.00[1,3]	30,022.8	0	2019
Eragon VV GmbH, Berlin	94.90[1,3]	–9,170.2	0	2019
FACILITA Berlin GmbH, Berlin	100.00[1]	4,943.8	382.4	2019
Faragon V V GmbH, Berlin	94.90[1,3]	–7,620.7	0	2019
Fortimo GmbH, Berlin	100.00[1,3]	6,127.2	0	2019
Funk Schadensmanagement GmbH, Berlin	49.00[1]	156.8	56.8	2018
G+D Gesellschaft für Energiemanagement mbH, Magdeburg	49.00[1,5]	17,351.2	5,050.20	2018
GbR Fernheizung Gropiusstadt, Berlin	45.59[1]	588.8	–62.8	2019
Gehag Acquisition Co. GmbH, Berlin	100.00[1]	1,555,780.9	12,664.20	2019
GEHAG Beteiligungs GmbH & Co. KG, Berlin	100.00[1,4]	21,912.1	5,373.10	2019
GEHAG Dritte Beteiligungs GmbH, Berlin	100.00[1,3]	378.8	0	2019
GEHAG Erste Beteiligungs GmbH, Berlin	100.00[1,3,5]	45.0	0	2019
GEHAG Erwerbs GmbH & Co. KG, Berlin	99.99[1,4]	45,904.8	2,752.90	2019
GEHAG GmbH, Berlin	100.00[1,5]	2,469,813.8	338,788.60	2019
GEHAG Grundbesitz I GmbH, Berlin	100.00[1,3]	26.0	0	2019
GEHAG Grundbesitz II GmbH, Berlin	100.00[1,3]	25.0	0	2019
GEHAG Grundbesitz III GmbH, Berlin	100.00[1,3]	25.0	0	2019
GEHAG Vierte Beteiligung SE, Berlin	100.00[1,3]	20,220.5	0	2019
GEHAG Zweite Beteiligungs GmbH, Berlin	100.00[1,3]	16,625.0	0	2019
Geragon VV GmbH, Berlin	94.90[1,3]	–8,494.6	0	2019
GGR Wohnparks Alte Hellersdorfer Straße GmbH, Berlin	100.00[1,3]	7,721.1	0	2019
GGR Wohnparks Kastanienallee GmbH, Berlin	100.00[1,3]	38,945.2	5,066.20	2019
GGR Wohnparks Nord Leipziger Tor GmbH, Berlin	100.00[1,3]	6,680.3	0	2019
GGR Wohnparks Süd Leipziger Tor GmbH, Berlin	100.00[1,3]	3,390.2	0	2019
Grundstücksgesellschaft Karower Damm mbH, Berlin	100.00[1,3]	1,099.3	0	2019
GSW Acquisition 3 GmbH, Berlin	100.00[1,3]	80,441.2	2,073.10	2019
GSW Corona GmbH, Berlin	100.00[1,3]	3,777.3	0	2019
GSW-Fonds Weinmeisterhornweg 170-178 GbR, Berlin	78.19[1]	–5,275.4	248.2	2019
GSW Gesellschaft für Stadterneuerung mbH, Berlin	100.00[1]	1,449.2	126.7	2019
GSW Grundvermögens- und Vertriebsgesellschaft mbH, Berlin	100.00[1,3]	15,255.7	0	2019
GSW Immobilien AG, Berlin	93.92[5]	1,175,368.8	87,333.10	2019
GSW Immobilien GmbH & Co. Leonberger Ring KG, Berlin	94.00[1,4]	443.3	20.6	2019
GSW Pegasus GmbH, Berlin	100.00[1,3]	30,702.3	6,692.60	2019
GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Zweite Beteiligungs KG, Berlin	93.44[1,4]	–9,028.7	644	2019
GSZ Gebäudeservice und Sicherheitszentrale GmbH, Berlin	33.33[1]	395.4	150.6	2018
Hamburger Ambulante Pflege- und Physiotherapie "HAPP" GmbH, Hamburg	100.00[1]	–657.4	–314.7	2019
Hamburger Senioren Domizile GmbH, Hamburg	100.00[1]	2,123.4	115.2	2019
Haragon VV GmbH, Berlin	94.90[1,3]	–5,619.5	387.1	2019
Haus und Heim Wohnungsbau-GmbH, Berlin	100.00[1,3]	2,798.7	0	2019
Helvetica Services GmbH, Berlin	100.00[1,3]	669.8	0	2019

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Company and registered office	Share in %	Equity in EUR thousand	Earnings in EUR thousand	Reporting date
HESIONE Vermögensverwaltungsgesellschaft mbH, Frankfurt/Main	100.00[1]	131.0	–12.2	2019
Holzmindener Straße/Tempelhofer Weg Grundstücks GmbH, Berlin	100.00[1,3]	25.0	0	2019
HSI Hamburger Senioren Immobilien GmbH & Co. KG, Hamburg	100.00[1,4]	7,076.0	6,017.20	2019
HSI Hamburger Senioren Immobilien Management GmbH, Hamburg	100.00[1]	2,345.4	14.4	2019
IOLITE IQ GmbH, Berlin	33.33[1]	k, A,	k, A,	k. A.
Iragon VV GmbH, Berlin	94.90[1,3]	–6,737.4	27.9	2019
Karagon VV GmbH, Berlin	94.90[1,3]	–5,766.2	0	2019
KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin	49.00[1,5]	7,556.4	5,606.40	2019
KATHARINENHOF Service GmbH, Berlin	100.00[1]	25.0	0	2019
Laragon VV GmbH, Berlin	94.90[1,3]	–10,089.9	0	2019
Larry I Targetco (Berlin) GmbH, Berlin	100.00[3]	193,057.2	0	2019
Larry II Targetco (Berlin) GmbH, Berlin	100.00[3]	520,878.6	0	2019
LebensWerk GmbH, Berlin	100.00[1]	457.1	0	2019
Long Islands Investments S.A., Luxemburg	100.00[1]	610.6	–386.3	2019
Main-Taunus Wohnen GmbH & Co. KG, Eschborn	99.99[2,4]	9,158.5	4,812.40	2019
Maragon VV GmbH, Berlin	94.90[1,3]	–2,528.3	0	2019
Omega Asset Invest GmbH, Berlin	50.00[1]	37.7	24.8	2019
PFLEGEN & WOHNEN HAMBURG GmbH, Hamburg	100.00[1,5]	8,359.1	0	2019
PFLEGEN & WOHNEN Service GmbH, Hamburg	100.00[1]	188.0	–15.9	2019
PFLEGEN & WOHNEN Textil GmbH, Hamburg	100.00[1]	352.9	108.8	2019
PUW AcquiCo GmbH, Hamburg	100.00[1]	52,213.8	–488.2	2019
PUW OpCo GmbH, Hamburg	100.00[1]	–739.1	–1,653.90	2019
PUW PFLEGENUNDWOHNEN Beteiligungs GmbH, Hamburg	100.00[1]	64,404.5	4,903.80	2019
Rhein-Main Wohnen GmbH, Frankfurt/Main	100.00[1,3,5]	1,793,087.6	15,542.60	2019
Rhein-Mosel Wohnen GmbH, Mainz	100.00[1,3]	930,941.4	1,654.10	2019
Rhein-Pfalz Wohnen GmbH, Mainz	100.00[3]	1,381,918.3	1,185.70	2019
RMW Projekt GmbH, Frankfurt/Main	100.00[1,3]	16,238.3	0	2019
RPW Immobilien GmbH & Co. KG, Berlin	94.00[1]	37,864.6	6,193.40	2019
Seniorenresidenz "Am Lunapark" GmbH, Leipzig	100.00[1]	102.3	0	2019
SGG Scharnweberstraße Grundstücks GmbH, Berlin	100.00[1,3]	25.0	0	2019
Siwoge 1992 Siedlungsplanung und Wohnbauten Gesellschaft mbH, Berlin	50.00[1]	9,174.7	1,361.90	2018
Sophienstraße Aachen Vermögensverwaltungs-gesellschaft mbH, Berlin	100.00[1,3]	2,193.0	0	2019
Stadtentwicklungsgesellschaft Buch mbH, Berlin	100.00[1]	3,986.4	1,296.50	2019
SYNVIA media GmbH, Magdeburg (formerly: GETEC media GmbH, Magdeburg)	100.00[1]	2,298.1	–606.1	2018
TELE AG, Leipzig	100.00[1]	1,024.1	804.1	2018
Telekabel Riesa GmbH, Riesa	26.00[1]	111.4	134.6	2018
WB Wärme Berlin GmbH, Schönefeld	49.00[1]	k, A,	k, A,	k. A.

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Company and registered office	Share in %	Equity in EUR thousand	Earnings in EUR thousand	Reporting date
WIK Wohnen in Krampnitz GmbH, Berlin	100.00[1,3]	2,263.5	0	2019
Wohn- und Pflegewelt Lahnblick GmbH, Bad Ems	100.00[1]	368.3	1	2019
Wohnanlage Leonberger Ring GmbH, Berlin	100.00[1,3]	850.9	0	2019
Zisa Beteiligungs GmbH, Berlin	49.00[1]	24.8	–2.6	2018
Zisa Grundstücksbeteiligungs GmbH & Co. KG, Berlin	94.90[1,4]	1.0	339.8	2019
Zisa Verwaltungs GmbH, Berlin	100.00[1]	89.9	–24.7	2019
Zweite GSW Verwaltungs- und Betriebsgesellschaft mbH, Berlin	100.00[1]	92.6	–23.3	2019

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2 Receivables and other assets

Of the other assets, claims amounting to EUR 0.2 million have a remaining term of more than one year (previous year: EUR 0.2 million). As in the previous year, the remaining receivables and other assets have a remaining term of less than one year.

Receivables from affiliated companies (EUR 1,115.2 million; previous year: EUR 2,524.9 million) largely comprise trade receivables (EUR 6.9 million; previous year: EUR 12.7 million), other receivables arising out of internal Group cash management and cash pooling activities and loans (EUR 1,087.4 million; previous year: EUR 2,490.0 million) and other receivables primarily arising out of profit transfers and distributions by subsidiaries and in the context of the group's classification as a single entity for value added tax purposes (EUR 20.9 million; previous year: EUR 22.2 million).

The other assets primarily comprise tax refund claims – as in the previous year.

