

Deutsche Wohnen SE

(Virtual) Annual General Meeting

Berlin, Friday, 5th June 2020

The spoken word applies

Speech by Philip Grosse, CFO

Ladies and gentlemen

I too would like to extend to you a warm welcome to our virtual Annual General Meeting today.

From a commercial point of view, we can once again look back on a decidedly successful business year. As previously, we were able to significantly improve all the key operating figures.

- We were able to increase our FFO I – this is operating cash flow including the cash items of interest and tax and without taking disposals into account – by 10% in relation to each individual share compared with the previous year.
- FFO I also determines the dividend. At 90 cents per share – insofar as you support our proposal today – the dividend has achieved an increase of 3% compared with the previous year despite the Corona crisis.
- Last year we also succeeded in increasing our EPRA NAV per share by 11%. This key figure is, to put it simply, the value of the company's properties minus its net liabilities.
- These are the key drivers of the total yield which we were able to generate for you the shareholders. For the fifth year in succession, this has been a double-digit increase. For the financial year 2019, the figure was 13%.

Unfortunately, this outstanding operating performance did not translate into a corresponding performance of the Deutsche Wohnen share. Viewed over the year, the share lost just under 7%. This means that as at the end of the year the share price was a good 20% below the net asset value per share. In particular, the discussions about the Berlin rent freeze, which has in the meantime been introduced, had a negative impact on the Deutsche Wohnen share. Against this background, we started a share buy-back programme with a volume of EUR 750 million at the end of last year. The buy-back of shares is being financed mainly by disposals at prices significantly above the carrying amount as stated in the balance sheet. We reinvest the liquidity released by these transactions in the purchase of own shares, which are currently trading at significantly below their balance sheet value. By doing so, we are creating value for you, our shareholders. Up to now, we have purchased shares at a value of just under EUR 450 million.

Happily, the Deutsche Wohnen share is currently trading at approximately EUR 42 and so has added around 50% compared to the low of around EUR 28 which it posted in the middle of March as a result of the Covid-19 pandemic.

I would now like to talk in rather greater detail about our property portfolio, which was valued at just under EUR 25 billion as at the end of the last financial year.

We have consistently focused our residential property portfolio on attractive conurbations. As at the end of last year, more than 95% by value of our residential properties were located in dynamic metropolitan regions – and particularly here in Berlin.

By making acquisitions in the amount of approximately EUR 1 billion, we were able to further enhance the structure of our portfolio in the last financial year. In particular, we focused on markets like Frankfurt am Main, Cologne and Düsseldorf, as well as Dresden and Leipzig. Moreover, the acquisitions were primarily of high-quality Wilhelminian properties and other older pre-war residential buildings in attractive neighbourhoods.

We also made use of the high liquidity in the transaction markets and sold properties for just under EUR 800 million. The disposal prices for these lower-quality properties in below-average locations were around 35% above their balance sheet value.

In summary, these acquisitions and disposals enabled us to further optimise the quality of our portfolio.

In addition, we spent approximately EUR 470 million on maintenance and refurbishment work. This investment also has the aim of further improving the quality of our properties and creating contemporary housing standards - also with a view to energy efficiency. Moreover, a large part of this investment is not financed by being passed on to our tenants; but are borne by Deutsche Wohnen alone. Consequently, the rent increases for 2019 for our in-place tenants were, at an average of 1.4%, below the rate of inflation and so at a moderate level. Including rent increases from new letting contracts, we were able to increase our rents for the whole year on a like-for-like basis by 3.4%.

With regard to the value of our properties, we are benefitting from the continuing high level of interest of investors and the correspondingly high demand for property, especially in metropolitan regions. This was reflected in the financial year 2019 in an increase in the value of our property holdings of EUR 1.4 billion. On a like-for-like basis, therefore, the value of our portfolio, including the investments we have made, has increased by more than 7%.

These positive developments in the value of our holdings also help us when it comes to financing. For example, we were in a position to cover the cost of all our acquisitions and all the investment in our existing properties by obtaining loan capital. At the same time, we continue to adhere to our conservative financing policy.

