For a Home with a Future

2021 Annual Report

KEY GROUP FIGURES
OF DEUTSCHE WOHNEN SE

Income Statement		2021	2020	Change
Contractual rents	in € million	843.6	837.6	0.7%
Earnings from Residential Property Management	in € million	733.0	720.4	1.7%
Earning from disposals before valuation gains due to disposal	in € million	174.5	308.7	-43.5%
Earnings from Nursing and Assisted Living	in € million	85.7	82.0	4.5%
Management costs	in € million	-115.3	-105.9	8.9%
EBITDA (adjusted)	in € million	886.1	1,010.1	-12.3%
EBT (adjusted)	in € million	689.4	823.5 [3,4]	-16.3%
EBT (as reported)	in € million	1,776.4	2,252.2 [3]	-21.1%
Earnings after taxes	in € million	919.0	1,553.13	-40.8%
Earnings after taxes[1]	€ per share	2.45	4.34 [3]	-43.7%
FFO I	in € million	553.6	540.5 [4]	2.4%
FFO I (basic) [1]	€ per share	1.54	1.554	-0.6%
FFO I (diluted) [1]	€ per share	1.54	1.554	-0.6%
FFO II	in € million	652.7	802.4 [4]	-18.7%
FFO II (basic) [1]	€ per share	1.82	2.31 [4]	-21.2%
FFO II (diluted) [1]	€ per share	1.82	2.31 [4]	-21.2%

Balance Sheet		Dec. 31, 2021	Dec. 31, 2020	Change
Investment properties	in € million	28,730.5	28,069.5	661.0
Current assets	in € million	3,411.7	1,745.9	1,665.8
Equity	in € million	17,203.4	13,841.3 [3]	3,362.1
Net financial liabilities	in € million	9,073.2	10,840.1	-1,766.9
Loan-to-value ratio (LTV)	in %	28.6	37.0	-8.4
Total assets	in € million	33,232.2	30,805.9 [3]	2,426.3

Share		Dec. 31, 2021	Dec. 31, 2020	Change
Share price (closing price)	€ per share	36.98	43.69	-15.4%
Number of shares (excluding owns shares)	million	396.93	343.77	15.5%
Market capitalization (excluding own shares)	in € billion	14.7	15.0	-2.0%

Net Asset Value (NAV)		Dec. 31, 2021	Dec. 31, 2020	Change
NAV	in € million	21,588.7	17,852.9 [3]	20.9%
NAV	€ per share	54.39	51.93 [3]	4.7%

Fair Values		Dec. 31, 2021	Dec. 31, 2020	Change
Fair value of residential properties [2]	in € million	27,629	26,168	1,461
Fair value per m^2 of residential and usable space [2]	€ per m^2	2,899	2,683	7.9%

1 Based on the weighted average of approximately 358.50 million outstanding shares in 2021 (excluding own shares) and approximately 347.85 million in 2020.

2 Only takes into account residential and commercial buildings, excluding Nursing and Assisted Living without right of use arising from leases, measured in accordance with IFRS 16.

3 Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.

4 Calculation method changed: Interest income from loans to the QUARTERBACK Group is no longer included in FFO and is under adjusted EBT. The prior-year figures were changed accordingly.

Deutsche Wohnen is one of the leading publicly listed real estate companies in Europe and is part of the Vonovia Group. The company is listed on the German stock exchange MDAX index. Our focus is on the management and development of our real estate portfolio, which is largely located in metropolitan regions of Germany. In addition, as part of our project development business, we create new homes in strategic core and growth regions. Our portfolio consists of:

~154,000

residential and commercial units

~€ 27.6

billion overall value

9,580

spaces in care homes

1,2

billion overall value of assisted living apartments

REMUNERATION REPORT

Pursuant to Section 162 of the German Stock Corporation Act (AktG) in conjunction with Article 9 (1) (c) (ii) of the SE Regulation, the Management Board and Supervisory Board of Deutsche Wohnen SE have prepared a report on the remuneration granted and owed by the company and by entities within the same Group (Section 290 of the German Commercial Code — HGB) to each individual current and former member of the Management Board and of the Supervisory Board in the fiscal year 2021, and presents this report for approval by the 2022 ordinary Annual General Meeting.

Remuneration System 2021 and Consequences of the Combination of Deutsche Wohnen and Vonovia on Long-Term Variable Remuneration

The Annual General Meeting of June 1, 2021 approved the new remuneration system for 2021 presented by the Supervisory Board for the Management Board. However, in view of the combination with Vonovia SE (the "**combination**"), the Management Board employment contracts originally concluded and applicable to the incumbent managing directors were not converted to the new remuneration system for the reporting year.

Remuneration system

The Supervisory Board will present to the Annual General Meeting a remuneration system for 2022 that takes into account the company's affiliation to the Vonovia Group and the integration of the entities.

The most recent long-term remuneration component (long-term incentive — LTI) was conceptually based on the relative performance of the return on stocks and the development of the return on real estate as key indicators of the entity's sustainable profitability. As a result of the combination, this LTI remuneration lost its incentivizing effect. Following the combination and the consequences for the company's position on the capital market, it was no longer able to set out fair remuneration for the performance of the Management Board members. Therefore, the Supervisory Board approved the provisions of the Business Combination Agreement of August 1, 2021 between Vonovia SE and the company, which provided for an early and full payment of the LTI remuneration granted to the Management Board and all other executives.

This report does not present in detail the way in which the LTI remuneration components promote the long-term development of the company (see the Remuneration system 2021). The long-term variable remuneration of the members of the company's Management Board will be restructured by the remuneration system for 2022, which is to be presented.

Remuneration during the Reporting Period — Company and Group Entity

Pursuant to Section 162 (1) AktG, this report sets out the remuneration granted and owed by the company. These are amounts of money paid and remuneration granted in stocks by Deutsche Wohnen SE that were actually received by the Management Board members in the year under review or were due for payment in the reporting year. Other Group companies of Deutsche Wohnen SE or Vonovia SE, to whose Group the company joined during the reporting period, did not grant the members of the Management Board or of the Supervisory Board any fees or remuneration for services during the reporting period and did not undertake to do so. This does not apply to minor remuneration for Supervisory Board mandates in subsidiaries, which is fully included in the remuneration granted by the company and is therefore not listed separately below.

Remuneration of Current and Former Members of the Management Board The following remuneration table shows the remuneration granted and owed to Management Board members in the reporting year in accordance with the accrual principle pursuant to Section 162 AktG.

In €		Fixed Remuneration		Variable Remuneration	
Name and Position	Year	Basic Remuneration	Fringe Benefits	1-Year Variable (STI)	4-Year-Variable (LTI, RSU and SOP 2014, 2017 Tranche)
Management Board					
Michael Zahn (CEO)	2021	1,150,000	37,000	500,000	8,844,000[2]
	2020	1,025,000	37,000	610,000	1,500,000[3]
Philip Grosse (CFO)	2021	450,000	20,000	300,000	4,087,500 [4]
	2020	450,000	23,000	366,000	137.0005
Henrik Thomsen (CDO)	2021	450,000	18,000	300,000	1,968,750 [6]
	2020	450,000	19,000	75,000	0
Lars Urbansky (COO)	2021	375,000	18,000	200,000	1,559,500[8]
	2020	300,000	22,000	183,000	0
Lars Wittan (former CFO)	2021	0	0	0	2,383,000[9]
	2020	0	0	274,500	494,000 [10]

1 Special payments of rent cap compensation are allocated to long-term remuneration; ratios of total remuneration for Michael Zahn, taking into account the CoC severance payment: Fixed remuneration: 6.50%; 1-Y var. = 2.74%; 4-Y var. = 50.78%; CoC severance payment = 39.98%
2 € 1,344,000: SOP 2017 tranche; € 7,500,000: LTI payment of 2018–2021 tranches
3 € 1,500,000: SOP 2016 tranche
4 € 400,000: SOP 2017 tranche; € 3,687,500: LTI payment of 2018–2021 tranches
5 € 137,000: SOP 2016 tranche
6 € 1,968,750: LTI payment of 2019–2021 tranches
7 € 3,560,000: severance payment agreed (paid 01/2022); including € 410,000 of the 4-year variable RSU
8 € 1,062,500: LTI payment of 2019–2021 tranches; € 497,000: RSU
9 € 633,000: SOP 2017 tranche; € 1,750,000: LTI payment of 2018–2019 tranches
10 € 494,000: SOP 2016 tranche

	Special Payments						
	Special Payments on Variable Basis (Rent Cap Compensation)	Change-of-Control Severance Payments	Retirement Benefit	Total Remuneration	Ratio of Fixed Remuneration to Total Remuneration [1]	Ratio of Short-Term Variable Remuneration to Total Remuneration [1]	Ratio of Long-Term Variable Remuneration to Total Remuneration [1]
	428,000	7,300,000	0	18,259,000	10.83%	4.56%	84.61%
	0	0	0	3,172,000	33.48%	19.23%	47.29%
	76,000	0	0	4,933,500	9.53%	6.08%	84.39%
	0	0	0	976,000	48.46%	37.50%	14.04%
	0	07	0	2,736,750	17.10%	10.96%	71.94%
	0	0	0	544,000	86.21%	13.79%	0.00%
	0	0	0	2,152,500	18.26%	9.29%	72.45%
	0	0	0	505,000	63.76%	36.24%	0.00%
	183,000	0	0	2,566,000	0.00%	0.00%	100.00%
	0	0	0	768,500	0.00%	35.72%	64.28%

Fixed Remuneration
The fixed remuneration of the Management Board members is customary for the market and appropriate basic remuneration for their activities and is an underlying prerequisite for the appointment of skilled and experienced persons to the Management Board. The principle of basic remuneration corresponds to the remuneration system for 2021.

Fringe Benefits
The fringe benefits approved for and granted to Management Board members during the reporting period include the private use of work equipment (company car, laptop, smartphone and other equipment), the ability to make use of third-party bonus programs (airlines, hotels, etc.), health and long-term care insurance grants and other pension/insurance instruments (e.g. occupational disability, accident). The fringe benefits are customary for the market and correspond to the remuneration system for 2021. Vacation entitlement and benefits from D&O insurance and other insurance policies are not calculated or financially portrayed. There were no claims for continued salary payments for temporary incapacity for work.

Annual Variable Remuneration
The annual variable remuneration includes the **short-term incentive (STI)** remuneration paid for the performance in the previous fiscal year. The STI remuneration was limited to 125% of the individual target remuneration. The STI target remuneration was: € 500 k for Michael Zahn, € 300 k for Philip Grosse, € 300 k for Henrik Thomsen and € 200 k for Lars Urbansky.

The following parameters were used to determine the STI remuneration paid out in the reporting year in relation to the fiscal year 2020:

	STI Parameter for 2020	Weighting in %
1	FFO I per share	40
2	Cost ratio (personnel costs and non-personnel operating costs in relation to contractual rents)	10
3	Net institutional sales margin	30
4	Development of the equity story, customer and employee satisfaction, and implementation of the strategic sustainability program	20

The performance targets set for the STI remuneration were realistic and ambitious; the targets of the financial performance targets correspond to the targets of the corporate planning approved by the Supervisory Board. Financial and non-financial targets were set uniformly for all Management Board members (no individual targets). The performance targets were set and measured by adjusting for extraordinary developments (e.g. M&A transactions, rent cap in Berlin). The extent to which the respective financial performance targets were achieved was calculated on the basis of the consolidated net result for 2020. The Supervisory Board determined the achievement of the non-financial performance targets on the basis of internal company reports and evaluations.

The STI performance targets also promote the long-term development of the company. The financial performance targets were chosen in such a way as to encourage the Management Board to optimize the key, ongoing corporate governance figures that are relevant to the entity’s value and dividend strength. The ESG and sustainability goals encourage the Management Board to ensure good corporate governance and the company’s social responsibility toward its customers, employees and the general public, in particular with regard to climate-friendly corporate governance.

Therefore, the approach is already systematically in line with the remuneration system for 2021. At its meeting on March 15, 2021, the Supervisory Board set a target achievement rate of 125% for the Management Board for the financial and non-financial performance targets for the fiscal year 2020. Only 100% of the STI remuneration was paid out as all Management Board members waived any further claims in view of the subdued business situation at the time of payment (Berlin rent cap, coronavirus crisis).

Four-Year Variable Remuneration

The four-year variable remuneration includes the **long-term incentive (LTI) remuneration** paid for the activities in the fiscal year, which was variably agreed with a four-year performance period for the activities in the each of the fiscal years 2018 through 2021. In view of the combination with Vonovia SE, all LTI remuneration agreed for the years 2018 through 2021 was paid in full in the reporting year. The Supervisory Board's decision, taken together with the conclusion of the second Business Combination Agreement with Vonovia SE, to pay out in full (corresponding to a 250% target achievement) was largely based on the circumstance of the combination and its disruptive impact on the long-term remuneration system. The LTI remuneration was based on the four-year relative price performance of Deutsche Wohnen stocks and the return on real estate (increase in net asset value plus dividends). With the Business Combination Agreement and the positioning on the acquisition offer of Vonovia SE, the company decided to integrate the businesses of the Deutsche Wohnen Group into the Vonovia Group.

The Management Board members Lars Urbansky and Henrik Thomsen received the value of phantom stocks — **Restricted Share Units (RSU)** — for a total period of four years, which were granted every April 1 when they first assumed the office of company Board Members. The Restricted Share Units represented the virtual value of the Deutsche Wohnen share based on a 30-trading day reference price as of the granting date and the gross dividends accrued (under the law of obligations). RSUs are no longer in place as instruments of remuneration and were no longer a component of the 2021 remuneration system.

During the reporting period, after the specified four-year waiting period expired, the Management Board members Michael Zahn and Philip Grosse and the former Management Board member Lars Wittan also exercised the stock options allocated to them under the **stock option plan (SOP 2014) for 2017** that was introduced in 2014; the stock value received is also recognized as part of the four-year, long-term remuneration.