3 Cash on hand, bank balances

Deutsche Wohnen SE has managed the intra-Group cash pool since the end of 2014.

4 Prepaid expenses

Prepaid expenses and deferred income include a discount of EUR 23.7 million (previous year: EUR 8.6 million) arising in connection with the issuance of corporate bonds, bearer bonds and registered bonds, as well as from other borrowing.

5 Deferred tax assets

The following differences in the commercial and tax bases for assets and liabilities exist with regard to the company and/or subsidiary companies:

1. The application of different discount and inflation rates pursuant to commercial and tax law results in differences in the provisions for retirement benefits and other provisions which will give rise to future tax relief.
2. Since the expenses from the first-time application of the Heubeck mortality tables 2018G are spread over 3 years (2018 until 2020) under tax law and were recognised in full in financial year 2018 under commercial law, there are differences in the pension provisions that will reduce taxes in future.
3. Prohibitions against the recognition of certain items pursuant to tax law result in differences in other provisions as compared to the commercial balance sheet which will give rise to tax relief in the future.
4. Tax loss carry-forwards and interest carry-forwards exist which will give rise to future tax relief.
5. Differences in the tax capital accounts for partnerships and the carrying values for shareholdings pursuant to commercial law result in differences giving rise to future tax liability.
6. Differences in the residual carrying values of shareholdings pursuant to commercial and tax law will produce differential amounts which will result in future tax relief.
7. Differences in the residual carrying values of properties pursuant to commercial and tax law and special tax items result in differences which will give rise to future tax liabilities and tax relief.
8. Differences in recognition and valuation rules for receivables and other assets result in differences in their residual carrying values pursuant to commercial and tax law, which will give rise to future tax relief.
9. Differences in recognition and valuation rules for other provisions and other liabilities result in differences in their residual carrying values pursuant to commercial and tax law, which will give rise to future tax burden or tax relief.

Deutsche Wohnen SE has made use of the option to dispense with the recognition of deferred tax assets.

6 Equity

Issued share capital

The registered share capital of Deutsche Wohnen SE as at 31 December 2019 amounted to EUR 359,715,653.00 (previous year: EUR 357,014,286.00). It is divided into 359,715,653 no-par value bearer shares each representing a notional share of the registered capital of EUR 1.00 per share. Deutsche Wohnen SE issues bearer shares only. The share capital has been fully paid in.

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

The Management Board of Deutsche Wohnen SE is not aware of any restrictions affecting voting rights or any transfer of shares.

In the event of a capital increase, the new shares are issued as bearer shares.

On 12 July 2019 the company's Management Board decided, with the approval of the Supervisory Board, to use authorised capital to increase capital against contributions in kind. The in-kind contributions consisted of pro rata dividend rights from 101,027,046.6 shares, amounting to EUR 84,862,719.14 in total, which were created by the resolution taken at the Annual General Meeting on 18 June 2019 on the use of distributable profits. On 18 July 2019, 2,617,281 new no-par value bearer shares with dividend rights from 1 January 2019 onwards were issued.

Changes in authorised capital

EUR thousand	
Authorised capital 2018/I	
As at 1 January 2019	110,000
In-kind capital increase of 16 July 2019 ("share dividend")	2,617
As at 31 December 2019	107,383

By resolution of the Annual General Meeting held on 15 June 2018, which was entered into the commercial register on 16 August 2018, the Management Board has been authorised to increase the company's issued capital, with the consent of the Supervisory Board, by up to EUR 110 million once or several times during the period until 14 June 2023 by means of the issuance of up to 110 million new ordinary bearer shares against cash contributions and/or contributions in kind (authorised capital 2018/I). EUR 2,617,281 of this authorisation was used to issue 2,617,281 new shares in the course of the capital increase for subscription in kind, contributed in the form of pro rata dividend rights. After this partial use there is still EUR 107,382,719.00 of authorized capital 2018/I available for the issue of up to 107,382,719 ordinary bearer shares. As a rule, shareholders must be granted subscription rights when shares are issued from authorised capital. However, in certain cases, the Management Board is entitled to exclude the subscription rights of shareholders with the consent of the Supervisory Board and subject to the detailed provisions of the Articles of Association.

Changes in contingent capital

EUR thousand	2014/II	2014/III	2015/I	2017/I	2018/I	Total
As at 1 January 2019	5,873	12,791	50,000	30,000	35,000	133,664
Capital increase by issue of put options (GSW control agreement)[1]	–21	–	–	–	–	–21
Capital increase by issue of shares to settle the SOP 2014[1]	–	–63	–	–	–	–63
As at 31 December 2019	**5,852**	**12,728**	**50,000**	**30,000**	**35,000**	**133,580**

1 The changes in the capital amounts were entered into the commercial register on 5 February 2020.

The contingent capital 2014/II decreased in the 2019 financial year due to the issue of 21,379 shares by tendering shares as part of the settlement offer for the control agreement with GSW Immobilien AG.

The contingent capital 2014/III decreased in the 2019 financial year due to the issue of 62,707 shares as part of servicing the 2015 tranche of the Management Board's stock option program.

The issued capital has contingently been increased by a total of up to EUR 133.58 million by means of the issuance of up to approximately 133.58 million new no-par value bearer shares with dividend rights generally from the start of the financial year of their issuance (contingent capital 2014/II, contingent capital 2014/III, contingent capital 2015/I, contingent capital 2017/I and contingent capital 2018/I).

Issuance of option rights, bonds with warrants or conversion rights, profit participation rights or profit-sharing bonds

The resolution adopted at the Annual General Meeting held on 15 June 2018 authorised the Management Board, subject to the approval of the Supervisory Board, to issue no-par value convertible and/or warrant bearer bonds and/or profit participation rights with option or conversion rights (or a combination of these instruments) with a nominal value of up to EUR 3.0 billion, and to grant the creditors thereof conversion or option rights for the Company's shares representing a share of the issued capital of up to EUR 35 million. The share issue will only take place insofar as conversion rights arising out of the convertible bonds are exercised, or insofar as conversion obligations arising out of the bonds are fulfilled, and own shares, shares issued out of authorised capital or other benefits are not used to service the obligations.

Acquisition of own shares

The acquisition of own shares is authorised pursuant to article 9 para. 1 c)(ii) SE Regulation in conjunction with section 71 ff. German Stock Corporation Act [Aktiengsetz – AktG] and also, as at the balance sheet date, by the Annual General Meeting held on 15 June 2018. The Management Board is authorised, with the consent of the Supervisory Board and subject to compliance with the principle of equal treatment of shareholders (article 9 patra. 1 c)(ii) SE Regulation in conjunction with section 53a German Stock Corporation Act [Aktiengesetz – AktG]) to purchase and use the company's own shares to 14 June 2023 up to a total amount of 10% of the company's outstanding share capital at the time the resolution is passed, or at the time the authorisation is used if this figure is lower. Shares acquired using this authorisation together with other own shares the company has previously acquired and still holds or are attributable to it under section 71a ff. of the German Stock Corporation Act [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.

On 12 November 2019 the Management Board made use of this authorisation, with the approval of the Supervisory Board, and adopted a share buyback programme for up to 25 million shares and a total purchase price (without incidental costs) of up to EUR 750 million. The buyback began on 15 November 2019 in Xetra trading at Frankfurt Stock Exchange and will end at the latest at the close of 30 October 2020. The own shares are to be used for purposes permitted under the authorisation to purchase own shares adopted at the Annual General Meeting on 15 June 2018. Detailed information in accordance with Art. 5 para. 1 b) and 3 Regulation (EU) No. 596/2014 in conjunction with Art. 2 para. 2 and 3 Delegated Regulation (EU) No. 2016/1052 is available online from www.deutsche-wohnen.com/share-buy-back.

As of 31 December 2019 the company held 2,628,698 own shares. A share capital of EUR 2,628,698.00 is attributable to these own shares.

The number of own shares (civil property) developed as follows:

	Number of shares in 1,000	Thereof attributable to share capital in EUR thousand	Percentage of share capital as of 31/12/2019	Acquisition price (excluding ancillary costs of acquisition) in EUR thousand
As of 1 January 2019	**0**	**0.0**	**0.00%**	**0.0**
civil law acquisition in November 2019	874.4	874.4	0.24%	30,723.6
civil law acquisition in December 2019	1,754.3	1,754.3	0.49%	62,591.2
As of 31 December 2019	**2,628.7**	**2,628.7**	**0.73%**	**93,314.8**

Capital reserve

As at 31 December 2019, the capital reserve amounted to EUR 2,603.2 million, having increased from EUR 2,965.5 million over the course of the financial year 2019 by EUR 82.2 million as a result of a voluntary contribution arising out of the capital increase in February 2018 in the context of the share dividend (contribution pursuant to section 272 para. 2 No. 4 of the German Commercial Code [Handelsgesetzbuch – HGB]) and by EUR 0.8 million as a result of premiums from the in-kind contribution of shares of GSW Immobilien AG, which has been ongoing since September 2014 as part of the exchange of shares pursuant to the domination agreement (contribution pursuant to section 272 para. 2 No. 1 German Commercial Code [Handelsgesetzbuch – HGB]). Furthermore, the capital reserve increased by EUR 0.01 million due to the share option programme (contribution pursuant to section 272 para. 2 No.2 of the German Commercial Code [Handelsgesetzbuch – HGB]). EUR 96.8 million of the capital reserve formed in accordance with section 272 para. 2 No.4 of the German Commercial Code [Handelsgesetzbuch – HGB] was used to purchase own shares. EUR 348.5 million were transferred to distributable profit from the capital reserve formed pursuant to section 272 para. 2 No.4 of the German Commercial Code [Handelsgesetzbuch – HGB].