- Our loan-to-value ratio, i.e. our net financial liabilities in relation to the value of our properties, is – at 36% - very low compared to other companies in the property sector.

- With our dividend pay-out ratio this year of 60% of FFO I, we are ensuring that sufficient financial resources will remain within the company to be able to cover investment in our holdings, i.e. without pushing up our loan-to-value ratio.
- We are also taking advantage of the current, favourable refinancing conditions on the market and, in so doing, are ensuring that we maintain a balanced risk profile over the long term.
- For example, our average maturity is 7.5 years at average rates of interest of just 1.3% per year.
- Our conservative approach when it comes to our capital structure is also reflected in the good creditworthiness rating that we have from “Standard & Poors” and “Moody’s”. In both cases, we have the best rating of any company in the German property sector.

We also made a successful start in the first quarter of 2020. With an FFO I of EUR 141 million, we were able to generate in this first quarter 26% of the anticipated FFO I for the entire financial year 2020. As a result, we were able to confirm our guidance for the financial year 2020. Because of the impact of the Berlin rent freeze, we anticipate, therefore, an FFO I at the same level as the previous year.

We are also in an excellent position with regard to financing. Despite the difficult market conditions, we were able to successfully place two corporate bonds on the capital markets with a total volume of EUR 1.2 billion in April of this year. Demand was enormous, there being a 12-fold over-subscription of the bonds. This is an impressive confirmation of how attractive our business model is to investors. The huge over-subscription of these bonds also enabled us to obtain extremely attractive conditions. Accordingly, the interest rate on the bond with a term of 5 years was set at 1.0%, whilst the interest rate on the bond with a term of 10 years was set at 1.5%.

We will continue to enhance the quality of our portfolio by investing in our properties and making targeted acquisitions. At the same time, we will stay true to our conservative financing policy with its target of a loan-to-value ratio of no more than 40%. We also intend to make further improvements to the structure and risk profile of our portfolio by making targeted disposals.

To finish, I would like - as required by statute - to inform you briefly about our share buy-back programme.

On 12 November 2019, the Management Board of Deutsche Wohnen decided, with the consent of the Supervisory Board and on the basis of the authorisation of the Annual General Meeting of 15 June 2018, to carry out a share buy-back programme with a volume of up to a maximum of 25 million shares of Deutsche Wohnen SE at a total purchase price, excluding acquisition costs, of no more than EUR 750 million. The buy-back on the Xetra trading platform of the Frankfurt Stock Exchange started on 15 November 2019 and will end no later than 30 October of this year.

In convening this Annual General Meeting, the Management Board has made a report pursuant to Article 5 of the EU Directive on European public limited companies in conjunction with section 71 of the German Companies Act on the acquisition of own shares which were purchased in the financial year 2019 on the basis of the authorisation of the Annual General Meeting of 15 June 2018.

I would like to add to this report by providing an up-to-date account of the status of the share buy-back programme as of today.

From 1 January 2020 up to and including 5 June 2020, Deutsche Wohnen has acquired ownership of 9,734,354 further shares at an average price of EUR 35,9568 per share and for a total purchase price of EUR 350,016,605.51. This corresponds in total to EUR 9,734,354 of issued capital and represents in total a share of approximately 2.71% of the registered capital of the company.

This means that from 15 November 2019 up to and including 5 June 2020, Deutsche Wohnen has acquired ownership of 12,363,052 shares in total at an average price of EUR 35.8594 per share and for a total purchase price of EUR 443,331,402.03. This corresponds in total to EUR 12,363,052.00 of issued capital and represents in total a share of approximately 3.44% of the registered capital of the company.

No use was made of the existing authorisation provided by the decision of the Annual General Meeting of 15 June 2018 to use equity derivatives to purchase own shares. The shares of the company that have been bought back are to be used for the purposes permitted according to the authorisation given for the purchase of own shares.

This concludes my observations. Thank you for your attention.