The breakdown of the total four-year variable amount paid out on the options of the SOP 2017, the LTI remuneration for 2018–2021 and the RSU is shown for each Management Board member in the corresponding footnotes to the table.

Special Payments

Rent Cap Compensation: Following the decision of the Federal Constitutional Court on the invalidity of the Berlin law on the capping and reduction of apartment rents in Berlin ("Berlin rent cap"), the Management Board members Michael Zahn and Philip Grosse and the former Management Board member Lars Wittan received amounts from stock price-related agreements, which the Supervisory Board resolved with them in April 2020 in order to compensate for the remuneration-distorting effects of the unconstitutional Berlin rent cap. This was done by allocating RSUs (phantom stocks) based on stock prices (reference prices — 30 trading days) on the dates that the Berlin rent cap was introduced and repealed. The announcement and enactment of the Berlin rent cap had a decisive negative impact on the relative Deutsche Wohnen stock price performance compared to the relevant reference index. The Supervisory Board therefore extended the LTI assessment periods in order to ensure that the introduction and the repeal of the Berlin rent cap were taken into account in step with each other (compensation for a reversal of impairments following the decision of the Federal Constitutional Court) and to compensate for the one-off negative effect by allocating the RSU.

Change-of-Control Severance Payments: In view of the combination, the Management Board members Michael Zahn and Henrik Thomsen exercised their right to terminate their contracts early and to claim a change-of-control severance payment.

Ratio of Remuneration Components to Total Remuneration The ratio of fixed remuneration and variable remuneration components to total remuneration is based on the remuneration granted and owed within the meaning of Section 162 AktG.

In accordance with Section 162 AktG (the accrual principle) there may be deviations from the target remuneration ratio subject to the company's remuneration system. In the case of taking up a position during the year, the fixed remuneration in the first year of service was extrapolated to the full year and compared in such a way that the effect of only partial remuneration in a year of entry is compensated.

The special payments resulting from the rent cap compensation were allocated for the purpose of determining the long-term variable remuneration ratios. The change-of-control severance payment (to Michael Zahn) was disregarded to ensure better comparability of the ratios; further information on this is provided in footnote 1 to the remuneration table for 2021. No further statistical adjustments were made. In addition to the payment of STI and LTI remuneration, which is generally delayed compared to the respective year of service, the early payment of LTI remuneration is added in the reporting year, which heightens the distortive effect.

Remuneration of Current and Former Members of the Supervisory Board

The Supervisory Board members receive function-related fixed remuneration (basic remuneration and committee remuneration with increases for a position of chairperson or deputy-chairperson). This remuneration is regulated in Section 10 (7) of the Articles of Association as amended by the resolution of the Annual General Meeting of June 1, 2021 and is reflected in the remuneration system for 2021 for the Supervisory Board. Variable remuneration is not planned.

The following function-related fixed remuneration was paid (excluding VAT) on the basis of the company's Articles of Association.

Matthias Hünlein (Chairperson)	2021	€ 247,500.00
	2020	€ 255,000.00
Jürgen Fenk (Deputy Chairperson)	2021	€ 116,875.00
	2020	€ 95,000.00
Arwed Fischer	2021	€ 80,833.34
	2020	€ 43,750.00
Kerstin Günther (since June 5, 2020)	2021	€ 52,500.00
	2020	–
Tina Kleingarn	2021	€ 82,916.67
	2020	€ 77,916.67
Dr. Florian Stetter	2021	€ 105,000.00
	2020	€ 105,000.00
Dr. Andreas Kretschmer (former member of the Supervisory Board, until June 5, 2020)	2021	€ 63,750.00
	2020	€ 127,500.00

Remuneration for Supervisory Board activities is paid out following the ordinary Annual General Meeting for a past fiscal year, i.e. at the time of payment it reflects the remuneration for this past fiscal year. If a term of office begins or ends during the year, remuneration is calculated pro rata. Not included are the proportional costs for the D&O insurance maintained by the company for the benefit of the Supervisory Board members. Special payments and retirement benefits are not granted to members of the Supervisory Board.

Comparative Presentation of the Annual Change in Remuneration, the Company's Earnings Development, Comparison with Employee Salary Development

The following table shows the annual change in the remuneration of the members of the Management Board and the Supervisory Board, the economic performance of the company in relation to various core parameters, including the consolidated result, and the comparison with the development of employee salaries.

Comparative Presentation of the Development of the Remuneration of the Members of the Management Board and the Supervisory Board Remunerated in the Reporting Year with the Performance of the Company and the Development of Employee Salaries

Changes in Remuneration	2017 on 2016	2018 on 2017	2019 on 2018	2020 on 2019	2021 on 2020	Total Remuneration in Reporting Year 2021 in €
Management Board — Total Accrual						
Michael Zahn (CEO)	5.81%	99.05%	-27.64%	-0.03%	475.63%	18,259,000
Philip Grosse (CFO) [1]	21.05%	54.35%	13.15%	34.99%	405.48%	4,933,500
Henrik Thomsen (CDO) [2]	–	–	–	15.25%	403.08%	2,736,750
Lars Urbansky (COO) [3]	–	–	–	57.16%	326.24%	2,152,500
Lars Wittan (COO) [4]	3.91%	58.96%	-23.62%	-43.28%	233.90%	2,566,000
Management Board — Accrual Adjusted for Early LTI (2018–2021) and Severance Payments						
Michael Zahn (CEO)	5.81%	99.05%	-27.64%	-0.03%	9.05%	3,459,000
Philip Grosse (CFO) [1]	21.05%	54.35%	13.15%	34.99%	27.66%	1,246,000
Henrik Thomsen (CDO) [2]	–	–	–	15.25%	41.18%	768,000
Lars Urbansky (COO) [3]	–	–	–	57.16%	115.84%	1,090,000
Lars Wittan (COO) [4]	3.91%	58.96%	-23.62%	-43.28%	6.18%	816,000
Supervisory Board						
Matthias Hünlein (Chairperson)	-3.70%	23.08%	127.60%	40.05%	-2.94%	247,500
Jürgen Fenk (Deputy Chairperson)	–	–	362.22%	9.62%	23.03%	116,875
Arwed Fischer	–	–	–	–	84.76%	80,833
Kerstin Günther	–	–	–	–	–	52,500
Tina Kleingarn	–	–	–	78.10%	6.42%	82,917
Dr. Andreas Kretschmer (until June 5, 2020)	4.26%	24.49%	-7.65%	-9.47%	-50.00%	63,750
Dr. Florian Stetter	2.86%	26.67%	6.58%	3.70%	0.00%	105,000
Development of Business Performance						
FFO I [6]	12.61%	10.90%	12.24% [5]	1.12%	1.75%	
Total shareholder return	24.66%	11.90%	-6.77%	22.43%	-13.00%	
Net asset value [6]	26.55%	19.02%	11.29%	8.10%	21.39%	
Consolidated result [6]	8.63%	5.63%	-14.05%	-3.52%	-40.50%	
Average Remuneration of Employees (Full-Time Equivalent Basis)						
Employees (excluding care staff)	6.09%	-0.51%	5.27%	11.87%	1.93%	

1 Management Board since September 1, 2016, extrapolation of accruals for the full year 2016 (initial value = € 114 k).
2 Management Board since October 1, 2019, extrapolation of accruals for the full year 2019 (initial value = € 118 k).
3 Management Board since April 1, 2019, extrapolation of accruals for the full year 2019 (initial value = € 241 k).
4 Management Board since September 30, 2019, extrapolation of accruals (fringe benefits and fixed remuneration) for the full year 2019 (initial value = € 355.5 k).
5 Determination method changed during the fiscal year. Using the previous method, the result is an increase of 11.5%.
6 Relative comparison.

The comparative presentation of the development of the remuneration of the members of the Management Board and the Supervisory Board in office during the reporting year with the performance of the company and the development of employee salaries relates to the total remuneration accrued in the fiscal year in each case.

The relative changes compared to the previous year are shown. Annual FFO I and real estate values — as NTA and NAV respectively — were used as reported in each case. Adjustments made during the five-year reference period are therefore not taken into account in the calculation. The development of the total shareholder return was calculated for each fiscal year on the basis of the start and end prices for the year and the dividend granted in that year. Shareholders who had invested since the beginning of the reference period and submitted their shares under the Vonovia SE acquisition offer generated a 58.2% return on shares.

Development of the Remuneration of the Management Board Members

The development of the remuneration of the Management Board members according to the accrual principle was predominantly influenced by the four-year variables actually paid out, in particular the initial serving of the options from the SOP 2014 in 2018, the combined payment of LTI remuneration for 2018–2021 in the reporting year, and the special payments. For the purposes of comparison, the developments adjusted for LTI (2018–2020) payments and severance payments are also shown.

Development of the Remuneration of the Supervisory Board Members

The development of the remuneration of the Supervisory Board members according to the accrual principle was predominantly influenced by the subsequent payment of remuneration for the respective year of service, as well as by the change in participation in the Supervisory Board committees and by changes of office (chairperson, deputy chairperson). During the five-year reference period, material adjustments to the remuneration structure for the Supervisory Board were made only in 2017 and in 2021 due to corresponding amendments to the Articles of Association.

Development of Employee Salaries

The average development of employees' remuneration, based on full-time equivalence, was calculated by looking at the agreed contractual remuneration of all employees at the end of each year who were in active employment with a Group company in the five-year period up to the end of the reporting year, excluding trainees, Berufsakademie students, interns, temporary employees and marginal employees. Since the integration was only carried out in the last five years, those employees working in the nursing division are not included.

Stock and Stock Options

The company launched a stock option plan in 2014 (SOP 2014); options from this plan were issued for the last time in 2017. During the reporting period, the Management Board members Michael Zahn and Philip Grosse exercised 26,506 and 7,952 options respectively and the former Management Board member Lars Wittan exercised 14,136 options. With these options exercised, the SOP 2014 is fully completed.

The options of the SOP 2014 entitled the beneficiaries to purchase shares in the company at the lowest issue price (€ 1). Under the SOP 2014, stock options were allocated to the beneficiaries once a year in the years 2014 through 2017; the exercising of these options was based on the degree to which the following targets were achieved (weighting in brackets): increase in (i) NAV (adjusted) per share (40%), (ii) FFO I (excluding disposals) per share (40%) and (iii) relative performance of the EPRA/NAREIT Germany stock price (20%). To take into account an individual target, a threshold — 75% achievement of the target — had to be exceeded over a period of at least four years in order to exercise 50% of the options allocated to the target. At most, every target was — prior to its weighting — taken into account with a target achievement level of 150%. In each case, the waiting period ended on the fourth anniversary of the date of issue. The exercise period ended three years after the end of the waiting period, and for the last time in 2021.

In accordance with the contract, in the reporting year, the following amounts were granted to the Management Board members entitled to exercise the option (the stock price at the time the option is exercised less the lowest issue price): Michael Zahn: € 1,344 thousand; Philip Grosse: € 400 thousand; and Lars Wittan (former Management Board member): € 633 thousand.

The company did not issue any other stocks or stock options in the reporting period.

No Recovery of Variable Remuneration Components

There was no reason to recover variable remuneration components in the reporting period.

Deviations from the Remuneration System

The remuneration system for 2021, which was approved by the Annual General Meeting, was not applicable to the remuneration granted to the Management Board members in the reporting period due to their contracts previously in force (Section 26j (1) (3) of the German Introductory Act to the AktG — EGAktG). The early and full payment of variable long-term remuneration components presented in this report was based on the combination of the company with Vonovia SE. The remuneration system for 2021 was applied to the Supervisory Board.

Remark on the Consideration of the Last AGM Resolution on the Remuneration Report

The Annual General Meeting has so far not passed a resolution on a remuneration report. This remuneration report was now to be prepared for the first time in accordance with Section 162 AktG.

Compliance with Fixed Maximum Remuneration of the Management Board Members

Stipulations on maximum remuneration under the remuneration system for 2021 were not applicable in the reporting period (Section 26j (1) (3) EGAktG). The maximum remuneration in the remuneration system for 2021 is linked to the performance period of the fiscal year. Severance payments for the loss of an office are not recognized. Therefore, these provisions would nevertheless have been complied with in the reporting period: The remuneration granted in the reporting period relates to services provided by Management Board members in the years 2017 through 2021. In relation to the fiscal years 2017 through 2021, the maximum remuneration under the remuneration system for 2021 was not exceeded for the chairperson (€ 5.5 million) or for the ordinary Management Board members (€ 3.5 million).

Special Disclosures on the Remuneration of the Management Board Members

Third-Party Remuneration Commitments

The full payment of the LTI remuneration and the terms of the transfer of Management Board member Philip Grosse to the Management Board of Vonovia SE as reported here are in line with the Business Combination Agreement of August 1, 2021, which Vonovia SE and the company concluded with a view to the combination of the two entities. The conditions of the transfer are set out in the next section. Otherwise, no third parties (including Group companies) granted or promised any remuneration to the Management Board members in the reporting period with regard to their work for the company. This does not include minor, fully included remuneration for Supervisory Board mandates in subsidiaries.

Early Termination Benefits — Changes to Commitments, Including Termination Benefits to Retired Management Board Members

The Management Board contracts of all Management Board members contained change-of-control provisions, according to which — and as a result of the combination of the company with Vonovia SE — the members were entitled to terminate their employment contracts and to claim severance payments amounting to three times the contractual annual remuneration, up to the maximum value of the remuneration for the remaining term of their contracts.