The capital reserve is made up as follows:

EUR m	31/12/2019	31/12/2018
Section 272 para. 2 No.1 of the German Commercial Code [Handelsgesetzbuch – HGB]	1,510.3	1,509.5
Section 272 para. 2 No.2 of the German Commercial Code [Handelsgesetzbuch – HGB]	7.1	7.1
Section 272 para. 2 No.4 of the German Commercial Code [Handelsgesetzbuch – HGB]	1,085.8	1,448.9
	2,603.2	**2,965.5**

Retained earnings

The statutory reserve is mandatory for German public limited companies. An amount equivalent to 5% of the profit for the financial year is to be retained pursuant to section 150 para. 2 of the German Stock Corporation Act [Aktiengesetz – AktG]. The amount of the statutory reserve is subject to a cap of 10% of the issued capital. In accordance with section 272 para. 2 No. 1–3 of the German Commercial Code [Handelsgesetzbuch – HGB], any existing capital reserves are to be taken into account and the provisions required for the statutory reserve reduced accordingly. This is measured on the basis of the issued share capital which exists and is legally effective at the reporting date and which is to be reported in this amount on the respective annual balance sheet. The statutory reserve remains unchanged at EUR 1.0 million.

7 Provisions for retirement benefits

Entitlements under reinsurance policies were offset against provisions for retirement benefits of EUR 12,000 pursuant to sentence 2, section 246 para. 2 of the German Commercial Code [Handelsgesetzbuch – HGB] (previous year: EUR 9,000). Acquisition costs amounted to EUR 12,000 (previous year: EUR 12,000), the fair value and the offset liabilities amounted to EUR 12,000 (previous year: EUR 9,000) and the offset expenses amounted to EUR 4,000 (previous year: EUR 3,000). The difference pursuant to sentences 1 and 3 of section 253 para. 6 of the German Commercial Code [Handelsgesetzbuch – HGB] amounted to EUR 191,000 as at the reporting date (previous year: EUR 197,000).

8 Other provisions

Other provisions largely consist of provisions for outstanding invoices of EUR 2.0 million (previous year: EUR 2.0 million), staff-related provisions of EUR 10.4 million (previous year: EUR 8.9 million), provisions for onerous contracts for interest rate hedges of EUR 11.3 million (previous year: none) and for provisions for litigation costs and risks of EUR 22.2 million (previous year: EUR 0.2 million).

9 Liabilities

EUR thousand		of which remaining term		
	Balance sheet	up to one year	one to five years	more than five years
1. Bonds	3,641,597	502,097	800,000	2,339,500
Previous year	2,815,932	75,932	500,000	2,240,000
2. Liabilities to banks	60,355	355	60,000	0
Previous year	239	239	0	0
3. Trade payables	3,519	3,519	0	0
Previous year	2,013	2,013	0	0
4. Liabilities to affiliates	1,622,664	1,063,077	31,457	528,130
Previous year	1,301,482	1,287,079	0	14,403
5. Other liabilities	4,081	4,081	0	0
Previous year	2,264	2,264	0	0
Total for the financial year	**5,332,216**	**1,573,129**	**891,457**	**2,867,630**
Total for the previous year	**4,121,930**	**1,367,527**	**500,000**	**2,254,403**

As at the reporting date, the bonds comprise two convertible bonds and numerous corporate bonds.

On 27 February 2017, Deutsche Wohnen issued a convertible bond for a nominal amount of EUR 800.0 million (CB 2017: security identification number: A2BPB8) which can be converted in accordance with the exchange ratio valid as at 31 December 2019 into 16.8 million ordinary no-par value bearer shares of Deutsche Wohnen SE. The transaction is underpinned by a global certificate for 18 million shares as at the maturity date from the Contingent Capital 2015. This convertible bond has not been secured by Deutsche Wohnen SE. It pays interest at 0.325% p.a. and has a term to maturity on 26 July 2024 of seven years and five months. In the event of the termination, conversion or final maturity of the convertible bond, Deutsche Wohnen SE is entitled to pay the bondholders in shares and/or the equivalent value in cash according to the value of the bond by way of satisfying their claims.

Furthermore, on 4 October 2017, Deutsche Wohnen issued a convertible bond for a nominal amount of EUR 800.0 million (CB 2017 II: security identification number: A2GS37) which can be converted in accordance with the exchange ratio valid as at 31 December 2019 into 16.0 million ordinary no-par value bearer shares of Deutsche Wohnen SE. The transaction is secured by a global certificate for 20 million shares as at the maturity date from the Contingent Capital 2017. This convertible bond has not been secured by Deutsche Wohnen SE. It pays interest at 0.60% p.a. and has a term of eight years and three months up to 5 January 2026. In the event of the termination, conversion or final maturity of the convertible bond, Deutsche Wohnen SE is entitled to pay the bondholders in shares and/or the equivalent value in cash according to the value of the bond by way of satisfying their claims.

Included under the item “bonds” are several registered bonds which were issued in the financial years 2017 and 2019 with an overall nominal value of EUR 475.0 million. These registered bonds have not been secured by Deutsche Wohnen SE. They pay interest at between 0.90% p.a. and 2.00% p.a. and mature between 2026 and 2032.

Included under the item "bonds" are several bearer bonds which were issued in the financial years 2018 and 2019 with an overall nominal value of EUR 1,264.5 million. These bearer bonds have not been secured by Deutsche Wohnen SE. They pay interest at between 0.00% p.a. and 2.50% p.a. and mature between 2020 and 2036.

The item “bonds” also includes the corporate bond (security identification number: A161MH) issued on 24 July 2015 for a total nominal amount of EUR 500.0 million, of which a nominal EUR 278.8 million is still outstanding as of the reporting date. This corporate bond has not been secured by Deutsche Wohnen SE, pays interest at 1.375% p.a. and has a term of five years until 24 July 2020.

The liabilities to affiliates comprise liabilities arising out of internal Group cash management and cash pooling activities and other loans (EUR 1,568.7 million; previous year: EUR 1,265.9 million), trade receivables (EUR 1.1 million; previous year: EUR 2.3 million), and other liabilities primarily arising out of profit transfers and in the context of the group’s classification as a single entity for value added tax purposes (EUR 52.9 million; previous year: EUR 33.3 million).

The liabilities have not been secured by Deutsche Wohnen SE.

10 Deferred income

Deferred income includes discounts on the issue of bearer bonds in financial year 2019.

D Notes on the income statement

1 Other operating income

Other operating income includes income from other periods of EUR 1.9 million (previous year: EUR 1.2 million) from the reversal of provisions.

2 Staff expenses

The share option plan launched in 2014 provides for the possibility of issuing a maximum of 12,879,752 subscription rights to the members of the Management Board of Deutsche Wohnen SE and to selected executives of the Deutsche Wohnen Group under the following conditions:

The subscription rights are issued to beneficiaries in annual tranches until the expiration of four years from the date of the entering of the contingent capital in the commercial register, or at least until the expiration of 16 weeks following the conclusion of the ordinary Annual General Meeting in 2018. The amount of the annual tranches is determined by dividing the intended variable remuneration for each beneficiary by a reference value. The reference value is the arithmetic mean of the closing price for Deutsche Wohnen shares on 30 days before the respective share options are issued.

The subscription rights may be exercised for the first time after the expiration of four years (waiting period) and thereafter within three years (exercise period) and expire upon the expiration of the relevant period.

The subscription rights may only be exercised where the following conditions are met:

- The service contract concluded with the beneficiary is not terminated during the waiting period on grounds for which the latter is responsible (section 626 para. 1 of the German Civil Code [Bürgerliches Gesetzbuch – BGB]) and

- the performance targets "adjusted NAV per share" (40% weighting), "FFO (without disposals) per share" (40% weighting) and "share price" (20% weighting) have been attained.

The performance targets for each individual tranche of the share options relate to the development of the (i) "adjusted NAV per share", (ii) "FFO (without disposals) per share" and (iii) "share price", as compared to the "adjusted EPRA/NAREIT Germany Index", calculated in accordance with the following provisions.

Each of the aforementioned performance targets in turn comprises a minimum target, which must be attained in order for half of the share options allotted to this performance target to be generally exercisable, as well as a maximum target, upon the attainment of which all of the share options allotted to this performance target become exercisable in accordance with the weighting of the performance target in question. The minimum target in each case is attained upon a degree of target attainment of 75% and the maximum target is in each case attained upon a degree of target attainment of 150%. The individual minimum and maximum targets are set by the company on the basis of its quarterly projections prior to the issuance of the annual tranche of share options. Subject to any special arrangements which apply upon the termination of the service or employment relationship of the beneficiary prior to the expiration of the waiting period, the number of exercisable share options per tranche is commensurate with the total number of share options in the tranche in question multiplied by the percentage rate produced by the total of the percentage rates resulting from the attainment of one or more performance targets in accordance with the foregoing provisions, and having regard to the aforementioned weighting of the performance targets, so as to compensate for any divergences in the attainment of the performance targets in favour of the beneficiary.

At the end of the waiting period, the number of the subscription rights eligible for allocation to each beneficiary is calculated on the basis of the degree of attainment of the performance targets. Each beneficiary pays EUR 1.00 per share upon exercising the allocated subscription rights. The shares acquired following the exercise of the options confer full voting rights and an entitlement to the payment of dividends.

No subscription rights were issued and 62,707 subscription rights were exercised in the past financial year, so that 130,510 subscription rights were outstanding at the end of the year (previous year: 193,217).

The calculation of the value of the issued options was based on the assumption that the degree of attainment of the performance targets "adjusted NAV per share" and "FFO (without disposals) per share" will be 150% at the end of the waiting period. With regard to the attainment of the performance target "share price", the value of the subscription rights was calculated on the basis of an assumed volatility of 30.41%, a risk-free interest rate of –0.14% and an expected dividend return of 2.89%. The calculated value of the options for the subscription rights was allocated to the relevant vesting period having regard to any special contractual provisions in relation to the termination of the employment of the beneficiary in question.

The expenses relating to the share option programme as reported in the annual financial statements amount to EUR 0.01 million (previous year: EUR 0.3 million).

3 Other operating expenses

Other operating expenses largely comprise non-recurring costs of data protection (EUR 16.8 million; previous year: none), IT costs (EUR 15.1 million; previous year: EUR 12.1 million), marketing and investor relations expenses (EUR 7.3 million; previous year: EUR 5.9 million), ongoing consultancy, audit and court fees for ongoing business transactions and transaction costs relating to acquisitions (EUR 6.6 million; previous year: EUR 6.4 million), services received from affiliates (EUR 4.8 million; previous year: EUR 8.6 million), and costs in connection with equity fundraising (EUR 0.4 million; previous year: EUR 0.5 million).

4 Interest and similar expenses

Interest and similar expenses in 2019 included non-recurring expenses and expenses from other periods of EUR 11.3 million (previous year: none) from additions to provisions for onerous contracts in connection with interest rate hedges, and interest expenses of EUR 4.5 million (previous year: none) in premiums paid for the early redemption of corporate bonds.

E Financial derivative instruments

Deutsche Wohnen SE has concluded two interest rate swap transactions with a nominal total of EUR 195.0 million to hedge interest rate risks. There were no valuation units in accordance with section 254 German Commercial Code [Handelsgesetzbuch – HGB] as of the balance sheet date. The remaining terms are between 9 and 10 years. As of the balance sheet date, the negative market value was EUR 11.3 million net and was determined on the basis of a mark-to-market valuation. The market value is recognized as an impending loss provision within the other provisions.

F Contingent liabilities

As at the reporting date, Deutsche Wohnen SE was acting as guarantor for the benefit of Aareal Bank AG, Wiesbaden, on behalf of affiliated companies in connection with bank guarantees on collected rental deposits in the amount of EUR 11.4 million (previous year: EUR 2.0 million) and for performance guarantees for construction work (EUR 9.4 million). It is unlikely that any of these guarantees will be drawn upon, as these companies are profitable and solvent.

Deutsche Wohnen SE is jointly and severally liable with affiliated companies for liabilities to banks owed by those affiliated companies in the amount of EUR 1,705.0 million, plus claims arising in connection with interest and interest rate hedge transactions. It is unlikely that any claims will be brought in this regard, as these companies are profitable and solvent, and the loans are secured by way of liens on property.

Deutsche Wohnen SE has issued comfort letters to a creditor for the benefit of affiliated companies for liabilities owed to other creditors in the amount of EUR 18.3 million, in each case plus claims arising in connection with interest and interest rate hedge transactions. It is unlikely that any claims will be brought in this regard, as these companies are profitable and solvent, and the loans are secured by way of liens on property.

Deutsche Wohnen SE has issued comfort letters to Entwicklungsträger Potsdam GmbH and the city of Potsdam, capital of the federal state of Brandenburg, in favour of an affiliated company for liabilities in the context of the purchase of a plot of land in the amount of EUR 32.0 million and for investment liabilities arising from an urban development contract. These investments will probably amount to EUR 570 million. It is unlikely that any claims will be brought in this regard, as the affiliated company has sufficient financing to carry out the contract of purchase and the agreed investments.

Deutsche Wohnen SE has issued an unrestricted comfort letter in favour of GEHAG GmbH, Berlin. Utilization is unlikely because the company is profitable and solvent.

A control agreement is in place between Deutsche Wohnen SE, as the controlling company, and Rhein-Pfalz Wohnen GmbH, Mainz, as the controlled company.

A control agreement is in place between Deutsche Wohnen SE, as the controlling company, and GSW Immobilien AG, Berlin, as the controlled company, guaranteeing the external shareholders a dividend of EUR 1.40 per share p.a.

Control and profit transfer agreements are in place between Deutsche Wohnen SE (the parent company) and Deutsche Wohnen Corporate Real Estate GmbH, Berlin, Deutsche Wohnen Management- und Servicegesellschaft mbH, Frankfurt/Main, Deutsche Wohnen Fondsbeteiligungs GmbH, Berlin, Deutsche Wohnen Zweite Fondsbeteiligungs GmbH, Berlin, Larry I Targetco (Berlin) GmbH, Berlin, and Larry II (Berlin) Targetco GmbH, Berlin (each a subsidiary company).

Profit transfer agreements are in place between Deutsche Wohnen SE (the parent company) and Deutsche Wohnen Construction and Facilities GmbH, Berlin, Deutsche Wohnen Immobilien Management GmbH, Berlin, and Deutsche Wohnen Management GmbH, Berlin (each a subsidiary company).

G Other financial obligations

EUR m	Up to one year	Between one and five years	More than five years	Total
Leasing and rental agreements	1.3	1.2	0.0	2.5
Long-term service agreements	9.1	3.1	0.0	12.2
Total	**10.4**	**4.3**	**0.0**	**14.7**

Pursuant to the control agreement concluded with GSW Immobilien AG, as the controlled company, Deutsche Wohnen SE is, moreover, subject to another financial obligation arising in connection with the guarantee given by it to the external shareholders to the effect that the latter will receive a guaranteed dividend in the amount of at least EUR 1.40 per share p.a. from GSW Immobilien AG or alternatively a corresponding differential amount from Deutsche Wohnen SE. As at the reporting date, external shareholders still held 3,446,772 bearer shares of GSW Immobilien AG.

Other financial obligations arising out of internal rental agreements and agreements for the provision of services within the Deutsche Wohnen SE Group are not included herein.

H Other disclosures

1 Management Board

The Management Board was composed of the following members:

Name	Occupation	Memberships of supervisory boards and other supervisory bodies within the meaning of section 125 para. 1, sentence 5, German Stock Corporation Act (AktG)
Michael Zahn Chairman of the Management Board	Chief Executive Officer, CEO	• IOLITE IQ, Berlin, (Member of the Supervisory Board since 05/12/2019) • TLG Immobilien AG, Berlin (Chairman of the Supervisory Board until 21/05/2019) • Scout 24 AG, Munich (Member of the Supervisory Board until 30/06/2019) • G+D Gesellschaft für Energiemanagement GmbH[1], Magdeburg (Chairman of the Advisory Board) • Funk Schadensmanagement GmbH[1], Berlin (Chairman of the Advisory Board) • DZ Bank AG, Frankfurt/Main (Member of the Advisory Board) • Füchse Berlin Handball GmbH, Berlin (Member of the Advisory Board) • GETEC Wärme & Effizienz GmbH, Magdeburg (Member of the Real Estate Advisory Board)
Philip Grosse	Chief Financial Officer, CFO	• GSW Immobilien AG[1], Berlin (Chairman of the Supervisory Board) • GEHAG GmbH[1], Berlin (Deputy Chairman of the Supervisory Board. • Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin (Chairman of the Supervisory Board since 11/12/2019; Member of the Advisory Board since 01/09/2019) • Commerzbank AG, Frankfurt/Main (Member of the Regional Advisory Council East since 01/01/2019)
Lars Urbansky (Since 01/04/2019)	Chief Operating Officer, COO	• GEHAG GmbH[1], Berlin (Chairman of the Supervisory Board) • Eisenbahn-Siedlungs-Gesellschaft Berlin mbH[1], Berlin (Member of the Supervisory Board) • GEHAG Vierte Beteiligung SE[1], Berlin (Member of the Supervisory Board)
Henrik Thomsen (Since 01/10/2019)	Chief Development Officer, CDO	None
Former Management Board members		
Lars Wittan (Until 30/09/2019)	Chief Operating Officer, COO	• Eisenbahn-Siedlungs-Gesellschaft Berlin mbH[1], Berlin (Chairman of the Supervisory Board until 30/09/2019)

1 Company in the Deutsche Wohnen Group

The members of the Management Board received the following remuneration for their work:

No loans or advance payments were made to members of the Management Board of Deutsche Wohnen SE in financial year 2019.

Please refer to the Management Report for further explanation of the remuneration system of the Management Board.

There are no pension commitments with regard to current or former members of the Management Board of Deutsche Wohnen SE. No advances, loans or sureties were granted or issued to members of the Management Board of Deutsche Wohnen SE in the financial year 2019. As of the reporting date there were no claims on member of the Management Board from advance payments, loans or sureties.

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

	Benefits granted				Payout	
EUR thousand	2018 Target	2019 Target	2019 Min	2019 Max	2018	2019
Base salary	1,025	1,025	1,025	1,025	1,025	1,025
Perquisites	34	34	34	34	34	34
Total fixed remuneration	**1,059**	**1,059**	**1,059**	**1,059**	**1,059**	**1,059**
Short-term variable compensation(STI)	500	500	0	625	625	587
Long-term incentive (LTI) 2018 – 2022	750	750	0	1,875	2,701[1]	1,527[1]
Total variable remuneration	**1,250**	**1,250**	**0**	**2,500**	**3,326**	**2,114**
Total	**2,309**	**2,309**	**1,059**	**3,559**	**4,385**	**3,173**

1 Benefits in kind from options exercised

Lars Wittan (Member of the Management Board from 01/10/2011 – 30/09/2019)

	Benefits granted				Payout	
EUR thousand	2018 Target	2019 Target	2019 Min	2019 Max	2018	2019
Base salary	450	338	338	338	450	338
Perquisites	24	18	18	18	24	18
Total fixed remuneration	**474**	**356**	**356**	**356**	**474**	**356**
Short-term variable compensation(STI)	300	225	0	281	375	352
Long-term incentive (LTI) 2018 – 2022	400	300	0	750	925[1]	529[1]
Total variable remuneration	**700**	**525**	**0**	**1,031**	**1,300**	**881**
Total	**1,174**	**881**	**356**	**1,387**	**1,774**	**1,237**

1 Benefits in kind from options exercised

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

	Benefits granted				Payout	
EUR thousand	2018 Target	2019 Target	2019 Min	2019 Max	2018	2019
Base salary	398	437	437	437	398	437
Perquisites	22	22	22	22	22	22
Total fixed remuneration	**420**	**459**	**459**	**459**	**420**	**459**
Short-term variable compensation(STI)	225	281	0	352	219	264
Long-term incentive (LTI) 2018 – 2022	300	375	0	938	0	0
Total variable remuneration	**525**	**656**	**0**	**1.290**	**219**	**264**
Total	**945**	**1.115**	**459**	**1.749**	**639**	**723**

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

	Benefits granted				Payout	
EUR thousand	2018 Target	2019 Target	2019 Min	2019 Max	2018	2019
Base salary	0	225	225	225	0	225
Perquisites	0	16	16	16	0	16
Total fixed remuneration	**0**	**241**	**241**	**241**	**0**	**241**
Short-term variable compensation (STI)	0	150	0	188	0	0
Long-term incentive (LTI) 2018 – 2022	0	75	0	188	0	0
Deferred remuneration RSU[1]	0	137	0	137		0
Total variable remuneration	**0**	**362**	**0**	**513**	**0**	**0**
Total	**0**	**603**	**241**	**754**	**0**	**241**