- The employment contract with the Management Board member Philip Grosse was terminated early by means of a termination agreement. In accordance with the aforementioned Business Combination Agreement and as announced in the acquisition offer of Vonovia SE, he took on a Management Board position at Vonovia SE with effect from January 1, 2022. Upon the change taking effect and subject to a waiver of the immediate exercising of change-of-control termination rights, the Management Board member Philip Grosse was promised a conditional severance payment of € 4,867 thousand. He can only claim this severance payment if his Management Board position at Vonovia SE ends within one year due to circumstances that are contrary to the agreement, for which he is not responsible and that significantly affect his position as a Management Board member. In these cases, Vonovia SE would also pay a severance payment of up to twice the Vonovia annual remuneration, but no more than triple the Vonovia annual remuneration less the severance payment committed by Deutsche Wohnen SE

- As a result of the combination, the Management Board Chairperson, Michael Zahn, exercised his right to terminate his employment contract and to claim a severance payment on the basis of a change of control. Michael Zahn received a change-of-control severance payment of € 7,300 thousand, which was due and paid out in December 2021

- The Management Board member Henrik Thomsen also exercised his right to terminate his employment contract and to claim a severance payment on the basis of a change of control. In the reporting period, Henrik Thomsen received a commitment of a final payment of € 3,560 thousand in order to meet his claims; the payment was due in January 2022 (and is therefore not shown in the table "Remuneration of Current and Former Members of the Management Board"). In addition to the change-of-control severance payment, this amount also includes an RSU settlement of approximately € 410 thousand

- With effect from January 1, 2022, a new employment contract was concluded with the Management Board member Lars Urbansky; Mr. Urbansky did not receive a severance payment

Benefits Upon Regular Termination

No benefits — in particular severance payments — are committed in the event of regular termination of Management Board employment contracts.

Combined Management Report

FUNDAMENTAL INFORMATION ABOUT THE GROUP

Group Business Model

Deutsche Wohnen SE, with its subsidiaries (hereinafter referred to as “Deutsche Wohnen” or the “Group”), is currently one of the largest listed real estate companies in Europe in terms of real estate assets. Since October 2021, Vonovia SE has been the largest shareholder in Deutsche Wohnen, accounting for around 88% of all voting shares.

The real estate portfolio has a fair value of around € 27.6 billion [1] and comprises around 154,000 residential and commercial units. Our real estate portfolio also includes care homes with a fair value of around € 1.2 billion and approximately 9,580 spaces and apartments for assisted living. Our investments focus on residential properties in metropolitan areas and conurbations in Germany. The continued development of our portfolio is based on economic growth, positive net immigration and insufficient new construction activity in these regions. Due to demographic trends in particular, we consider expansion to include care homes to be a further growth area.

€ 27.6 bn
total value of our real estate portfolio

Organization and Group Structure

Deutsche Wohnen SE is structured as a classic holding company. In organizational terms, a distinction is made between management and asset companies that deal with the following core business areas:

Residential Property Management

Our portfolios are largely managed by our wholly owned subsidiaries. Their activities include portfolio development, the management of lease agreements, customer support and technical maintenance of the portfolio. In addition to on-site quality management with in-house employees, infrastructural facility management services primarily include traditional janitorial services.

Our core business is the management of our own properties.

1 Excludes advance payments, properties under construction and undeveloped land

Nursing and Assisted Living

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

In addition to nursing and assisted living and disposals/acquisitions, new construction is also one of our core business areas.

Disposals/Acquisitions

We release capital as part of residential privatization in the strategic core and growth regions and, in doing so, strengthen our liquidity position. Given the current 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 real estate and plots of land in metropolitan areas and conurbations.

New Construction

With our subsidiaries and our 40% stake in QUARTERBACK and through targeted project developments, we are creating new real estate holdings in the strategic core and growth regions. Properties are also developed for sale.

The range of services includes the purchasing of land, the procuring of building rights, project conception, construction management and the tracking of warranties.

Strategic Shareholdings

In addition to our core business areas, we offer property-related services through subsidiaries and strategic investments. This strengthens our contact with our customers and ensures the quality of our services.

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

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

Group Strategy

The German real estate market is characterized by a sustained high level of dynamism. Metropolitan areas and conurbations are highly attractive as prospering economic regions and are developing into population centers with a high population density. Immigration, economic strength and income are rising here, as are innovation and competitiveness. As a result, the demand for residential and commercial properties is high and, in many cities, is currently not met by a corresponding level of new construction activity.

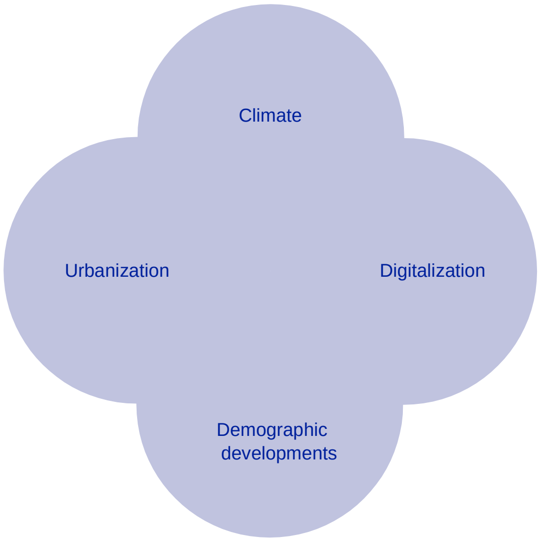
Real estate markets are characterized by changing needs and numerous challenges.

We are also seeing greater demands on the part of customers: modern equipment, 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 and other related aspects all make a key contribution to quality of life.

Demographic developments and the resulting aging society are another challenge for real estate markets. Our aim, therefore, is to expand our residential offering in line with growing demand and to combine living comfort and care in the best way possible.

Last but not least, the real estate sector faces a major task in terms of saving energy. This is key to achieving global climate protection goals. Deutsche Wohnen can make an important contribution here through energy-efficient refurbishments and new construction.

Challenges for the Real Estate Market



Our Aim: To provide future-oriented and livable housing and neighborhood concepts for people in metropolitan regions

With its clear focus on metropolitan regions and conurbations in Germany, Deutsche Wohnen has been concentrating its portfolio on high-growth markets for a number of years and provides housing where it is needed. Around 95% of all our properties are located in our Core+ regions, while approximately 5% of our portfolio is in our Core regions. By investing in our real estate holdings, we are continuously improving the quality and sustainability of our portfolio. In light of climate-policy aims, we believe that it is our responsibility to increase the energy efficiency of our buildings, thereby making our contribution to achieving climate protection targets. However, we are highly dependent on the regulatory framework in this regard.

Our investments do not stop at the front door. We know how important livable residential and working environments are for our customers, so we think about neighborhoods in a holistic way — from outdoor facilities through to infrastructure and energy supply. We develop target group-oriented concepts and work to continuously improve the quality of our services.

We think about our neighborhoods in a holistic way and want to continuously improve the quality of our services.

We are of the belief that only new construction can relieve the strain on the real estate markets. This is why we are planning significant investments in new construction over the coming years, thereby creating additional homes in our core regions. Our aim is to develop sustainable and high-quality properties that are both fit for the future and tailored to the needs of their users.

We grow organically, and improve the quality of our portfolio through active portfolio management. This includes purchasing and disposing of holdings in a selective manner. When purchasing, we focus on high-quality properties where we see development potential. We use a standard platform to enable us to achieve economies of scale. For disposals, the focus is on real estate holdings where we see little development potential, as well as holdings of below-average quality and/or location. The liquidity from such disposals is available to us for investments, particularly in our real estate portfolio and in new construction.

Through active portfolio management, we obtain financial resources for investments in our real estate portfolio and in new construction.

Taking a Proactive Approach

Given the long investment cycles and comparatively short innovation cycles within the real estate sector, it is important to recognize and address the challenges and opportunities of tomorrow at an early stage.

Therefore, we intend to continue our extension of the value chain through the expansion of property-related services. In doing so, and within the framework of strategic investments, we will open up additional business areas that are relevant to real estate.

Taking into consideration the demographic development and the increasing demand for places in care homes and assisted living facilities, we are investing in the nursing and assisted living business area. The focus here will be on the quality of the properties and on the nursing and care services provided. We will also focus our care business on cities and regions with positive development forecasts.

We continue to strive for a solid capital structure and conservative leverage. Our creditworthiness as determined by rating agencies is set at A3 with a stable outlook (Moody’s) and BBB+ with a positive outlook (Standard & Poor’s).

Group Management

The company is managed at several levels:

At the **Group level**, all revenue and cash flows are aggregated and measured on a quarterly basis for the primary performance indicators FFO I (Funds from Operations before Disposals), NAV (Net Asset Value) and LTV (Loan to Value). Segments are managed by reference to the primary performance indicator of segment earnings. Operational segment management also relies on other segment-specific performance indicators:

All primary performance indicators are subject to a quarterly benchmark analysis.

In the **Residential Property Management segment**, the development of the rent per square meter and the vacancy rate (differentiated according to defined portfolios and/or regions) are the performance indicators used by Management. This also includes the scope and result of the new lease, as well as the development of the costs associated with the lease, such as maintenance, rental and operating costs and rental losses. All parameters are evaluated on a monthly basis and compared with corresponding budget estimates.

The **Disposals segment** is assessed based on the disposal prices per square meter and the margin as the difference between the IFRS carrying amount and the sale price. The calculated values are then compared with the planned figures and the market and are adjusted if necessary.

In the **Nursing Operations segment**, KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG generate internal growth, primarily through increases in nursing rates and occupancy rates in the area of fully residential care facilities. For the measurement of operational earnings power in the management of nursing homes, the segment is primarily assessed via EBITDA before rental income.

The **Nursing Homes segment** primarily generates rental income. The profitability of nursing homes is mainly assessed via EBITDA.

Other operating expenses, such as personnel costs and non-personnel operating costs, and non-operating variables, such as financial expenses and taxes, are also part of the central planning and management system and the monthly reporting for the Management Board. Here, too, the ongoing development at Group level is shown and compared with the planned values.

The Management Board receives monthly reports on the development of all performance indicators.

Current financial expenses are of considerable importance, as they have a significant impact on the profit/loss for the period and cash flow development. Our active and ongoing management of the loan portfolio aims to optimize the capital structure and financial result in the long term.

In order to measure the cash flow generated by operating business activities and to align this with the planned figures, we use FFO I as the performance indicator. FFO I is based on EBITDA excluding disposals, which is mainly reduced or supplemented by one-time effects, financial income and expenses, and tax income and expenses with an impact on cash flow.

Regular reporting enables the Management Board and the departments to assess the Group's economic development and to compare this with the previous month's figures, the previous year's figures and the planned figures. This also enables the expected development to be determined on the basis of an updated budget. In this way, opportunities and negative developments can be identified at short notice and measures can be drawn up in order to exploit opportunities or counteract negative developments.

Regular reporting allows the Group's development to be assessed.

Real Estate Portfolio

Portfolio Overview

With approximately 151,200 residential and around 2,800 commercial units, Deutsche Wohnen manages one of the largest real estate portfolios in Germany. With a share of around 95% of our portfolio, our focus is on high-growth metropolitan areas and conurbations — referred to as the Core+ markets.

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

The average contract rent of the Deutsche Wohnen portfolio as of the end of 2021 amounted to € 7.20 per m^2 (previous year: € 6.71 per m^2), while the vacancy rate remained low at 1.4% (previous year: 1.7%).

The starting point for managing our portfolio is to segment the real estate portfolio: As part of a macro-analysis, we use location studies to cluster the portfolio into Core+, Core and Non Core locations. By doing so, the attractiveness and future prospects of the locations are evaluated on the basis of macroeconomic, socio-demographic and property-specific data.

Dec. 31, 2021					Residential		Commercial
Macroclusters and Regions	Residential Units	Area	Share of Total Portfolio	Contract Rent [1]	Vacancy Rate	Commercial Units	Area
	Number	in thousand m^2	in %	€/m^2	in %	Number	in thousand m^2
Core+	**143,054**	**8,557**	**94.6**	**7.26**	**1.4**	**2,645**	**377**
Greater Berlin	113,202	6,713	74.9	7.15	0.9	1,802	231
Dresden/Leipzig	10,818	701	7.2	6.52	2.5	551	81
Frankfurt	9,149	548	6.0	9.13	3.1	139	25
Hanover/Brunswick	5,908	367	3.9	6.55	2.8	72	31
Cologne/Düsseldorf	2,752	157	1.8	9.37	3.9	67	7
Other Core+	1,225	71	0.8	9.93	0.5	14	2
Core (Other)	**7,947**	**502**	**5.3**	**6.21**	**2.1**	**150**	**20**
Non Core	**162**	**10**	**0.1**	**6.15**	**4.4**	**0**	**0**
Total	**151,163**	**9,069**	**100.0**	**7.20**	**1.4**	**2,795**	**397**

1 Contractually owed rent for rented apartments divided by the rented area

Portfolio Development

In the fiscal year 2021, we continued to optimize our portfolio through selective purchases and disposals.

Acquisitions

In 2021, we purchased 728 residential and commercial units for a total purchase price of approximately € 126.5 million with a transfer of benefits and encumbrances. Most of the purchased units are located in Core+ markets.

Disposals

In terms of disposals, in 2021 we disposed of a total of 4,719 residential and commercial units with a transfer of benefits and encumbrances. Of these, 212 residential and commercial units are for residential privatization and 4,507 residential and commercial units are for institutional sale. The vast majority of these adjustments results from two transactions in Rhineland-Palatinate. Here, 2,216 residential and commercial units were sold to LEG Immobilien AG Group for a total of € 293 million, while 930 residential and commercial units were sold to institutional investors for a total of € 144 million.

In addition, we sold a total of approximately 10,627 residential units and 230 commercial units in Berlin to the three companies HOWOGE Wohnungsbaugesellschaft mbH, degewo AG and Berlinovo Immobilien Gesellschaft mbH. At around € 1.66 billion, the sale price is approximately at the level of the corresponding carrying amounts. The disposal of the apartments was announced with the announcement of a partnership with Vonovia SE on May 24, 2021 and is part of the “Future and Social Pact for Housing” project for Berlin presented by the companies and the Berlin State Government.

For further details on the segment result from the disposal, please refer to the Combined Management Report.