1 Amount corresponds to the IFRS cash value of 3,125 RSU.

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

	Benefits granted				Payout	
EUR thousand	2018 Target	2019 Target	2019 Min	2019 Max	2018	2019
Base salary	0	113	113	113	0	113
Perquisites	0	5	5	5	0	5
Total fixed remuneration	**0**	**118**	**118**	**118**	**0**	**118**
Short-term variable compensation (STI)	0	75	0	94	0	0
Long-term incentive (LTI) 2018 – 2022	0	88	0	220	0	0
Deferred remuneration RSU	0	0	0	0		0
Total variable remuneration	**0**	**163**	**0**	**314**	**0**	**0**
Total	**0**	**281**	**118**	**432**	**0**	**118**

2 Supervisory Board

The Supervisory Board is composed of the following members:

Name	Occupation	Memberships of supervisory boards and other supervisory bodies within the meaning of section 125 para. 1, sentence 5, German Stock Corporation Act (AktG)
Matthias Hünlein Chairman	Managing Director Tishman Speyer Properties Deutschland GmbH, Frankfurt/Main	• Tishman Speyer Investment Management GmbH, Frankfurt am Main (Deputy Chairman of the Supervisory Board)
Dr Andreas Kretschmer Deputy Chairman	Management consultant, Dusseldorf	• None
Jürgen Fenk	Managing Director and member of the Group Executive Board of Signa Holding GmbH, Vienna[1], Austria	• SIGNA Development Selection AG[1], Innsbruck, Austria (Member of the Supervisory Board) • GALERIA Karstadt Kaufhof GmbH[1], Essen (Member of the Supervisory Board since 01/10/2019)
Arwed Fischer (Since 18/06/2019)	Member of various supervisory boards	• 6B47 Real Estate Investors AG, Vienna, Austria (Chairman of the Supervisory Board) • LOGISTRIAL Real Estate AG[1], Hamburg (Deputy Chairman of the Supervisory Board from 14/08/2019 to 17/12/2019 • SUMMIQ AG, Munich (Chairman of the Supervisory Board)
Tina Kleingarn	Partner of Westend Corporate Finance, Frankfurt am Main	• None
Dr Florian Stetter	Chief Executive Officer, Rockhedge Asset Management AG, Krefeld	• C&P Immobilien AG, Graz, Austria (Member of the Supervisory Board) • CalCon Deutschland AG, Munich (Member of the Supervisory Board until 27/09/2019) • Noratis AG, Eschborn (Chairman of the Supervisory Board) • Historie & Wert Aktiengesellschaft, Wuppertal (Chairman of the Supervisory Board) • Intelliway Services AD, Sofia, Bulgaria (Member of the Board of Directors since 01/10/2019)
Former Supervisory Board members:		
Claus Wisser (Until 18/06/2019)	Managing Director of Claus Wisser Vermögensverwaltungs GmbH, Frankfurt/Main	• AVECO Holding AG, Frankfurt/Main (Member of the Supervisory Board)

1 Belongs to a group of companies

Each Supervisory Board member receives fixed annual remuneration of EUR 75 thousand, the Supervisory Board Chair receives three times this amount and the Deputy Chair one-and-a-half times this amount. For membership of the Audit Committee a Supervisory Board member receives an additional EUR 15 thousand per financial year and the 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 Supervisory Board member (not including any VAT payable) per calendar year, regardless of the number of committee memberships and functions.

The remuneration paid to Supervisory Board members in the financial year 2019 amounted to EUR 744,167 (previous year: EUR 772,083) net of value added tax. Matthias Hünlein received EUR 255,000 net (previous year: EUR 182,083), Dr Andreas Kretschmer received EUR 127,500 net (previous year: EUR 140,833), Jürgen Fenk received EUR 95,000 (previous year: EUR 86,667), Arwed Fischer received EUR 43,750 net (Supervisory Board member since 18 June 2019), Tina Kleingarn received EUR 77,917 net (previous year: EUR 43,750), Dr Florian Stetter received EUR 105,000 net (previous year: EUR 101,250) and Claus Wisser received EUR 40,000 net (previous year: EUR 82,500, left the Supervisory Board as of 18 June 2019).

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

Furthermore, the company has taken out general liability insurance on behalf of the members of the Supervisory Board (so-called D&O insurance), with retention of 10% of the value of the damage in question. The excess is capped at one-and-a-half times the fixed annual remuneration for the respective Supervisory Board member for all losses occurring in a given insurance year.

There are no pension commitments with regard to current or retired members of the Supervisory Board of Deutsche Wohnen SE. No advances, loans or securities were granted to members of the Supervisory Board in the financial year 2019. As of the reporting date there were no claims on member of the Supervisory Board from advance payments, loans or sureties

3 Shareholdings requiring notification in accordance with sec. 160 para. 1 no. 8 German Stock Corporation Act (AktG)

A. Major shareholdings

There exist the following major shareholdings in Deutsche Wohnen SE that the company was notified about pursuant to sec. 33 para. 1 German Securities Trading Act (WpHG) that were published pursuant to sec. 40 para. 1 German Securities Trading Act (WpHG) with the following wording:

I. Black Rock, Inc.

Notification of Major Holdings

1. Details of issuer

Name:	Deutsche Wohnen SE
Street:	Mecklenburgische Straße 57
Postal code:	14197
City:	Berlin Germany
Legal Entity Identifier (LEI):	529900QE24Q67I3FWZ10

2. Reason for notification

X Acquisition/disposal of shares with voting rights
Acquisition/disposal of instruments
Change of breakdown of voting rights
X Other reason:
voluntary group notification due to crossing a threshold on subsidiary level

3. Details of person subject to the notification obligation

Legal entity:	City of registered office, country:
BlackRock, Inc.	Wilmington, Delaware, United States of America (USA)

4. Names of shareholder(s)

holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:

16 Jan 2020

6. *Total positions*

	% of voting rights attached to shares (total of 7.a.	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	Total of both in % (7.a. + 7.b.)	Total number of voting rights pursuant to Sec. 41 WpHG
New	10.31%	0.26%	10.58%	359,715,653
Previous notification	10.16%	0.23%	10.39%	/

7. *Details on total positions*

a. Voting rights attached to shares (Sec. 33, 34 WpHG)

ISIN	Absolute		in %	
	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)
DE000A0HN5C6	0	37,090,306	0.00%	10.31%
Total	37,090,306		10.31%	

b.1. Instruments according to Sec. 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
Lent securities	N/A	N/A	949,694	0.26%
		Total	949,694	0.26%

b.2. Instruments according to Sec. 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
–				0	0.00%
			Total	0	0.00%

8. *Information in relation to the person subject to the notification obligation*

Person subject to the notification obligation is not controlled nor does it control any other undertaking(s) that directly or indirectly hold(s) an interest in the (underlying) issuer (1.).

X Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more)	% of voting rights through instruments (if at least 5% or more)	Total of both (if at least 5% or more)
BlackRock, Inc.	%	%	%
Trident Merger LLC	%	%	%
BlackRock Investment Management, LLC	%	%	%
–	%	%	%

Name	% of voting rights (if at least 3% or more)	% of voting rights through instruments (if at least 5% or more)	Total of both (if at least 5% or more)
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock Capital Holdings, Inc.	%	%	%
BlackRock Advisors, LLC	%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock (Singapore) Holdco Pte. Ltd.	%	%	%
BlackRock (Singapore) Limited	%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock Holdco 4, LLC	%	%	%
BlackRock Holdco 6, LLC	%	%	%
BlackRock Delaware Holdings Inc.	%	%	%
BlackRock Fund Advisors	%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock Holdco 4, LLC	%	%	%
BlackRock Holdco 6, LLC	%	%	%
BlackRock Delaware Holdings Inc.	%	%	%
BlackRock Institutional Trust Company, National Association	%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%

Name	% of voting rights (if at least 3% or more)	% of voting rights through instruments (if at least 5% or more)	Total of both (if at least 5% or more)
BlackRock Australia Holdco Pty. Ltd.	%	%	%
BlackRock Investment Management (Australia) Limited	%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock (Singapore) Holdco Pte. Ltd.	%	%	%
BlackRock HK Holdco Limited	%	%	%
BlackRock Asset Management North Asia Limited	%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Canada Holdings LP	%	%	%
BlackRock Canada Holdings ULC	%	%	%
BlackRock Asset Management Canada Limited	%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock (Singapore) Holdco Pte. Ltd.	%	%	%
BlackRock HK Holdco Limited	%	%	%
BlackRock Lux Finco S. a r.l.	%	%	%
BlackRock Japan Holdings GK	%	%	%
BlackRock Japan Co., Ltd.	%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%

Name	% of voting rights (if at least 3% or more)	% of voting rights through instruments (if at least 5% or more)	Total of both (if at least 5% or more)
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock International Limited	%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Finance Europe Limited	%	%	%
BlackRock (Netherlands) B.V.	%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Finance Europe Limited	%	%	%
BlackRock Advisors (UK) Limited	%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%

Name	% of voting rights (if at least 3% or more)	% of voting rights through instruments (if at least 5% or more)	Total of both (if at least 5% or more)
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Luxembourg Holdco S.a.r.l.	%	%	%
BlackRock (Luxembourg) S.A.	%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock International Limited	%	%	%
BlackRock Life Limited	%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Finance Europe Limited	%	%	%
BlackRock Investment Management (UK) Limited	3.35%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%

Name	% of voting rights (if at least 3% or more)	% of voting rights through instruments (if at least 5% or more)	Total of both (if at least 5% or more)
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Luxembourg Holdco S.a.r.l.	%	%	%
BlackRock Investment Management Ireland Holdings Limited	%	%	%
BlackRock Asset Management Ireland Limited	%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Luxembourg Holdco S.a.r.l.	%	%	%
BlackRock UK Holdco Limited	%	%	%
BlackRock Asset Management Schweiz AG	%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%

Name	% of voting rights (if at least 3% or more)	% of voting rights through instruments (if at least 5% or more)	Total of both (if at least 5% or more)
BlackRock Group Limited	%	%	%
BlackRock Finance Europe Limited	%	%	%
BlackRock Investment Management (UK) Limited	%	%	%
BlackRock Fund Managers Limited	%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Finance Europe Limited	%	%	%
BlackRock Investment Management (UK) Limited	%	%	%
BlackRock Asset Management Deutschland AG	%	%	%
–	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Finance Europe Limited	%	%	%
BlackRock Investment Management (UK) Limited	%	%	%
BlackRock Asset Management Deutschland AG	%	%	%
iShares (DE) I Investmentaktiengesellschaft mit Teilgesellschaftsvermögen	%	%	%
–	%	%	%

9. *In case of proxy voting according to Sec. 34 para. 3 WpHG*
(only in case of attribution of voting rights in accordance with Sec. 34 para. 1 sent. 1 No. 6 WpHG)

Date of general meeting:
Holding total positions after general meeting (6.) after annual general meeting:

Proportion of voting rights	Proportion of instruments	Total of both
%	%	%

10. *Other explanatory remarks:*

Date
21 Jan 2020

II. Massachusetts Financial Services Company

On 10 February 2015 **Massachusetts Financial Services Company (MFS)**, Boston, USA, has informed us according to sec. 21, para. 1 WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany, have fallen below the threshold of 10 % on 5 February 2015 and as of such date amount to 9.94% (this corresponds to 29,301,015 voting rights).

Of these voting rights 8.93% (this corresponds to 26,306,928 voting rights) are to be attributed to the company according to sec. 22, para. 1, sent. 1, no. 6 WpHG. 1.02% of the voting rights (this corresponds to 2,994,087 voting rights) are to be attributed to the company according to sec. 22, para. 1, sent. 1, no. 6 WpHG in conjunction with sec. 22, para. 1, sent. 2 WpHG.

Voting rights of the following shareholder holding 3% or more in Deutsche Wohnen AG are to be attributed to the company:

- MFS International Value Fund.

III. Ministry of Finance on behalf of the State of Norway

Notification of Major Holdings

1. *Details of issuer*
Deutsche Wohnen AG
Pfaffenwiese 300
65929 Frankfurt am Main
Germany

2. *Reason for notification*
  Acquisition/disposal of shares with voting rights
  Acquisition/disposal of instruments
  Change of breakdown of voting rights
X Other reason:
  Inventory Notification

3. *Details of person subject to the notification obligation*

Name:	City and country of registered office:
Ministry of Finance on behalf of the State of Norway	Oslo Norway

4. *Names of shareholder(s)*

holding directly 3% or more voting rights, if different from 3.
Norges Bank

5. *Date on which threshold was crossed or reached*

19 Aug 2016

6. *Total positions*

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	6.93%	0%	6.93%	337,462,268
Previous notification	5.48%	N/A%	5.48%	/

7. *Notified details of the resulting situation*

a. Voting rights attached to shares (Sec.s 21, 22 WpHG)

ISIN	absolute		in %	
	direct (Sec. 21 WpHG)	indirect (Sec. 22 WpHG)	direct (Sec. 21 WpHG)	indirect (Sec. 22 WpHG)
DE000A0HN5C6		23,396,706	%	6.93%
Total	23,396,706		6.93%	

b.1. Instruments according to Sec. 25 para. 1 No. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments according to Sec. 25 para. 1 No. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information in relation to the person subject to the notification obligation

Person subject to the notification obligation is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).

X Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
State of Norway	%	%	%
Norges Bank	6.93%	%	6.93%

9. In case of proxy voting according to Sec. 22 para. 3 WpHG

Date of general meeting:
Holding position after general meeting:
% (equals voting rights)

10. Other explanatory remarks:

Inventory notification including voting rights out of shares held as collateral in the numerator regarding Sec. 21 para 1 WpHG.

IV. State Street Corporation

Notification of Major Holdings

1. Details of issuer

Name:	Deutsche Wohnen SE
Street:	Mecklenburgische Straße 57
Postal code:	14197
City:	Berlin Germany
Legal Entity Identifier (LEI):	529900QE24Q67I3FWZ10

2. Reason for notification

X Acquisition/disposal of shares with voting rights
Acquisition/disposal of instruments
Change of breakdown of voting rights
Other reason:

3. Details of person subject to the notification obligation

Legal entity:	City of registered office, country:
State Street Corporation	Boston, MA, United States of America (USA)

4. Names of shareholder(s)

holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:

11 March 2019

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % (7.a. + 7.b.)	Total number of voting rights pursuant to Sec. 41 WpHG
New	3.10%	0.00%	3.10%	357,016,255
Previous notification	2.99%	0.00%	2.99%	/

7. Details on total positions

a. Voting rights attached to shares (Sec.s 33, 34 WpHG)

ISIN	absolute		in %	
	direct (Sec. 33 WpHG)	indirect (Sec. 34 WpHG)	direct (Sec. 33 WpHG)	indirect (Sec. 34 WpHG)
DE000A0HN5C6	0	11,057,472	0.00%	3.10%
Total	11,057,472		3.10%	

b.1. Instruments according to Sec. 38 para. 1 No. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
			0	0.00%
		Total	0	0.00%

b.2. . Instruments according to Sec. 38 para. 1 No. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
				0	0.00%
			Total	0	0.00%

8. Information in relation to the person subject to the notification obligation

Person subject to the notification obligation is not controlled nor does it control any other undertaking(s) that directly or indirectly hold(s) an interest in the (underlying) issuer (1.).

X Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more)	% of voting rights through instruments (if at least 5% or more)	Total of both (if at least 5% or more)
State Street Corporation	%	%	%
State Street Global Advisors Inc.	%	%	%
–	%	%	%
State Street Corporation	%	%	%
State Street Global Advisors Inc.	%	%	%
State Street Global Advisors (Asia) Limited	%	%	%
–	%	%	%
State Street Corporation	%	%	%
State Street Global Advisors Inc.	%	%	%
State Street Global Advisors International Holdings Inc.	%	%	%
SSGA Japan Holdings GK	%	%	%
State Street Global Advisors (Japan) Co., Ltd	%	%	%
–	%	%	%
State Street Corporation	%	%	%
State Street Global Advisors Inc.	%	%	%
State Street Global Advisors Australia Limited	%	%	%
–	%	%	%
State Street Corporation	%	%	%
State Street Global Advisors Inc.	%	%	%
State Street Global Advisors International Holdings Inc.	%	%	%
State Street Global Advisors Switzerland Holdings GmbH	%	%	%
State Street Global Advisors Holdings Limited	%	%	%
State Street Global Advisors Ireland Limited	%	%	%

9. In case of proxy voting according to Sec. 34 para. 3 WpHG

(only in case of attribution of voting rights in accordance with Sec. 34 para. 1 sent. 1 No. 6 WpHG)

Date of general meeting:
Holding total positions after general meeting (6.) after annual general meeting:

Proportion of voting rights	Proportion of instruments	Total of both
%	%	%

10. Other explanatory remarks:

Date
15 March 2019

B. Notification of voting rights in the financial year and up to the reporting date

The content of the voting rights notifications received by Deutsche Wohnen SE according to sec. 33 para. 1 German Securities Trading Act [Wertpapierhandelsgesetz – WpHG] and that were published pursuant to section 40 para. 1 German Securities Trading Act [Wertpapierhandelsgesetz – WpHG] in the financial year 2019 and after the end of the financial year until the valuation date can be found in Appendix 2 to the notes.

4 Auditor's fees

The amount of the auditor's fees calculated for the financial year is not subject to disclosure here, given that it is included in the disclosure contained in the consolidated financial statements of Deutsche Wohnen SE.

5 Employees

In the year under review, the average number of employees was 209 (previous year: 186).

6 Transactions with related parties

In the financial year, there were no transactions between related companies or individuals and the company that were not conducted on arm's length terms.

7 Consolidated financial statements

The company is the parent company of the Group and produces consolidated financial statements which are published in the German Federal Gazette.

8 Corporate governance

The Management Board and the Supervisory Board have issued a declaration of conformity with the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act [Aktiengesetz – AktG] and have made it permanently available to the shareholders at www.deutsche-wohnen.com.

I Events after the reporting date

At the end of January 2020, the Berlin city parliament passed the law for rent restrictions for housing in Berlin [Gesetz zur Mietenbegrenzung im Wohnungswesen in Berlin – MietenWoG Bln] (in short: the rental freeze). The law came into force in February 2020. Because it is still unclear if this law is in compliance with the German constitution, various lawsuits have already been announced – some of them to be heard by the Federal Constitutional Court. So, it can be assumed that this law will be examined by the courts.

The law provides for a rent freeze for five years. This means that a rent or a new-letting rent that was lawfully agreed in accordance with the German Civil Code [Bürgerliches Gesetzbuch – BGB] by 18 July 2019 cannot be exceeded up to the time when the law comes into force. Excepted from this requirement are new builds from 2014 or later, flats for assisted living, publicly subsidised housing, residential homes and uninhabitable housing that is being reconditioned. In addition, the law specifies how high the different rent caps are. They range from EUR 3.92 to EUR 9.80 per sqm and are, in essence, based on the rents as set out in the Berlin rent index of 2013. A higher in-place rent has, in principle, to be reduced to the permissible limit of 120% of the relevant rent cap. Moreover, this reduction has to be actioned by the landlord nine months after the law came into force. The cost of modernisation work, including necessary energy-efficient refurbishments, can only be passed on to tenants in the amount of EUR 1.00 per sqm per month.

There is a risk that future rental income or developments in rent levels will be lower depending, in particular, on the view the courts take of the extent to which the rent cap is compliant with German constitutional law. As a result, lower returns on investment for investors (so-called yield compression) could have a negative impact on the fair value of residential and commercial buildings. The net impact of the rent cap is not foreseeable as of now. However, currently there is no visible impact on purchase prices in Berlin's residential property market.

The Berlin flats of direct and indirect subsidiaries with an annualised rental income in the amount of approximately EUR 500 million as at the reporting date are affected by this law. For as long as this law remains in force, we estimate that the impact of potential rent reductions in the case of in-place tenants and new-lettings on the earnings and financial position of these direct and indirect subsidiaries will be up to approximately EUR 40 million a year, given an average tenant turnover of 7% a year in the years 2020 to 2024. We cannot exclude the possibility of a negative impact on the valuation of properties and the valuation of affiliated companies and their results and, by extension, on the asset position of Deutsche Wohnen SE.

Furthermore, in February 2020 the Deutsche Wohnen Group acquired a property portfolio consisting of 1,300 residential and 150 commercial units for a purchase price of just under EUR 290 million. The transfer of risks and rewards will take place in stages and is expected to happen in the second half of 2020. The portfolio, which consists primarily of buildings from the Wilhelminian period, is to be found mainly in the Core^{+} locations, Dresden and Leipzig.