Operating Performance

Like-for-like rental performance was around 1.2% in 2021. The like-for-like vacancy rate in the total portfolio remained at a very low level at 1.4%.

Like for Like		Dec. 31, 2021	Dec. 31, 2020		Dec. 31, 2021	Dec. 31, 2020
Macroclusters and Regions	Residential Units	Contract Rent [1]	Contract Rent [1]	Development	Vacancy Rate	Vacancy Rate
	Number	€/m2	€/m2	In %	In %	In %
Total	**150,625**	**7.20**	**7.11**	**1.2**	**1.4**	**1.5**
Core+	**142,554**	**7.25**	**7.17**	**1.2**	**1.4**	**1.4**
Greater Berlin	113,022	7.14	7.07	1.1	1.0	1.0
Dresden/Leipzig	10,575	6.50	6.35	2.3	2.5	3.0
Frankfurt	9,144	9.13	8.99	1.5	3.1	2.9
Hanover/Brunswick	5,908	6.55	6.46	1.4	2.8	2.8
Cologne/Düsseldorf	2,680	9.32	9.24	0.9	3.9	3.4
Other Core+	1,225	9.93	9.86	0.7	0.5	0.9
Core (Other)	**7,909**	**6.21**	**6.13**	**1.3**	**2.1**	**2.0**
Non Core	**162**	**6.15**	**6.00**	**2.7**	**4.4**	**3.1**

1 Contractually owed rent for rented apartments divided by the rented area

Portfolio Investments

In the fiscal year 2021, we spent around € 343 million, or approximately € 35.52 per m^2 on maintenance and refurbishment.

In 2021, we spent around € 36 per m^2 on maintenance and refurbishment works.

Around one-third, or € 99.2 million, was attributable to maintenance costs and around two-thirds to refurbishment, which in particular includes energy-related upgrades to the fabric of the buildings and technical equipment. Of the refurbishment costs of € 244.2 million, around € 106.2 million was attributable to measures in connection with the change of tenants and € 138 million to complex refurbishment projects.

In addition to investments in the portfolio, we invested € 408 million in new constructions in 2021.

The following table sets out the maintenance expenses and refurbishments for the past fiscal year compared to the previous year:

in € million	2021	2020
Maintenance	**99.2**	**105.0**
in € per m_2	10.26[1]	10.39 [1]
Refurbishment	**244.2**	**260.4**
in € per m_2	25.26[1]	25.76 [1]
Maintenance and Refurbishment	**343.4**	**365.4**
in € per m_2	35.52[1]	36.15 [1]

1 Taking into account the average area on a quarterly basis in the respective period

Project Developments

In terms of project developments, Deutsche Wohnen has a project pipeline with an expected total investment volume of up to € 5.9 billion. In all, around 12,000 residential units and around 1,200 commercial units are planned. These projects are planned for the company's own portfolio. In addition, Deutsche Wohnen holds a 40% stake in QUARTERBACK Immobilien AG. The project developments of QUARTERBACK Immobilien AG are primarily sold to institutional investors prior to completion. Increased investment in the construction of new housing reflects the need to tap into growth potential opportunities outside the ever-scarcer supply of existing portfolios. In this way, Deutsche Wohnen is making an increasingly greater contribution to addressing the housing shortage.

Portfolio Valuation

The high demand for real estate continued in 2021 and was met with low supply, as in the previous year. The investment pressure, caused in particular by the extraordinary interest rate environment, is reflected in the appreciation of our real estate portfolio, totaling around € 1.7 billion for the fiscal year 2021.

The high demand for real estate continued in 2021.

The valuation result for the residential and commercial portfolio was confirmed by an external expert opinion from Jones Lang LaSalle.

The following overview shows key valuation indicators of our residential and commercial portfolio as of December 31, 2021:

Macroclusters and Regions	Apartments	Fair Value	Share of Fair Value	Fair Value	Multiple Contract Rent
	Number	in € million	in %	€/m2	
Core+	**143,054**	**26,711**	**97**	**2,969**	**34.0**
Greater Berlin	113,202	21,290	77	3,043	35.3
Dresden/ Leipzig	10,818	1,915	7	2,437	30.9
Frankfurt	9,149	1,895	7	3,269	30.7
Hanover/ Brunswick	5,908	755	3	1,895	23.7
Cologne/ Düsseldorf	2,752	600	2	3,639	33.4
Other Core+	1,225	256	1	3,519	29.1
Core (Other)	**7,947**	**907**	**3**	**1,733**	**23.5**
Non Core	**162**	**11**	**0**	**1,136**	**15.8**
Total	**151,163**	**27,629**	**100**	**2,899**	**33.5**

Nursing Homes

In the nursing and assisted living business segment, 72 nursing homes with a total of approximately 9,580 spaces are recognized, of which 71 are owned by Deutsche Wohnen. This makes us one of the largest proprietors of nursing homes in Germany.

We operate the care business according to two different models: 38 care facilities (approximately 5,160 spaces) are managed by KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH together with subsidiaries, Hamburger Senioren Domizile GmbH (HSD) and PFLEGEN & WOHNEN HAMBURG GmbH. The remaining 34 facilities (approximately 4,420 spaces) are managed by various external operators on a long-term basis.

Similarly to the residential business, in the care segment we focus on cities and regions with positive development forecasts, as the need for nursing and care services (full residential care and assisted living facilities in conjunction with outpatient and semi-residential care facilities) is particularly high in these areas. We pay particular attention to high-quality properties and a high level of nursing, care and service. In this context, we will increase both our investments in new construction projects and selective acquisitions in our strategic target regions.

In the care segment, we also focus on regions with positive development forecasts.

In the third quarter of 2021, as part of a portfolio adjustment, we approved the disposal of a total of five nursing homes with around 730 care spaces or assisted living units. In doing so, we were particularly able to separate ourselves from care facilities that are not located in our strategic target regions and are subject to construction and regulatory restrictions. The transaction was completed in the fourth quarter of 2021.

Care Business: Properties and Operation

Nursing Homes Operated by KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG in 2021

Region	Facilities	Spaces [1] Care	Spaces [1] Assisted Living	Spaces [1] Total	Occupancy Dec. 31, 2021	Fair Value Dec. 31, 2021
	Number	Number	Number	Number	in %	in € million
Hamburg Region [2]	17	2,860	160	3,020	95.7	390.6
Berlin Region	12	1,070	370	1,440	95.1	225.3
Saxony Region	9	620	80	700	92.2	47.8
Total — Operated by Shareholdings	**38**	**4,550**	**610**	**5,160**	**95.0**	**663.7** [3,4]

1 Since — depending on market demand — there may be changes of use between units of assisted living and care beds, as well as the use of double rooms as single rooms, the number of spaces is rounded to a multiple of 10.
2 In Hamburg, two facilities are being comprehensively refurbished or rebuilt. In this context, the occupancy rate was gradually reduced. As of January 1, 2021, the capacity and the supply contracts for these facilities, and for five other facilities that are also undergoing construction work, were adjusted by a total of around 300 spaces.
3 Relates to 37 facilities.
4 Excludes advance payments made, properties under construction, undeveloped land, and right-of-use assets in connection with leases that are measured in accordance with IAS 16 or IAS 40.

Care Facilities with Third-Party Operators

Region	Facilities	Spaces [1] Care	Spaces [1] Assisted Living	Spaces [1] Total	WALT 2	Fair Value Dec. 31, 2021
	Number	Number	Number	Number	in %	in € million
Bavaria	11	1,360	50	1,410	8.3	117.4
North Rhine-Westphalia	7	800	200	1,000	12.0	154.9
Hessen	4	530	0	530	7.7	95.3
Baden-Württemberg	4	490	10	500	7.4	45.3
Others	8	980	0	980	9.3	123.5
Total Third-Party Operators	**34**	**4,160**	**260**	**4,420**	**9.3**	**536.43**
Care — Total	**72**	**8,710**	**870**	**9,580**		**1,200.1**

1 Since — depending on market demand — there may be changes of use between units of assisted living and care beds, as well as the use of double rooms as single rooms, the number of spaces is rounded to a multiple of 10.
2 Weighted average lease term.
3 Excludes advance payments, properties under construction and undeveloped land.

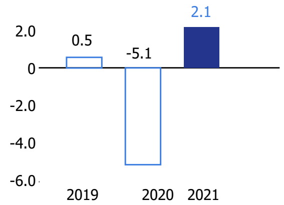
REPORT ON ECONOMIC POSITION

Economic Environment

German Economy Sees a Slight Upswing Once More

The German economy is growing again: The German economy grew by 2.1% in 2021 and thus reversed the trend following the significant decline in economic strength in 2020. In the summer, the services sector benefited greatly from the low number of coronavirus cases and the vaccination campaign. However, the rise in infections in the fall impacted the German economy once more. In addition, global supply bottlenecks make it more difficult for German industry to enjoy steady economic growth.[1]

Economic Growth Trend (GDP)
in %[1]; 3-year comparison



The labor market is recovering: Despite the ongoing coronavirus pandemic, the German labor market recovered in 2021. Gainful employment figures and the number of jobs subject to social security contributions rose significantly in the past year, while unemployment and underemployment (excluding short-time work) in Germany declined. Short-time work was used less frequently by companies through to October 2021, but increased again toward the end of the year. In November, the number of persons in employment (based on working location) rose by 43,000 (seasonally adjusted). In December, the unemployment rate was 5.1%.[2]

Rising wages and salaries: Gross wages and salaries rose by 3.1% in 2021 as a result of increased regular recruitment of workers. Net wages and salaries increased by as much as 4.0%, which can be explained above all by the abolition of the solidarity surcharge.[1]

Base rates remain at 0%: The European Central Bank’s base interest rates remain at 0% and therefore has not changed since March 2016. This encourages investment and financing, particularly in the real estate sector.

Population stagnation in Germany: According to current estimates from the Federal Statistical Office (Destatis), there were 83.2 million people living in Germany at the end of the year, which is about as many as in 2020 and 2019. This population stagnation is due to an increased number of deaths, which was significantly higher than the number of births. The difference was offset by increased net immigration. Net immigration was still declining in 2020. 3

Housing construction drives the construction industry: The construction industry in Germany continued to develop robustly in the second year of the coronavirus pandemic. Real construction volume increased by 1.6% compared to the previous year. Housing construction in particular contributed to this growth once again, with an increase of 2.2%. In the coming years, the stable growth in the construction of new housing is expected to support the development of the construction industry at large.[4]

1 DIW Weekly Report 37/2021.
2 Federal Statistical Office, monthly report on the employment and training market (*Monatsbericht zum Arbeits- und Ausbildungsmarkt*), December 2021.
3 Federal Statistical Office, press release dated January 20, 2022.
4 DIW Weekly Report No. 1, 2/2022.

Berlin's economy is on the rise: Following the sharp decline in Berlin's economic power in 2020, growth of 3% is expected for 2021. This means that Berlin is above the national average, and GDP is even expected to rise by 4% in 2022. Due to the economic recovery in December 2021, the unemployment rate fell by 1.2% to 8.9% compared to the previous year — a figure that is still well above the average in Germany. In September 2021, the number of workers subject to social security contributions rose more than twice the national average to 3.2%. In September 2021, this figure increased by 50,051 year-on-year to 1.61 million people. 5

The Berlin economy is expected to grow by 3% in 2021.

German Housing Market Remains Stable

Record year for the German residential investment market: In 2021, the German residential investment market recorded its highest ever transaction volume at € 49.8 billion. This is more than double in comparison to the previous year and the forecast for 2021, which was € 19 billion. This is mainly due to the acquisition of Deutsche Wohnen by Vonovia in the fourth quarter of 2021. In the fourth quarter alone, the transaction volume was € 28.4 billion, which in itself exceeded the previous record year of 2015. 6

German residential investment market records record volume.

Shortage of housing continues: The German Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) expects the number of households to increase by some 500,000 by 2030. This development will generate additional demand on the German housing market. As the average household size will continue to fall, the number of households in Germany will grow at a faster rate than the population. Of the 37.4 million households in Germany, 70% are one- and two-person households; with the rate even higher in the largest cities, at 80%. 7

Demand for new apartments in cities: In principle, from a purely mathematical perspective, the number of apartments available in Germany is currently sufficient for healthy market conditions. However, demand for apartments is mainly focused on cities, meaning that increased building activity is still necessary there. This activity is also proving attractive: The number of completed apartments has risen continuously over the past 10 years. In 2020, more than 300,000 residential units were completed for the first time. At just under 370,000, the number of permits, too, almost matched the peak levels seen in 2016. 8

Decline in new buildings in Berlin despite high demand: Berlin's population has recently stagnated due, among other factors, to negative net migration and the coronavirus pandemic. In the coming years, however, annual demand of around 57 new apartments per 10,000 inhabitants is expected, which corresponds to around 20,700 new apartments per year. In 2020, the completion level of 40 new apartments per 10,000 inhabitants — or 14,500 new apartments — was not only significantly below this value, but also below the previous year's level. In 2019, a provisional top rate of around 19,000 new apartments was recorded. Although the number of building permits in 2020 also declined for the fourth year in a row, with 20,500 new apartments, the building surplus recently rose again. Given these figures, the number of completions is expected to be somewhat higher again in 2021. 9

Rising demand for new apartments to continue in the coming years.

5 Investitionsbank Berlin, Berlin economy (*Berlin Konjunktur*), December 2021
6 JLL, press release dated January 6, 2022
7 BBSR, 2030 housing market forecast (*Wohnungsmarktprognose 2030*)
8 Colliers Residential Investment 2021/22
9 JLL, Residential City Profile Berlin, September 2021

Momentum in the Metropolitan Regions Continues

Peak of rent price increases seemingly exceeded: Recently, the increase in rent prices decelerated noticeably on the whole. This trend is particularly evident in rents for reletting, which account for the largest share of newly rented apartments. In mid-2021, the average rent for new buildings at top locations had risen by 4.3% compared to the previous year. In total, first occupancy rents in the seven largest cities rose by more than 50% within 10 years. 10

Berlin has second strongest rental price momentum: In Berlin, quoted rental prices rose by 4.1% to € 13.85 per m^2 per month in the second half of 2021, following an increase of 6.0% in the previous year. This has slowed momentum somewhat. The positive development, however, is due in particular to the court ruling reversing the rent cap in spring 2021. As a result, rents for existing properties have risen by just under 10%. Compared to the other German metropolitan areas, Berlin saw the second-largest increase in rents after Leipzig. 11

Berlin rental prices rise by 4.1% to € 13.75 per m^2.