The Deutsche Wohnen Group has also purchased the project management business of the Munich-based Isaria. Up to now, this business belonged to the US finance investor Lone Star. Isaria specialises in converting commercial spaces into sustainable, urban residential quarters with contemporary living space. For an overall price of approximately EUR 600 million, Deutsche Wohnen is acquiring thirteen project companies with an anticipated project volume of EUR 1.8 billion. The transfer of risks and rewards is expected to take place in Q2 or Q3 of 2020.

As part of its ongoing risk management process, Deutsche Wohnen identified the corona pandemic as an insubstantial risk to the Group as at the publication date of the annual report. This means that, at this point in time, Deutsche Wohnen is not assuming that the pandemic will have a significant impact on the financial position of the Group. Nevertheless, due to the current uncertainty, it is not possible, in the end, to forecast the further implications of the pandemic for the financial and real estate markets.

In the course of the share buyback programme Deutsche Wohnen SE acquired title to a further 4,944,576 own shares up to the preparation date for these financial statements.

We are not aware of any material events after the reporting date.

J Appropriation of net profits

The Management Board proposes the following use of the net profit of EUR 359,000,000.00 reported as at 31 December 2019, comprising profit carry-forwards in the amount of EUR 37,388,049.03, a net loss for the year of EUR 26,925,665.41 and a withdrawal of EUR 348,537,616.38 from the capital reserve pursuant to section 272 para. 2 No. 4 of the German Commercial Code [Handelsgesetzbuch – HGB]:

EUR	
Distribution to the shareholders: Payment of a dividend of EUR 1.00 per bearer share that is entitled to dividends for the financial year 2019; on the basis of 352,164,136 bearer shares, this will amount to	352,164,136.00
Profit carried forward:	6,835,864.00
Distributable profit	**359,000,000.00**

The disclosure of the amounts of the dividend payment and the profit carry-forwards is based on the number of no-par value shares that were entitled to dividends at the time of the preparation of the Management Board's proposal for the use of the profit. This takes into account that the 7,573,274 own shares held by the company at this time are not entitled to dividends in accordance with section 71b German Stock Corporation Act [Aktiengesetz – AktG].

Up to the Annual General Meeting, the number of no-par value shares that are entitled to dividends for 2019 as well as the number of shares may change between now and the date of the Annual General Meeting, especially as a result of requests for the payment of a settlement from external shareholders of GSW Immobilien AG, pursuant to the control agreement in place between Deutsche Wohnen SE and GSW Immobilien AG and the corresponding issuance of new shares of the company out of the Contingent Capital 2014/II (clause 4c of the Articles of Association).

The amount of the dividend per no-par value share entitled to dividends of EUR 1.00 will remain unchanged in any case.

To the extent that the number of no-par value shares that are entitled to dividends, and thus the total amount of the dividend paid out changes the amount of the profit carry-forwards will change accordingly.

Berlin, 19 March 2020
Deutsche Wohnen SE

Michael Zahn
Chairman of the Management Board

Philip Grosse
Management Board

Lars Urbansky
Management Board

Henrik Thomsen
Management Board

Appendix 1 to the notes

STATEMENT OF CHANGES OF NON-CURRENT ASSETS FOR 2019

	Acquisition and production costs				
EUR	01/01/2019	Additions	Disposals	Reclassifications	31/12/2019
I. Intangible assets					
1. Purchased concessions, intellectual property rights and similar rights and licences	17,669,423.83	395,425.51	937.03	443,651.71	18,507,564.02
2. Advance payments on intangible assets	2,925,446.48	1,527,042.89	0.00	−443,651.71	4,008,837.66
	20,594,870.31	**1,922,468.40**	**937.03**	**0.00**	**22,516,401.68**
II. Property, plant and equipment					
1. Buildings on third-party land	214,882.97	3,912.36	0.00	0.00	218,795.33
2. Other equipment, furniture and fixtures	13,112,426.69	3,451,868.33	734,566.45	0.00	15,829,728.57
3. Advance payments on property, plant and equipment	0.00	232,562.98	0.00		232,562.98
	13,327,309.66	**3,688,343.67**	**734,566.45**	**0.00**	**16,281,086.88**
III. Financial assets					
1. Shares in affiliates	4,368,961,289.31	818,127.71	0.00	0.00	4,369,779,417.02
2. Lendings to affiliates	589,882,671.60	1,923,850,000.00	9,770,000.00	0.00	2,503,962,671.60
	4,958,843,960.91	**1,924,668,127.71**	**9,770,000.00**	**0.00**	**6,873,742,088.62**
	4,992,766,140.88	**1,930,278,939.78**	**10,505,503.48**	**0.00**	**6,912,539,577.18**

Cumulative depreciation and amortization				Carrying amounts	
01/01/2019	Additions	Disposals	31/12/2019	31/12/2019	31/12/2018
12,953,857.78	2,592,170.64	562.23	15,545,466.19	2,962,097.83	4,715,566.05
0.00	0.00	0.00	0.00	4,008,837.66	2,925,446.48
12,953,857.78	**2,592,170.64**	**562.23**	**15,545,466.19**	**6,970,935.49**	**7,641,012.53**
178,510.92	36,520.25	0.00	215,031.17	3,764.16	36,372.05
6,095,568.81	1,944,905.60	690,093.30	7,350,381.11	8,479,347.46	7,016,857.88
0.00	0.00	0.00	0.00	232,562.98	0.00
6,274,079.73	**1,981,425.85**	**690,093.30**	**7,565,412.28**	**8,715,674.60**	**7,053,229.93**
0.00	0.00	0.00	0.00	4,369,779,417.02	4,368,961,289.31
0.00	0.00	0.00	0.00	2,503,962,671.60	589,882,671.60
0.00	**0.00**	**0.00**	**0.00**	**6,873,742,088.62**	**4,958,843,960.91**
19,227,937.51	**4,573,596.49**	**690,655.53**	**23,110,878.47**	**6,889,428,698.71**	**4,973,538,203.37**

Appendix 2 to the notes

CONTENT OF THE VOTING RIGHTS NOTIFICATIONS REGARDING TO SEC. 33 PARA. 1 GERMAN SECURITIES TRADING ACT (WPHG) RECEIVED DURING THE FINANCIAL YEAR 2019 AND UNTIL THE VALUATION DATE

Issuer: Deutsche Wohnen SE, Mecklenburgische Straße 57, 14197 Berlin,
LEI: 529900QE24Q67I3FWZ10

Person subject to the notification obligation City of registered office, country	Date on which threshold was crossed or reached	Total number of voting rights on the date of crossing or reaching the threshold	Voting rightes according to sec. 33 WpHG (direct)	
			Absolut	In %
Vonovia SE, Bochum, Deutschland	01/02/2019	357,015,271	10	0.000003%
State Street Corporation, Boston, MA, USA	11/03/2019	357,016,255	–	–
BlackRock, Inc., Wilmington, DE, USA	30/05/2019	357,018,808	–	–
BlackRock, Inc., Wilmington, DE, USA	31/05/2019	357,025,231	–	–
BlackRock, Inc., Wilmington, DE, USA	03/06/2019	357,025,231	–	–
BlackRock, Inc., Wilmington, DE, USA	04/06/2019	357,025,231	–	–
BlackRock, Inc., Wilmington, DE, USA	11/06/2019	357,025,231	–	–
BlackRock, Inc., Wilmington, DE, USA	12/06/2019	357,025,231	–	–
BlackRock, Inc., Wilmington, DE, USA	13/06/2019	357,025,231	–	–
BlackRock, Inc., Wilmington, DE, USA	14/06/2019	357,025,231	–	–
BlackRock, Inc., Wilmington, DE, USA	17/06/2019	357,025,231	–	–
BlackRock, Inc., Wilmington, DE, USA	21/06/2019	357,025,231	–	–
BlackRock, Inc., Wilmington, DE, USA	26/06/2019	357,025,231	–	–
BlackRock, Inc., Wilmington, DE, USA	28/06/2019	357,025,231	–	–
BlackRock, Inc., Wilmington, DE, USA	09/07/2019	357,025,231	–	–
BlackRock, Inc., Wilmington, DE, USA	12/07/2019	357,025,231	–	–
BlackRock, Inc., Wilmington, DE, USA	16/07/2019	359,705,219	–	–
BlackRock, Inc., Wilmington, DE, USA	19/08/2019	359,705,219	–	–
BlackRock, Inc., Wilmington, DE, USA	27/08/2019	359,705,219	–	–
BlackRock, Inc., Wilmington, DE, USA	28/08/2019	359,705,219	–	–
Schroders plc, London, UK	21/10/2019	359,705,454	–	–

Voting rightes according to sec. 34 WpHG (indirect)		Instruments according to sec. 38 I Nr. 1 WpHG		Instruments according to sec. 38 I Nr. 2		Controlled undertakings with at least 3% or more of voting rights
Absolut	In %	Absolut	In %	Absolut	In %	
–	–	–	–	–	–	
11,057,472	3.10%	–	–	–	–	
36,268,513	10.16%	268,797	0.08%	374,585	0.10%	
36,452,286	10.21%	250,821	0.07%	382,781	0.11%	
36,251,518	10.15%	285,844	0.08%	363,699	0.10%	
36,521,011	10.23%	278,903	0.08%	363,699	0.10%	
33,408,657	9.36%	4,412,925	1.24%	381,220	0.11%	
32,977,860	9.24%	4,363,253	1.22%	389,146	0.11%	
32,890,978	9.21%	4,397,239	1.23%	381,910	0.11%	
32,926,330	9.22%	4,335,494	1.21%	403,895	0.11%	
32,565,769	9.12%	4,335,955	1.21%	398,249	0.11%	
36,098,333	10.11%	227,200	0.06%	415,961	0.12%	BlackRock Investment Management (UK) Limited: 3.01%
36,155,358	10.13%	303,154	0.08%	434,304	0.12%	BlackRock Investment Management (UK) Limited: 3.02%
35,983,051	10.08%	119,094	0.03%	434,350	0.12%	BlackRock Investment Management (UK) Limited: 3.02%
35,951,345	10.07%	3,432	0.001%	173,471	0.05%	
35,509,627	9.95%	137,172	0.04%	125,263	0.04%	
35,516,694	9.87%	72,984	0.02%	115,993	0.03%	
35,975,121	10.001%	2,427	0.001%	44,027	0.01%	
35,929,492	9.99%	3,702	0.001%	51,992	0.01%	
35,896,271	9.98%	3,566	0.001%	51,404	0.01%	
11,155,020	3.10%	–	–	45,546	0.01%	