Significant increase in housing purchase prices: In the second half of 2021, the eight largest cities in Germany — Berlin, Hamburg, Munich, Cologne, Frankfurt am Main, Stuttgart, Dusseldorf and Leipzig — recorded an average increase of 11.4% in median purchase prices of apartments.

In Berlin, the purchase prices for condominiums rose by 11.6% in 2021. With a purchase price growth of 13.3%, Berlin is at the top of the eight largest cities in the new-build segment. 11

Nursing Home Market Is Germany’s Strongest Growth Market

Germany’s population is aging: The German population is getting older, which entails major challenges. As people get older, there is an increased likelihood that they will start to need care services, and will even have to go into fully residential care.

Despite a decline in the overall population, the number of older people will increase significantly.

For the total population in Germany, according to the 14th coordinated population projection to 2040, a decline from around 83.2 million (2019) to 81.9 million people is predicted. By contrast, the number of older people will increase significantly by 2040: The number of 65- to 79-year-olds will increase by almost 20% from 12.4 million (2019) to 14.8 million, while an even more dynamic increase of 22% is expected among those over the age of 80. In Germany, there will be around 6.3 million people in this age group by 2040 — in 2019 there were 5.7 million.

10 DZ HYP, Real Estate Market Germany 2021/22
11 JLL, press release dated January 19, 2022

Need for care continuing to increase: The demographic development and aging of the population in Germany are accompanied by an increasing number of future patients in need of care. From 2015 to 2019, the number of people in need of care in Germany increased by 44.3% from 2.86 million to 4.13 million people. Around 818,317 of these were fully resident in care homes, representing an increase of 44.3%. Also between 2015 and 2019, the number of people in need of care and receiving care services at home increased by 41.9% to 982,604 people. The peak of the demand for care services is expected between 2020 and 2060, when the baby-boomer generation from the 1960s onward has grown older and more in need of care. Subsequently, the demand for care services is expected to decline again as those who were born in the years of low birth figures start to age.

By 2030, the number of people in need of care in Germany is expected to reach 4.1 million.

Development of nursing homes required: In 2019, there were 15,380 nursing homes in Germany with semi-residential or fully residential care services and 969,500 spaces. The average occupancy rate of the available care spaces in Germany in 2019 was 90.6%. This results in a calculated oversupply of 9.4%, but this must not be overestimated. In a similar way to the rental housing market, a fluctuation reserve is necessary and sensible for spaces in care facilities. Furthermore, some older nursing homes are in operation but no longer fully meet current requirements. Other facilities are of a size that is not commercially reasonable in the long term. In regions with low levels of utilization in particular, the nursing homes will be closed and renovated.

Measured against the current provision of nursing home spaces, an additional demand for 184,682 to 230,853 residential nursing home spaces is to be expected by 2040 alone due to demographic developments and progressive aging of the population in Germany. Assuming that there are 100 spaces per care facility, at least 1,847 new nursing homes would have to be provided.

An additional demand of up to 230,000 care spaces is expected by 2040.

Persistently high demand on the transaction market: The economy as a whole has an important task to play in preventing the threat of undersupply with adequate care facilities and averting the ever-increasing level of care emergencies. This cannot be done without private investment. In Germany, most of the 15,380 nursing homes are run by non-profit institutions (52.6%) and private operators (43%). Public funding accounts for just 5%. The proportion of private operators has continued to increase slightly, as has the concentration and internationalization of operators.

Even now, 43% of the approx. 15,300 residential nursing homes are operated by private institutions.

Transactions have been dominated by institutional investors for a number of years. In recent years, these investors accounted for approximately 65% of the nursing home investment market. For 2021, sales are expected to be at the record level of the previous year, at around € 3.4 billion. Due to the coronavirus pandemic, investors’ interest in health care properties, which are accompanied by secure rental and lease payments, has increased once again. 12

12 Wuestpartner, Germany nursing home atlas 2021 (*Pflegeheim-Atlas Deutschland 2021*)

Statement of the Management Board on the Economic Situation

Deutsche Wohnen successfully continued its operating business development in the fiscal year 2021, which itself was marked by the acquisition of a majority stake by Vonovia SE. In a challenging environment, we once again achieved our targets and in many areas even exceeded them.

We achieved our targets in 2021 too, and even exceeded them in some cases.

In the Residential Property Management segment, earnings amounted to € 733.0 million, which represents an improvement of € 12.6 million, or 1.7%, compared to the previous year. This means we reached our forecast of € 730 million. At € 10.26 per m^2, maintenance expenses were slightly higher than planned; the vacancy rate for apartments in the total portfolio came to 1.4% at the end of the year.

In the Disposals segment, we generated proceeds of € 780.2 million due to mostly opportunistic portfolio sales in Rhineland-Palatinate and Berlin (previous year: € 1,251.6 million). Profits on disposals, including valuation gains on disposals, amounted to € 174.5 million (previous year: € 308.7 million). As a result, the Disposals segment made a lower, but still significant, contribution to the consolidated result for 2021 compared to the previous year.

For the Nursing Operations and Nursing Homes segments, we had forecast earnings of € 70 million, which we significantly exceeded at € 85.7 million. On the one hand, fewer new nursing staff were hired than planned, while, on the other hand, third parties reimbursed costs to a greater extent as a result of the coronavirus pandemic.

We were able to significantly increase our earnings in the Nursing segment.

Adjusted EBITDA (excluding disposals) increased by € 11.0 million, or around 1.6%, from € 704.8 million to € 715.8 million – above the planned figure for 2021 of around € 700 million

The financing of Deutsche Wohnen remains robust. In the past fiscal year, we successfully issued two unsecured green corporate bonds. Current interest expenses decreased by € 3.3 million to € 142.5 million compared to the previous year, but investments meant that they exceeded the forecast value for 2021 of approximately € 135 million. LTV was 28.6%, which was below our target range of 35% to 40%. In connection with the acquisition bid from Vonovia SE, Deutsche Wohnen sold own shares and converted convertible bonds into equity, with the result that the equity ratio rose from 45% to around 52% in the fiscal year 2021.

FFO I reached € 1.54 per share and € 553.6 million in absolute terms in the fiscal year 2021. As forecast, it was therefore roughly at the previous year’s level (FFO I as reported for 2020: € 544.1 million or € 1.56 per share).

NAV (basic) at the end of 2021 was € 54.39 per share, compared to € 51.93 per share in the previous year. The 4.7% increase is mainly due to the revaluation of the real estate portfolio, which amounted to around € 1.86 billion for 2021. As we had forecast, the continuing discrepancy between supply and demand in German metropolitan areas once again led to price increases and thus to a positive development in the value of our real estate portfolio.

4.7%
increase in NAV (basic) per share.

We continued to invest in new construction in the fiscal year 2021. We pressed ahead with existing investment projects and additionally acquired 12 further new construction projects of QUARTERBACK Immobilien AG, Leipzig, in our core markets via forward asset deals. New construction projects are also underway in Nursing and Assisted Living, which will enable us to further strengthen our position in this market segment.

Vonovia SE, Bochum, has held a majority interest in Deutsche Wohnen SE since September 30, 2021. This had the following effects on the results of operations, net asset situation and financial position in the past fiscal year:

Earnings were impacted by non-recurring consulting and personnel expenses, valuation losses on convertible bonds, expenses in connection with the cancellation of corporate bonds and higher expenses from deferred and current taxes. The latter are mainly due to the discontinuation of tax loss carryforwards.

In terms of net assets, the sale of own shares to Vonovia SE and the conversion of convertible bonds into shares in Deutsche Wohnen SE had a positive effect on Group equity. Due to special termination options in the event of a change of control, there were terminations and corresponding repayments of liabilities from corporate bonds.

The financial position shows increased liquidity of the Group as a result of the sale of own shares to Vonovia SE.

Of the key performance indicators of the Deutsche Wohnen Group, only the debt-to-equity ratio (LTV) was significantly affected by the majority acquisition. This decreased significantly due to the sale of own shares and the conversion of convertible bonds.

Overall, Deutsche Wohnen’s operating business in 2021 largely proceeded according to plan. We continue to consider Deutsche Wohnen to be in a very good position. The ongoing positive development of Germany’s metropolitan regions, accompanied by rising demand for housing, also underpins our long-term strategic focus on these areas.

Notes on Results of Operations, Net Asset Situation and Financial Position

Results of Operations

The following overview shows the year-on-year development of the consolidated income statement for the fiscal year 2021:

in € million	2021	2020
Income	2,298.3	2,742.2
Cost of materials and carrying amounts of properties sold	-1,334.3	-1,768.9
Personnel expenses	-259.6	-231.8
Other operating expenses	-143.2	-104.0
Other operating income	79.8	56.3
Impairment losses on financial assets	-6.4	-7.1
EBITDA before gains/losses from the fair value adjustment of investment properties	**634.6**	**686.7**
Depreciation, amortization and impairment	-213.9	-40.0
Gains/losses from the fair value adjustment of investment properties	1,862.3	1,856.4
Earnings before interest and taxes (EBIT)	**2,283.0**	**2,503.1**
Result from investments accounted for using the equity method	-3.3	17.4 [1]
Financial result	-503.3	-268.3
Earnings before taxes (EBT)	**1,776.4**	**2,252.21**
Income taxes	-857.4	-699.1
Profit/loss for the period	**919.0**	**1,553.11**

1 Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.

Compared to the same period of the previous year, profit/loss for the period decreased by € 634.1 million from € 1,553.1 million to € 919.0 million. The decrease of around 40.8 % was mainly due to lower income from disposals, goodwill amortization, fair value adjustments to convertible bonds and non-recurring expenses in connection with the combination with Vonovia SE.

The coronavirus pandemic continued to have no material impact on the Group's net assets, financial position and results of operations.

Earnings before taxes adjusted for one-time and valuation effects shows the normalized earnings development:

in € million	2021	2020
Earnings before taxes	**1,776.4**	**2,252.22**
Gains/losses from the valuation of properties [1]	-1,862.4	-1,855.1
Valuation gains on disposals realized in the fiscal year	172.5	288.3
Amortization of goodwill	171.5	0.0
Net income from fair value adjustment to financial instruments	356.6	106.9
Non-recurring expenses and income	74.8	31.2 [3]
Adjusted earnings before taxes	**689.4**	**823.5** [2, 3]

1 Including IAS 2
2 Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.
3 Calculation method changed: Interest income from loans to the QUARTERBACK Group is no longer included in adjusted earnings before taxes. The prior-year figures were changed accordingly.

The result from the valuation of real estate amounting to € 1,862.4 million (previous year: € 1,855.1 million) was attributable to the adjustment of the fair values of investment property in the amount of approximately € 1,862.3 million (previous year: € 1,856.4 million) and to write-downs and reversals of write-downs of the carrying amounts of land and buildings held for sale in the amount of approximately € 0.1 million (previous year: € -1.3 million).

The valuation gains from real estate disposals with transfer of benefits and encumbrance in the reporting period have been realized as sales income.

The amortization of goodwill in the fiscal year 2021 related to the goodwill arising in connection with the acquisition of the project business of Munich-based ISARIA Wohnbau AG in the fiscal year 2020. The amortization resulted from an increase in the cost of capital and the appreciation of real estate.

The result from fair value adjustments of financial instruments (expense of € 356.6 million; previous year: expense of € 106.9 million) includes the valuation results affecting net income from convertible bonds, interest rate hedges, other derivatives and investments classified as financial instruments. The material non-cash contribution to earnings relates to convertible bonds (expense of € 368.1 million; previous year: expense of € 96.2 million). This valuation loss is attributable to the acquisition bid by Vonovia SE and the associated positive development of the Deutsche Wohnen stock price. Income from the valuation of derivative financial instruments and other derivatives amounted to € 11.6 million (previous year: expense of € 15.6 million).

The non-recurring expenses and income in the fiscal year 2021 primarily included expenses in connection with the acquisition bid by Vonovia SE. They related to consulting expenses of around € 48.1 million, the redemption of originally long-term remuneration components of around € 6.6 million, severance payments and leaves of absence of € 16.8 million and non-recurring financial expenses of € 27.8 million. The non-recurring income included the gains from the sale of the shares in Isaria München Projektentwicklungs GmbH, Munich, amounting to € 10.2 million and financial income from the QUARTERBACK Group amounting to € 30.7 million from shareholder loans.

In the same period of the previous year, non-recurring expenses of € 22.0 million primarily related to real estate transfer taxes incurred in connection with the acquisition of the project business of Munich-based ISARIA Wohnbau AG. Non-recurring income included financial income from the QUARTERBACK Group in the amount of € 3.6 million.

The following overview shows the year-on-year development of income:

in € million	2021	2020
Income from Residential Property Management	1,209.8	1,197.8
Income from Nursing Operations	233.0	226.1
Lease income from Nursing Homes	33.8	38.2
Other income	25.4	21.7
Income from the sale of properties	780.2	1,251.6
Income from the sale of properties (development)	16.1	6.8
Income	**2,298.3**	**2,742.2**

Income from Residential Property Management increased by around 1.0%. At around € 29.5 million, these included the back payment claims arising up to May 31, 2021 as a result of the invalidity of the Berlin Rent Act (Berliner MietenWoG), of which around € 11.0 million relates to rental periods prior to January 1, 2021. From June 1, 2021, tenants were again charged the rents permitted under the German Civil Code (BGB).