Appendix 2 to the notes continued

CONTENT OF THE VOTING RIGHTS NOTIFICATIONS REGARDING TO SEC. 33 PARA. 1 GERMAN SECURITIES TRADING ACT (WPHG) RECEIVED DURING THE FINANCIAL YEAR 2019 AND UNTIL THE VALUATION DATE

Issuer: Deutsche Wohnen SE, Mecklenburgische Straße 57, 14197 Berlin,
LEI: 529900QE24Q67I3FWZ10

Person subject to the notification obligation City of registered office, country	Date on which threshold was crossed or reached	Total number of voting rights on the date of crossing or reaching the threshold	Voting rightes according to sec. 33 WpHG (direct)	
			Absolut	In %
BlackRock, Inc., Wilmington, DE, USA	13/11/2019	359,712,147	–	–
BlackRock, Inc., Wilmington, DE, USA	15/11/2019	359,712,147	–	–
BlackRock, Inc., Wilmington, DE, USA	23/12/2019	359,715,653	–	–
BlackRock, Inc., Wilmington, DE, USA	06/01/2020	359,715,653	–	–
BlackRock, Inc., Wilmington, DE, USA	16/01/2020	359,715,653	–	–
Schroders plc London, UK	05/02/2020	359,715,653	–	–
MFS International Intrinsic Value Fund Boston, MA, USA	03/03/2020	359,731,279	10,771,742	2.994%

	Voting rightes according to sec. 34 WpHG (indirect)		Instruments according to sec. 38 I Nr. 1 WpHG		Instruments according to sec. 38 I Nr. 2		Controlled undertakings with at least 3% or more of voting rights
	Absolut	In %	Absolut	In %	Absolut	In %	
	36,237,816	10.07%	199,082	0.06%	7,730	0.002%	BlackRock Investment Management (UK) Limited: 3.13%
	36,439,191	10.13%	157,400	0.04%	8,180	0.002%	BlackRock Investment Management (UK) Limited: 3.22%
	35,392,756	9.84%	1,831,593	0.51%	–	–	
	36,537,925	10.16%	821,538	0.23%	–	–	BlackRock Investment Management (UK) Limited: 3.21%
	37,090,306	10.31%	949,694	0.26%	–	–	BlackRock Investment Management (UK) Limited: 3.35 %
	10,763,712	2.99%	–	–	71,049	0.02%	
	–	–	–	–	–	–	

INDEPENDENT AUDITOR'S REPORT

To Deutsche Wohnen SE, Berlin

Report on the Audit of the Annual Financial Statements and of the Management Report

Opinions

We have audited the annual financial statements of Deutsche Wohnen SE, Berlin, which comprise the balance sheet as of December 31, 2019, and the profit and loss statement for the financial year from January 1, 2019, to December 31, 2019, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the combined management report (hereinafter: "management report") of Deutsche Wohnen SE for the financial year from January 1, 2019, to December 31, 2019. In accordance with German legal requirements, we have not audited the content of those components of the 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 annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2019, and of its financial performance for the financial year from January 1, 2019, to December 31, 2019, in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of those components of the management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the 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 Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company 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 annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1, 2019, to December 31, 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment testing of shares in affiliated companies as well as loans to affiliated companies and receivables from affiliated companies

Please refer to the explanatory notes to the financial statements ("Accounting policies" section) for information on the measurement of shares in affiliated companies as well as loans to affiliated companies and receivables from affiliated companies

FINANCIAL STATEMENT RISK

The annual financial statements of Deutsche Wohnen SE as of December 31, 2019, report shares in affiliated companies in the amount of EUR 4.4 billion and loans to affiliated companies of EUR 2.5 billion as well as receivables from affiliated companies in the amount of EUR 1.1 billion reported under receivables and other assets. These items account for 92% of total assets and thus have a material effect on the Company's assets and liabilities.

Shares in and loans to affiliated companies are recognized at cost or, if they are expected to be permanently impaired, at their lower fair value. Receivables from affiliated companies are stated at the lower of nominal and fair value. In this respect, it is necessary to determine whether the fair value falls below the carrying amount and a write down has to be recognized.

Impairment testing of shares in affiliated companies as well as loans to affiliated companies and receivables from affiliated companies is complex and based on assumptions that require judgment. The shares in affiliated companies as well as loans to affiliated companies and receivables from affiliated companies mostly relate to shares in and loans to or receivables from property holding companies. Thus, the key determinants of fair value are therefore the fair values of residential and commercial property as well as care facilities held by the subsidiaries.

Deutsche Wohnen determines the fair value of residential and commercial property in-house using a discounted cash flow model. In addition, Jones Lang LaSalle SE (hereinafter referred to as JLL) provides an appraisal which is used by Deutsche Wohnen to verify the in-house valuation (measurement) of residential and commercial property. Care facilities are valued (measured) exclusively by W&P Immobilienberatung GmbH (hereinafter referred to as W&P) using a discounted cash flow model.

In-house valuation and valuations (measurements) of JLL and W&P are carried out as of the measurement date (December 31, 2019).

Numerous assumptions relevant to measurement are made when assessing the value of residential and commercial property as well as care facilities, which are complex and subject to considerable estimation uncertainties and judgments. Even minor changes in the assumptions relevant to valuation may have a material effect on the resulting fair value. The key assumptions for measuring the value of residential and commercial property as of the measurement date were annual rental growth as well as the discount and capitalization rates. The key assumptions for measuring the value of care facilities as of the measurement date were market rents, discount rates and maintenance expenses.

There is a risk for the financial statements that shares in affiliated companies as well as loans to affiliated companies and receivables from affiliated companies are impaired.

OUR AUDIT APPROACH

In order to examine the Company's impairment testing of shares in, receivables from and loans to affiliated companies, we focused especially on the key value drivers, the fair values of the residential/commercial property and care facilities

Our audit procedures also included an assessment of the internal valuation method used, the accuracy and completeness of data used for real estate portfolios, as well as appropriateness of assumptions for measurement, such as annual rental growth and discount/capitalization rates. We conducted our audit with the involvement of our valuation experts.

We assessed the internal valuation methods in terms of the valuation model's suitability as well as (financial) mathematical accuracy, and verified that the data and assumptions relevant for measurement were appropriate as of the measurement date.

We compared the target rents processed in the in-house valuation model with the target rents stored in the ERP system. Prior to that, we confirmed the appropriateness and functionality of the controls implemented in the rental process to ensure that the target rents stored in the ERP system are in agreement with the contractual rents.

Subsequently, we assessed the appropriateness of the assumptions made for measurement based on a partially representative and partially risk-oriented deliberate selection of real estate. For this purpose, we assessed the appropriateness of the assumptions made for determining property-specific annual rental growth and discount/capitalization rates by comparing these to market and industry-specific benchmarks, taking into account the type and location of properties selected. We carried out on-site inspections for deliberately selected properties to verify the respective property's condition.

We were satisfied with the qualification and objectivity of JLL, engaged by Deutsche Wohnen to assess the value of its residential and commercial property, assessed the valuation method used for their appraisal and compared the external appraisal with the internal measurements (valuation).

Furthermore, we compared the fair values of the residential and commercial property determined by Deutsche Wohnen with observable multipliers provided by recognized external providers.

We were satisfied with W&P's qualification and objectivity with respect to the care facilities and assessed the valuation method used as well as the completeness and accuracy of figures and amounts. We evaluated the appraisal with regard to key assumptions for measurement for a risk-based deliberate selection of real estate. We carried out on-site inspections for deliberately selected properties to verify the respective property's condition.

We made use of our findings from the audit of the fair value of the residential and commercial property as well as care facilities when impairment testing shares in affiliated companies as well as loans to affiliated companies and receivables from affiliated companies.

We verified that the carrying amounts of the shares in affiliated companies as well as loans to affiliated companies and receivables from affiliated companies are covered by the fair values determined by the Company as part of impairment testing, and also verified that the need to recognize impairment losses or reverse impairment losses was accurately presented.

OUR OBSERVATIONS

The assumptions and parameters used for impairment testing of shares in affiliated companies as well as loans to affiliated companies and receivables from affiliated companies are appropriate. The valuation methods used are in line with the applicable valuation standards.

Other Information

Management and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the management report, whose content was not audited:

- the combined non-financial statement for the Company and the Group, which is contained in Section 9 of the management report,
- the combined corporate governance statement for the Company and the Group referred to in Section 8 of the management report.

The other information also includes the remaining parts of the annual report. The other information does not include the annual financial statements, the management report information audited for content and our auditor's report thereon.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

In accordance with our engagement letter, we conducted a separate assurance engagement of the Group's non-financial statement. Please refer to our assurance report dated March 19, 2020, for information on the nature, scope and findings of this assurance engagement.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Management Report

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company'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, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual 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 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 management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor’s Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual 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 annual financial statements and on the 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 annual financial statements and this 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 annual financial statements and of the 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 annual financial statements and of arrangements and measures (systems) relevant to the audit of the 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 Company's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the 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 Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the 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 annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor at the annual general meeting on June 18, 2019. We were engaged by the supervisory board on November 5, 2019. We have been the auditor of Deutsche Wohnen SE without interruption since 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 the Company or its subsidiaries the following services that are not disclosed in the annual financial statements or in the management report:

Assurance review of the Group's non-financial statement 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 19, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

gez. Schmidt	gez. Drotleff
Wirtschaftsprüfer	Wirtschaftsprüfer

RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable accounting standards, the annual financial statements give a true and fair view of the net assets, financial and earnings position of Deutsche Wohnen SE and the company's management report of the company gives a true and fair view of the development of the business including the business result and the position of the company and describes the main opportunities and risks associated with the company's expected future development."

Berlin, 19 March 2020
Deutsche Wohnen SE

Michael Zahn
Chairman of the
Management Board

Philip Grosse
Management Board

Lars Urbansky
Management Board

Henrik Thomsen
Management Board

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