Income from Nursing Operations increased by around 3.1% from € 226.1 million to € 233.0 million. In the periods shown, Nursing Operations managed a comparable number of facilities.

Lease income from Nursing Homes fell by around 11.5% from € 38.2 million to € 33.8 million as a result of disposals.

Other income increased by around 17.1%. This mainly included revenue from multimedia and related services of the SYNVIA Group (€ 15.7 million; previous year: € 12.9 million) and from the leasing of broadband cables (€ 5.0 million; previous year: € 5.4 million).

Income from property sales decreased by € 471.4 million to € 780.2 million. The lower sales volume compared to the same period of the previous year was mainly attributable to institutional sales of € 721.8 million (previous year: € 1,200.4 million).

Income from the sale of properties (development) exclusively comprised proceeds from ongoing project developments that were already sold to third parties.

The following overview shows the year-on-year development of the cost of materials and carrying amounts of properties sold:

in € million	2021	2020
Carrying amount of properties sold	-771.0	-1,221.0
Carrying amount of properties sold (development)	-16.3	-7.3
Cost of materials	-547.0	-540.6
Cost of materials and carrying amounts of properties sold	**-1,334.3**	**-1,768.9**

The year-on-year reduction in the carrying amount of properties sold is attributable to the lower volume of sales. The disposals related to properties accounted for in accordance with IAS 40, IAS 2 and IFRS 5.

The carrying amount of development properties sold related to the ongoing project developments of the ISARIA Group that were already sold to third parties.

The cost of materials developed as follows:

in € million	2021	2020
Operating costs	-366.5	-362.6
Maintenance	-134.2	-133.1
Other cost of materials	-46.3	-44.9
Cost of materials	**-547.0**	**-540.6**

Operating costs and maintenance relate to all segments.

Other cost of materials mainly related to supplies and services for the Nursing Operations, for Disposals and input services of the SYNVIA Group.

Personnel expenses, which arose in all segments and Group functions, are broken down as follows:

in € million	2021	2020
Wages and salaries	-220.2	-194.1
Social security, pensions and other employee benefits	-39.4	-37.7
Personnel expenses	**-259.6**	**-231.8**

Personnel expenses rose by 27.8% to € 259.6 million. The majority of these expenses were incurred by Nursing Operations (€ 141.8 million; previous year: € 140.1 million).

The following overview shows the year-on-year development of other operating expenses:

in € million	2021	2020
Operating and corporate expenses	-56.0	-49.6
Miscellaneous other operating expenses	-87.2	-54.4
Other operating expenses	**-143.2**	**-104.0**

Operating and corporate expenses in all segments and Group functions are broken down as follows:

in € million	2021	2020
IT costs	-14.6	-12.9
Communication costs	-10.2	-7.4
Legal, consultants' and auditors' fees, property insurance	-13.1	-12.6
Other staff costs	-4.7	-5.1
Cost of premises	-5.1	-4.7
Other operating and corporate expenses	-8.3	-6.9
Operating and corporate expenses	**-56.0**	**-49.6**

Miscellaneous other operating expenses mainly relate to non-recurring expenses that have been eliminated in adjusted earnings and are explained there.

Other operating income increased by € 23.5 million from € 56.3 million to € 79.8 million. It mainly comprised income from compensation paid through building insurance for Property Management and capitalized internal expenses for construction project management. The fiscal year 2021 also included gains of € 10.2 million from the sale of shares in Isaria München Projektentwicklungs GmbH and reimbursements of € 15.5 million (previous year: € 9.5 million) from nursing care funds for loss of income and additional expenses as a result of the coronavirus pandemic.

Depreciation, amortization and impairment are broken down as follows:

in € million	2021	2020
Depreciation	-12.7	-11.0
Amortization	-7.7	-7.8
Amortization of rights-of-use assets	-22.0	-21.2
Amortization of goodwill	-171.5	0.0
Depreciation, amortization and impairment	**-213.9**	**-40.0**

Depreciation and amortization mainly consisted of depreciation of right-of-use assets held as property, plant and equipment in the context of lease accounting, as well as depreciation of level 4 broadband cable networks and the amortization of customer contracts acquired in the course of the business combination with the PFLEGEN & WOHNEN HAMBURG Group.

The amortization of goodwill in the fiscal year 2021 related to the goodwill arising in connection with the acquisition of the project business of Munich-based ISARIA Wohnbau AG in the fiscal year 2020. The amortization resulted from an increase in the cost of capital and the appreciation of real estate.

Gains of € 1,862.3 million from the fair value adjustment of investment properties (previous year: € 1,856.4 million) consisted of € 1,735.8 million attributable to revaluation (IAS 40 Investment Property) (previous year: € 1,653.9 million), as well as € 127.5 million attributable to valuation at sale prices (IFRS 5) (previous year: € 203.6 million) and € -1.0 million attributable to valuation changes for right-of-use assets (previous year: € -1.1 million).

Impairment losses on financial assets decreased by € 0.7 million from € 7.1 million to € 6.4 million. These mainly arose in the Property Management segment from the impairment or derecognition of rent receivables.

The financial result is broken down as follows:

in € million	2021	2020
Current interest expenses	-142.5	-145.8
Accrued interest on liabilities and pensions	-27.2	-30.7
Capitalized interest expenses	15.3	8.8
Non-recurring expenses in connection with financing	-27.8	-4.0
Fair value adjustment of financial instruments	11.5	-10.7
Fair value adjustment of convertible bonds	-368.1	-96.2
	-538.8	**-278.6**
Interest income	35.5	10.3
Financial result	**-503.3**	**-268.3**

Current interest expenses decreased mainly due to the change in the financing structure and the conversion of convertible bonds in the fourth quarter of 2021.

The accrued interest on liabilities and pensions mainly included expenses incurred in connection with the early repayment of loans.

For investment property, Deutsche Wohnen exercised the option under IAS 23 of capitalizing borrowing costs for qualifying assets accounted for at fair value for the first time from the second half of 2020. The background to this is the increasing importance of the project development business for the company’s own portfolio.

Non-recurring expenses from financing included a positive contribution to earnings of € 2.0 million in the fiscal year 2021, arising from the reversal of provisions for statutory default interest in the ongoing mediation proceedings in connection with the domination agreement concluded in 2014 between Deutsche Wohnen SE and GSW Immobilien AG. Non-recurring expenses of € 12.8 million resulted from the sale of profit shares of external shareholders in subsidiaries in the legal form of partnerships.

Due to the change in long-term interest rates, the negative fair values of derivative financial instruments (interest rate hedges) decreased. Where these financial instruments are not in an effective hedging relationship, the fair value adjustment is included as income in the financial result. In addition, changes in the value of other derivatives and in investments classified as financial instruments were included in the 2020 reference period.

The year-on-year change in the financial result is mainly due to the increased expenses from the fair value adjustment of the convertible bonds above the original total nominal amount of € 1,600.0 million. Of this amount, in the fiscal year 2021, a nominal amount of € 1,596.9 million was converted into Deutsche Wohnen SE stock and a nominal amount of € 3.1 million was repaid.

The price development of the convertible bonds follows the stock price of Deutsche Wohnen SE. The convertible bonds are recognized in the consolidated balance sheet at fair value. Consequently, the positive development of the Deutsche Wohnen stock price resulted in a valuation loss of € 368.1 million (previous year: valuation loss of € 96.2 million). This is attributable to the acquisition bid by Vonovia SE and the resulting increase in the price of Deutsche Wohnen stock, as well as to the conversion prices in the event of a change of control, as regulated in the bond terms and conditions.

Interest income increased year on year due to higher interest income from participating interests, which at € 30.7 million (previous year: € 3.6 million) was mainly attributable to the QUARTERBACK Group.

The coverage ratio of current interest expense less interest income to EBITDA (adjusted) before disposal is as follows:

in € million	2021	2020
EBITDA (adjusted) before disposal	715.8	704.8
Current interest expenses and income [1]	108.3	136.9
Interest cover ratio (ICR)	**6.6**	**5.1**

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

Income from companies accounted for using the equity method decreased by € 20.7 million from € 17.4 million to € -3.3 million. This includes the earnings contributions of joint ventures and associates attributable to Deutsche Wohnen. The change is mainly due to investments in companies of the QUARTERBACK Group. The prior-year period also included income of € 8.5 million that was incurred in connection with the finalization of the initial valuation of individual QUARTERBACK participations.

The following overview shows the year-on-year development of income taxes:

in € million	2021	2020
Current income taxes	-31.9	-24.0
Income taxes due to disposals	-81.2	-43.4
Non-recurring income tax effects	-0.5	-3.7
Deferred taxes	-743.8	-628.0
Income taxes	**-857.4**	**-699.1**

Income taxes in the fiscal year 2021 resulted in an expense of € 857.4 million (prior-year period: expense of € 699.1 million). They included an expense of € 743.8 million (prior-year period: expense of € 628.0 million) from deferred taxes and expenses from current income taxes and income taxes due to disposals totaling € 113.1 million (prior-year period: € 67.4 million). The amount of deferred taxes was attributable in particular to the adjustment of the fair values of the investment property and the convertible bonds, or the conversion of these, as well as to the discontinuation of tax loss carryforwards as a result of the acquisition of a majority stake by Vonovia SE. Current income taxes were also affected by this, as the losses incurred in the current fiscal year 2021 by tax group parent companies up to the acquisition were lost before they could be offset against profits of tax group companies.

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

in € million	2021	2020
Segment earnings		
Earnings from Residential Property Management	733.0	720.4
Earnings from Disposals	2.0	20.4
Earnings from Nursing Operations	52.1	46.9
Earnings from Nursing Homes	33.6	35.1
Earnings not attributable to a segment	-186.1	-136.1
Depreciation, amortization and impairment	-213.9	-40.0
Gains/losses from the fair value adjustment of investment properties	1,862.3	1,856.4
Earnings before interest and taxes (EBIT)/segment earnings	**2,283.0**	**2,503.1**

Earnings from Residential Property Management

Earnings from Residential Property Management developed as follows:

in € million	2021	2020
Income from contract rents	843.6	837.6
Income from operating costs	368.8	365.4
Income from property letting	**1,212.4**	**1,203.0**
Operating costs	-361.4	-356.2
Rental loss	-10.8	-11.5
Maintenance	-99.2	-105.0
Other	-8.0	-9.9
Earnings from Residential Property Management	**733.0**	**720.4**
Staff, general and administrative expenses	-55.7	-54.0
Operating result (NOI)	**677.3**	**666.4**
NOI margin in %	80.3	79.6
NOI in € per m^2 and month [1]	5.84	5.49
Change in NOI in € per m^2 and month in %	6.4	

1 Taking into account the average area on a quarterly basis in the respective period (annualized).

With the resolution published on April 15, 2021 by the 2nd Berlin State Government on March 25, 2021, the Federal Constitutional Court ruled that the Berlin rent cap (MietenWoG Bln) was unconstitutional and therefore invalid. At around € 29.5 million, the income from contract rents included the back payment claims arising up to May 31, 2021 as a result of the invalidity of the Berlin Rent Act (Berliner MietenWoG), of which around € 11.0 million related to rental periods prior to January 1, 2021. From June 1, 2021, tenants were again charged the rents permitted under the German Civil Code (BGB).

The rent increases in the fiscal year compensated for the decline in income from contract rents due to disposals.

For information on the development of contract rents and capital expenditure, please refer to our disclosures on the real estate portfolio starting on page 36.

Income from operating costs exceeded expenses for operating costs, as lease accounting meant that various expenses were not included in the operating costs. In the fiscal year 2021, leasing expenses for measurement technology and heat contracting amounted to € 18.4 million (previous year: € 19.3 million). In relation to the contract rent, this corresponds to a pro rata NOI margin of around 2.2% (previous year: 2.3%).

Losses from non-allocable operating costs and rental loss amounted to 2.6% of contract rent (previous year: 2.6%).

The level of net income from rental loss in the fiscal year 2021 was mainly related to the increase in rent receivables from back-payment claims resulting from the invalidity of the Berlin rent act (Berliner MietenWoG), some of which were deferred for longer periods.

Staff, general and administrative expenses amounted to around 6.6% (previous year: 6.4%) of contract rents.

Net operating income (NOI) increased by € 10.9 million, or 1.6%, compared to the previous year. The NOI margin, based on contract rent, increased from 79.6% to 80.3%.

Earnings from Disposals

In the Disposals business area, in the fiscal year 2021, we sold a total of 4,719 units (previous year: 8,856) and 5 nursing homes (previous year: 13) with a transfer of benefits and encumbrances.

in € million	2021	2020
Income from sold properties	780.2	1,251.6
Cost of sales	-7.2	-10.2
Net sales proceeds	**773.0**	**1,241.4**
Carrying amount of properties sold	-771.0	-1,221.0
Earnings from Disposals	**2.0**	**20.4**
Valuation gains due to disposal	172.5	288.3
Earnings from disposals before valuation gains due to disposal	**174.5**	**308.7**

The valuation gains due to disposal related to the valuation of non-current assets held for sale at the agreed sale price, insofar as this valuation effect was included in the carrying amount of properties sold for the current period.

The key figures and results are presented below, differentiated by residential privatization and institutional disposal:

Residential Privatization

in € million	2021	2020
Sales proceeds	**58.4**	**51.2**
Sales price in € per m²	3,925	2,955
Volume in units	212	233
Cost of sales	-3.8	-4.9
Net sales proceeds	**54.6**	**46.3**
Carrying amounts of assets sold without valuation gains due to disposal	-42.6	-38.2
Gross margin in %	37.1	34.0
Earnings before valuation gains due to disposal	**12.0**	**8.1**
Carrying amounts without valuation gains due to disposal	42.6	38.2
Loan repayment	-1.3	-1.5
Liquidity contribution	**53.3**	**44.8**

Sale prices in residential privatization averaged € 3,925 per m² in the fiscal year 2021 (prior-year period: average € 2,955 per m²).

Institutional sales

in € million	2021	2020
Sales proceeds	**721.8**	**1,200.4**
Sales price in € per m² (excl. Nursing Homes)	2,142	1,743
Volume in units	4,507	8,623
Cost of sales	-3.4	-5.3
Net sales proceeds	**718.4**	**1,195.1**
Carrying amounts of assets sold without valuation gains due to disposal	-555.9	-894.5
Gross margin in %	29.8	34.2
Earnings before valuation gains due to disposal	**162.5**	**300.6**
Carrying amounts without valuation gains due to disposal	555.9	894.5
Loan repayment	-53.5	-131.5
Liquidity contribution	**664.9**	**1,063.6**

The sales proceeds included the sale of 5 nursing homes managed by third parties (previous year: 13).

Of 4,507 units in institutional sales, 2,212 were attributable to a portfolio transaction in Rhineland-Palatinate at a purchase price of around € 293 million, and 935 units to diversified holdings in Rhineland-Palatinate at a purchase price of around € 144 million.

In the third quarter of 2021, the sale of around 10,700 residential units and around 200 commercial units to housing associations owned by the State of Berlin was notarized at a purchase price of around € 1.65 billion, for which the transfer of benefits and encumbrances mainly took place in January 2022; these units are therefore largely not included in the table for 2021 shown above.

Earnings from Nursing Operations

in € million	2021	2020
Income		
Nursing services	150.7	149.7
Rental income	61.1	59.1
Other	41.4	29.3
	253.2	**238.1**
Costs		
Nursing and corporate expenses	-50.9	-43.7
Staff expenses	-150.2	-147.5
Intra-Group lease expenses	-29.7	-26.9
	-230.8	**-218.1**
Earnings from Nursing Operations	**22.4**	**20.0**
excluding intra-Group lease expenses	52.1	46.9

The KATHARINENHOF Group manages 25 care facilities and the PFLEGEN & WOHNEN HAMBURG Group manages 13 care facilities; both companies are wholly owned subsidiaries of Deutsche Wohnen. Of the 38 facilities, 37 are owned by Deutsche Wohnen.

The increase in other income included reimbursements from nursing care funds for loss of income and additional expenses as a result of the coronavirus pandemic amounting to € 15.5 million (prior-year period: € 9.5 million).

Intra-Group lease expenses increased due to the transition from triple-net to double-net contracts, whereby a greater amount of maintenance is to be borne by the owner of the property.

Please refer to our portfolio disclosures for information on the development of the spaces managed and the occupancy rate at the facilities.

Earnings from the Nursing Operations segment before intra-Group lease expenses (EBITDAR [1]) amounted to € 52.1 million for fiscal year 2021 (prior-year period: € 46.9 million). This corresponds to an EBITDAR margin of 20.6% (prior-year period: 19.7%).

The occupancy rate as of December 31, 2021 was 95.0% (prior-year reporting date: 86.9%).

1 EBITDAR is EBITDA from the operation of care facilities before internal rental and lease expenses for properties. In accordance with IFRS 16 Leases, external rental and lease expenses are not included in the EBITDA calculation and are therefore not eliminated in EBITDAR.

Earnings from Nursing Homes

in € million	2021	2020
Income		
Rental income	37.2	38.3
Intra-Group rental income	29.7	26.9
	66.9	**65.2**
Costs	**-3.6**	**-3.2**
Earnings from Nursing Homes	**63.3**	**62.0**
excluding intra-Group rental income	33.6	35.1

The year-on-year decrease in external rental income resulted from the sale of 13 care facilities in the fiscal year 2020, with a transfer of benefits and encumbrances for 12 care facilities occurring in May 2020 and for 1 care facility in July 2020. The sale of the five care facilities in fiscal year 2021 occurred at the end of December 2021, so this has not yet had a material impact on the amount of rental income in the fiscal year 2021.

Earnings not attributable to a segment

Earnings not attributable to a segment amounted to € -186.1 million (previous year: € -136.1 million). It mainly included corporate expenses and transaction-related other operating income and expenses:

in € million	2021	2020
residential	-115.3	-105.9
Other income	25.4	21.6
Cost of materials	-9.4	-10.0
Other staff costs	-27.2	-3.5
Miscellaneous other operating expenses	-80.3	-49.7
Miscellaneous other operating income	21.2	11.4
Impairment losses on financial assets	-0.5	0.0
Earnings not attributable to a segment	**-186.1**	**-136.1**

Corporate expenses include staff and non-personnel operating costs, excluding the Nursing Operations and Nursing Homes segment:

in € million	2021	2020
Staff expenses	-73.1	-69.7
Non-personnel operating costs	-42.2	-36.2
Total corporate expenses	**-115.3**	**-105.9**

The development of staff expenses was attributable in particular to variable remuneration.

Staff and non-personnel operating costs arising from disposals amounted to € 4.2 million (previous year: € 3.4 million).

Other income, cost of materials, and other staff expenses were mainly related to revenues from multimedia and related services of the SYNVIA Group.

For details of other non-recurring and transaction-related operating income and expenses, please refer to the notes on adjusted earnings.

Assets, Liabilities and Financial Position

Selected key figures from the consolidated statement of financial position:

	Dec. 31, 2021		Dec. 31, 2020	
	in € million	in %	in € million	in %
Investment properties	28,730.5	86	28,069.5	91
Other non-current assets	1,090.0	4	990.5 [1]	3
Total non-current assets	**29,820.5**	**90**	**29,060.01**	**94**
Current assets	1,101.7	3	999.0	3
Cash and cash equivalents	676.7	2	583.3	2
Non-current assets held for sale	1,633.3	5	163.6	1
Total current assets	**3,411.7**	**10**	**1,745.9**	**6**
Total assets	**33,232.2**	**100**	**30,805.9** [1]	**100**
Equity	**17,203.4**	**52**	**13,841.3** [1]	**45**
Financial liabilities	5,946.1	18	6,525.1	21
Convertible bonds	0.0	0	1,768.7	6
Corporate bonds	3,803.8	11	3,129.6	10
Tax liabilities	126.2	0	60.5	0
Pension obligations	104.8	0	109.6	1
Deferred tax liabilities	5,156.6	16	4,412.0	14
Other liabilities	891.3	3	959.1	3
Total liabilities	**16,028.8**	**48**	**16,964.6**	**55**
Total assets	**33,232.2**	**100**	**30,805.9** [1]	**100**

1 Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.

Investment property remains the largest balance sheet item. It increased compared with December 31, 2020 primarily as a result of revaluations, acquisitions and capitalized refurbishments, with disposals or reclassifications to current assets having an offsetting effect.

Other non-current assets primarily comprised property, plant and equipment, intangible assets, and the carrying amounts of investments and loan receivables, particularly those relating to companies in the QUARTERBACK Group. The increase compared with the previous year's reporting date was due to the extension of maturities and the disbursement of loans. This was offset by € 171.5 million in amortization of goodwill arising from the acquisition of the project business of Munich-based ISARIA Wohnbau AG in the financial year 2020.

Current assets increased compared to December 31, 2020, primarily due to the disbursement of further loans to QUARTERBACK Group for the acquisition of land for project developments. This was offset by repayments by the QUARTERBACK Group and reclassifications of land and buildings previously held for sale to investment property.

For information on changes in cash and cash equivalents, please refer to the notes on cash flow on page 62.

In the fiscal year 2021, the Group's equity increased by € 3,362.1 million. The equity ratio rose to around 52%. In the reporting period, 40,344.2 thousand bearer shares were issued in exchange for convertible bonds in the nominal amount of € 1,596.9 million with an equivalent value of approximately € 2,134.8 million. In addition, 48.6 thousand bearer shares in Deutsche Wohnen SE were issued through the exercising of stock options, and a further approximately 60.7 thousand bearer shares were issued in exchange for around 25.7 thousand bearer shares in GSW Immobilien AG. This share swap was carried out on the basis of the provisions of the domination agreement between the two companies on the delivery right of external shareholders. In the third quarter, the company also sold 12,708.6 thousand own shares to Vonovia SE at a purchase price of € 660.8 million. In addition, Deutsche Wohnen's equity increased by the total comprehensive income for the fiscal year 2021 in the amount of € 927.8 million. It decreased by € 354.1 million due to the payment of the dividend by Deutsche Wohnen SE.

52%
equity ratio as of the balance sheet date.

Financing

Financial liabilities decreased by € 594.1 million due to the repayment of loans. New borrowings amounted to € 4.2 million.

Liabilities from convertible bonds changed due to conversions, repayments and fluctuations in market value. In the reporting period, convertible bonds with a nominal value of € 1,596.9 million were converted into shares in Deutsche Wohnen SE. The nominal amount of € 3.1 million remaining after the conversions was repaid.

Liabilities from corporate bonds increased by a total of € 674.2 million. Scheduled repayments of € 300.0 million and the exercising of special termination rights in the event of a change of control amounting to € 370.3 million in the context of the acquisition bid by Vonovia SE were offset by proceeds from issues amounting to € 1,350.2 million. The latter included the issue of two long-term green bonds (€ 500.0 million each), short-term bearer bonds (€ 100.0 million) and commercial papers (€ 250.2 million).

The average interest rate of the loan portfolio, including corporate bonds, was approximately 1.35% p.a. as of December 31, 2021, with a hedging ratio [2] of approximately 90%.

2 The ratio of fixed-interest or interest-rate-secured financial liabilities, convertible bonds and corporate bonds to the total nominal value of financial liabilities, convertible bonds and corporate bonds.

Deutsche Wohnen SE received a long-term issuer rating from each of the two international rating agencies Standard & Poor's and Moody's. The ratings are BBB+ from Standard & Poor's (as of December 21, 2021) with a positive outlook, and A3 from Moody's (as of December 17, 2021) with a stable outlook.

Deferred tax liabilities increased by € 744.6 million from € 4,412.0 million as of December 31, 2020 to € 5,156.6 million. This was primarily due to valuation gains and the elimination of accumulated losses brought forward in connection with the acquisition by Vonovia SE.

Loan-to-Value Ratio

The debt-to-equity ratio (loan-to-value ratio) was 28.6% as of the reporting date. It developed as follows compared to December 31, 2020:

in € million	Dec. 31, 2021	Dec. 31, 2020
Financial liabilities	5,946.1	6,525.1
Convertible bonds	0.0	1,768.7
Corporate bonds	3,803.8	3,129.6
	9,749.9	**11,423.4**
Cash and cash equivalents	-676.7	-583.3
Net financial liabilities	**9,073.2**	**10,840.1**
Investment properties	28,730.5	28,069.5
less right-of-use assets held as investment properties from leases	-45.4	-51.6
Non-current assets held for sale	1,633.3	163.6
Land and buildings held for sale	189.0	472.2
Investments in property and land companies	376.0	370.4 [1]
Loans to property and land companies	806.5	252.3
	31,689.9	**29,276.41**
Loan-to-value ratio in %	**28.6%**	**37.0%**

1 Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.

In addition to ongoing business activities and property valuations, the decrease in the loan-to-value ratio in the fiscal year 2021 was due in particular to the conversion of convertible bonds into equity and the sale of own shares.

The other liabilities presented in the statement of financial position are broken down as follows:

in € million	Dec. 31, 2021	Dec. 31, 2020
Derivative Financial Instruments	23.8	57.3
Trade payables	375.4	429.9
Other	492.1	471.9
Total other liabilities	**891.3**	**959.1**

Cash Flow

The Group's cash flow is as follows:

in € million	2021	2020
Cash flow from operating activities	465.2	504.5
Cash flow from investing activities	-698.2	-899.6
Cash flow from financing activities	326.4	292.8
Net change in cash and cash equivalents	**93.4**	**-102.3**
Opening balance of cash and cash equivalents	583.3	685.6
Closing balance of cash and cash equivalents	**676.7**	**583.3**

Cash flow from operating activities is subject to fluctuations due to cash inflows and outflows from the purchasing and disposal of properties held for sale. In the fiscal year 2021, the cash flow from this amounted to € 10.7 million (previous year: € 48.7 million).

In the fiscal year 2021, cash flow from investing activities included payments for investments in real estate amounting to € 762.0 million (previous year: € 1,069.0 million) and in other assets amounting to € 779.0 million (previous year: € 644.5 million).

Of the investments in real estate, expenditures of € 240.1 million (previous year: € 676.3 million) related to acquisitions, € 250.0 million (previous year: € 267.5 million) to refurbishments and € 271.9 million (previous year: € 125.2 million) to new construction. This was offset by proceeds from the disposal of investment properties amounting to € 635.7 million (previous year: € 1,266.0 million).

Investments in other assets primarily related to investments, namely the acquisition of investments in the amount of € 12.3 million (previous year: € 268.6 million) and the issuing of loans in the amount of € 737.3 million (previous year also acquisition of loan receivables: € 349.9 million). In addition, we invested € 27.3 million (previous year: € 23.4 million) in property, plant and equipment.

In the prior-year period, a net amount of € 517.1 million was paid for the acquisition of the ISARIA Group, after deduction of the cash and cash equivalents acquired. Other cash inflows from investing activities primarily comprised repayments of loans granted.

Cash flow from financing activities primarily includes all payments in connection with refinancing (repayments and new borrowings, convertible bonds and corporate bonds, as well as the related non-recurring payments), proceeds from corporate actions and disposals, and payments for the acquisition of own shares and for dividend payments.

Cash flow from financing activities in the reporting period included proceeds from the issuing of corporate bonds amounting to € 1,350.2 million (previous year: € 1,998.2 million). Loans of € 594.1 million (previous year: € 533.0 million), bonds of € 353.0 million (previous year: € 278.8 million), bearer bonds of € 217.3 million (previous year: € 300.0 million) and commercial papers of € 100.0 million (previous year: € 295.0 million) were repaid. Proceeds from the sale of own shares amounted to € 660.8 million, whereas, in the same period of the previous year,

€ 507.0 million was paid for the acquisition of own shares. Furthermore, the Deutsche Wohnen SE dividend for the fiscal year 2020 of € 354.1 million (previous year: € 312.6 million) was paid in the first half of 2021.

FFO

Funds from Operations without disposals (FFO I) is the key figure for us. The fiscal year 2021 was the first time that Deutsche Wohnen no longer included interest income from loans to the QUARTERBACK Group in FFO. In accordance with IAS 8, the prior-year disclosures in the consolidated financial statements have been amended. This led to a reduction in FFO I by € 3.6 million in absolute terms to € 540.5 million for fiscal year 2020 compared to the originally reported figure of € 544.1 million. FFO I per share decreased by € 0.01 to € 1.55 per share compared to the originally reported figure of € 1.56 per share.

€ 1.54
FFO I per share.

Compared with the previous year, FFO I increased by around 2.4% in absolute terms and decreased by around 0.6% per share (basic):

in € million	2021	2020
EBITDA before gains/losses from the fair value adjustment of investment properties	**634.6**	**686.7**
Valuation of current assets (real estate)	-0.1	1.3
Valuation gains due to disposal	172.5	288.3
Other non-recurring income and expenses	55.7	31.1
Restructuring and reorganization expenses	23.4	2.7
EBITDA (adjusted)	**886.1**	**1,010.1**
Earnings from Disposals	-2.0	-20.4
Valuation gains due to disposal	-172.5	-288.3
Staff, general and administrative expenses of disposals	4.2	3.4
EBITDA (adjusted) before disposal	**715.8**	**704.8**
Long-term remuneration component (share-based)	-0.2	-0.1
Finance leases for broadband cable networks	3.1	3.1
At-equity valuation	2.1	2.4
Interest expense/income	-125.9	-136.0 [3]
Income taxes	-31.9	-24.0
Minority interests	-9.4	-9.7
FFO I	**553.6**	**540.53**
Earnings from Disposals	2.0	20.4
Staff, general and administrative expenses of disposals	-4.2	-3.4
At-equity valuation	10.0	0.0
Earnings from disposals	172.5	288.3
Income taxes due to disposals	-81.2	-43.4
FFO II	**652.7**	**802.4 [3]**
FFO I per share in € (basic) [1]	1.54	1.553
FFO I per share in € (diluted) [2]	1.54	1.553
FFO II per share in € (basic) [1]	1.82	2.31 [3]
FFO II per share in € (diluted) [2]	1.82	2.31 [3]

1 Based on the weighted average of approximately 358.50 million outstanding shares in 2021 (excluding own shares) and approximately 347.85 million in 2020.
2 Based on the weighted average of approximately 358.50 million outstanding shares in 2021 (excluding own shares) and approximately 347.85 million in 2020.
3 Calculation method changed: Interest income from loans to the QUARTERBACK Group is no longer included in FFO. The prior-year figures were changed accordingl

For the purpose of determining FFO, all income from the leasing of broadband cable networks are included, irrespective of whether they have been classified in the IFRS consolidated financial statements as finance leases or as operating leases with Deutsche Wohnen as the lessor. In this respect, the rental payments agreed under civil law and with an impact on cash flow, which were qualified as interest payments and repayment in the consolidated financial statements, are recognized as rental income.

NAV

The NAV reflects the current net asset value taking into account acquisitions and disposals. Deferred taxes for investment properties are adjusted accordingly. Deutsche Wohnen has not exercised the option to add real estate transfer tax and has accordingly used the IFRS (net) values reported in the balance sheet.

in € million	Dec. 31, 2021	Dec. 31, 2020
Equity (before non-controlling interests)	16,727.3	13,400.21
i) Dilution effects from the conversion of in-the-money convertible bonds	0.0	0.0
Diluted NAV	**16,727.3**	**13,400.21**
plus		
iv) Revaluation of inventory properties after deferred taxes	25.1	43.9
Diluted NAV at market values	**16,752.4**	**13,444.11**
less		
v) Deferred taxes from valuation gains on investment properties	4,996.3	4,711.8
vi) Market values of derivative financial instruments	20.8	54.7
vii) a) Goodwill as recognized in the IFRS consolidated financial statements	-148.1	-319.7
vii) b) Intangible assets as recognized in the IFRS consolidated financial statements	-32.7	-38.0
NAV	**21,588.7**	**17,852.9** [1]
Number of shares (diluted) in millions (excluding owns shares)	396.93	343.77
NAV in € per share	**54.39**	**51.93** [1]

1 Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.

NAV increased by € 3,735.8 million in absolute terms and by € 2.46 per share (diluted). As of the reporting date, there are no longer any outstanding convertible bonds. By contrast, two convertible bonds were outstanding as of the prior-year reporting date, but were not in the money (the conversion prices exceeded the reporting date price of Deutsche Wohnen shares), resulting in dilutive effects.

REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF DEUTSCHE WOHNEN SE

Fundamental Aspects of Deutsche Wohnen SE

Deutsche Wohnen SE is the parent company in the corporate Group of its direct and indirect subsidiaries. It acts as a holding company for these and, together with its employees, performs all the key central functions for the Group. In the fiscal year 2021, Vonovia SE acquired the majority of shares in Deutsche Wohnen SE and, as of the reporting date, held 87.60% of the voting share capital.

The annual financial statements are prepared in accordance with the provisions of the German Commercial Code (HGB) for large corporations and the supplementary provisions of the German Stock Corporation Act (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 other places.

The report on the situation and the presentation of the risks and opportunities for the Group also essentially apply to Deutsche Wohnen SE, as it, the parent company, is materially influenced by the subsidiaries through loans and investment earnings. In this respect, reference is made to the chapters on the fundamental information about the Group, the report on economic position, and the report on opportunities and risks.

Employees

As of December 31, 2021, 237 employees [1] (previous year: 243) and 60 trainees and Berufsakademie students (previous year: 69) were employed by Deutsche Wohnen SE.

Management Board Analysis of Business Operations

In the fiscal year 2021, Deutsche Wohnen SE issued long-term corporate bonds for the purpose of financing the Group. As part of the majority acquisition by Vonovia SE, own shares were sold and convertible bonds converted into equity. This led to a strengthening of Deutsche Wohnen SE’s equity.

The operating result from holding activities decreased by € 12.6 million compared to the previous year due to lower sales and increased personnel expenses.

At € 253.2 million, profit and loss transfers (gains and losses) and distributions from subsidiaries in the fiscal year 2021 were significantly higher than the previous year’s figure of € -20.0 million. This resulted primarily from gains on disposals and carrying amount write-ups in the past fiscal year compared to carrying amount write-downs on investments and real estate at the consolidated tax group subsidiary level in the previous year. The one-time effects in the earnings from investments in 2021 amounted to approximately € 130 million.

1 All employees including those on maternity/parental leave, including temporary staff and marginal employees, excluding trainees, excluding Management Board.

Net income for 2021 was reduced by non-recurring expenses of € 77.6 million, presented in the non-operating result, which arose in connection with financing and the acquisition of a majority stake by Vonovia SE.

We had forecast higher income from investments and — before one-time effects — positive net income before income taxes in the mid-double-digit million range for the fiscal year 2021. We achieved a net income before income taxes of € 111.6 million. Taking into account the one-time effects in the non-operating result of € 77.6 million and in the income from investments of around € 130 million, we have reached the forecast value for 2021.

Notes on Results of Operations, Net Asset Situation and Financial Position of Deutsche Wohnen SE

Results of Operations

	2021	2020	Changes	Changes
	in € million	in € million	in € million	in %
Revenue	41.9	49.4	-7.5	-15
Other operating income	4.3	2.9	1.4	48
Personnel expenses	-34.6	-29.4	-5.2	18
Other operating expenses	-56.3	-54.0	-2.3	4
Depreciation and amortization	-4.1	-5.1	1.0	-20
Operating result	**-48.8**	**-36.2**	**-12.6**	**35**
Net interest	-15.1	-12.5	-2.6	21
Net income from investments	253.2	-20.0	273.2	-1,366
Non-operating result	-77.6	-7.4	-70.2	949
Write-downs	-0.1	0.0	-0.1	N/A
Income taxes	-21.0	-0.6	-20.4	3,400
Net income for the year	**90.6**	**-76.7**	**167.3**	**-218**

Deutsche Wohnen SE acts as a holding company and generates revenue from providing management services to the entire Group, on the one hand, for general management services and, on the other hand, for the overseeing the acquisition of subsidiaries. The decrease in sales revenue is mainly due to the lower volume of acquisition transactions compared with the previous year.

The increase in personnel expenses by € 5.2 million compared to the previous year is primarily due to the recruitment of employees, salary increases and changes in the valuation of share price-based variable remuneration. Deutsche Wohnen SE had an average of 240 employees in 2021 (previous year: 229). Non-recurring personnel expenses in the fiscal year 2021 have been included in the non-operating result to enhance comparability.

Other operating expenses mainly included IT costs (€ 18.8 million; previous year: € 17.0 million) and legal and consulting costs (€ 10.1 million; previous year: € 10.9 million). They also included services received from affiliates, marketing and entertainment expenses, and general corporate expenses. Non-recurring other operating expenses in the fiscal year 2021 have been included in the non-operating result to enhance comparability.

Depreciation and amortization related to scheduled amortization of software and depreciation of property, plant and equipment, such as leasehold improvements and operating and office equipment.

Net interest income consisted of interest expense of € 76.5 million (previous year: € 73.1 million), of which € 11.0 million (previous year: € 7.4 million) was presented in the non-operating result, and interest income of € 51.3 million (previous year: € 53.2 million), of which € 0.9 million (previous year: none) was presented in the non-operating result.

In the past and previous fiscal years, Deutsche Wohnen SE predominantly financed itself through equity and low-interest convertible bonds and corporate bonds. Further funds flowed to Deutsche Wohnen SE as the manager of the Group’s cash pool. Deutsche Wohnen passed these funds on to subsidiaries via equity or intra-Group financing. Against this backdrop, net interest income consisted of net interest income from third parties of € -59.0 million (previous year: € -59.0 million) and net interest income from affiliates of € 43.9 million (previous year: € 46.5 million). Non-recurring interest expenses and income incurred for interest rate hedging transactions and in connection with the termination of corporate bonds were included in the non-operating result to enhance comparability.

Deutsche Wohnen SE, as the holding company, receives the value-added from the level of the subsidiaries via income from investments. The income from investments takes into account profit and loss transfers from subsidiaries under profit and loss transfer or domination agreements and from partnerships totaling € 179.0 million (previous year: € -94.2 million) as well as distributions from GSW Immobilien AG totaling € 74.6 million (previous year: € 74.6 million). Expenses for compensation payments under affiliation agreements were offset against distributions (€ -0.4 million; previous year: € -0.4 million). These expenses relate to the ongoing mediation proceedings in connection with the domination agreement concluded in 2014 between Deutsche Wohnen SE and GSW Immobilien AG, which could lead to a higher compensation payment to external shareholders. The losses to be absorbed under profit and loss transfer agreements in the fiscal years 2021 and 2020 resulted predominantly from the write-down of individual shareholdings and properties held by consolidated tax group subsidiaries that had to be carried out in accordance with the principle of itemized measurement, while hidden reserves in other shareholdings and properties could not be realized under commercial law. On the one hand, the profits taken over in the fiscal year 2021 resulted from capital gains on the disposal of real estate at the level of subsidiaries. On the other, the carrying amounts of the shares in subsidiaries were written up in the case of consolidated tax group subsidiaries; in this case, impairment losses recognized in the past were reversed due to increases in value.

The non-operating result was composed as follows:

	2021	2020
	in € million	in € million
Interest income/expense from the valuation of provisions for anticipated losses for derivatives	0.9	-4.6
Interest expense from the redemption of derivatives	0.0	-2.8
Personnel expenses for long-term remuneration components	-6.3	0.0
Interest expense from the termination of corporate bonds	-11.0	0.0
Personnel expenses for restructuring	-13.5	0.0
Consultancy costs in connection with the acquisition bid from Vonovia SE	-47.7	0.0
	-77.6	**-7.4**

In the fiscal year 2021, the non-operating result included non-recurring interest income from the reversal of provisions for anticipated losses on interest rate hedges.

In October 2021, the long-term incentive (LTI) components granted to Management Board members and executives for the years 2018 through 2021 were paid out. The payment was made in accordance with the Business Combination Agreement (BCA) concluded with Vonovia SE with the maximum target achievement level of 250%. The non-operating result included the difference in the amount that had arisen compared with the last determination of target achievement levels.

In the financial year 2021, bondholders exercised special termination rights arising from the change of control. In this respect, non-recurring expenses arose from premiums on redemption and from the reversal of discounts accrued in the past upon issuance.

In the fiscal year 2021, non-recurring expenses were incurred for severance payments and leaves of absence for Management Board members and employees.

The Management Board and Supervisory Board incurred one-off consulting costs in connection with the review of Vonovia SE's acquisition bid to the shareholders of Deutsche Wohnen SE and the negotiation of the BCA.

In the fiscal year 2020, the non-operating result included non-recurring interest expenses of € 4.6 million arising from additions to provisions for interest rate hedges and € 2.8 million arising from the redemption of interest rate hedges.

The income taxes item includes current income taxes (€ 14.4 million; previous year: € 0.6 million) and deferred taxes (€ 6.6 million; previous year: none). The year-on-year increase in income taxes is attributable, on the one hand, to gains on the disposal of properties and, on the other, to the discontinuation of tax loss carryforwards in connection with the acquisition of a majority stake by Vonovia SE.

In the fiscal year 2021, Deutsche Wohnen SE generated a net profit of € 90.6 million (previous year: net loss of € 76.7 million).

Assets, Liabilities and Financial Position

	December 31, 2021		December 31, 2020		Changes
	in € million	%	in € million	%	in € million
Non-current assets	7,738.6	76.8	7,699.7	91.7	38.9
Receivables and other assets	1,738.9	17.2	206.4	2.4	1,532.5
Cash and bank balances	602.7	6.0	491.7	5.9	111.0
	10,080.2	**100.0**	**8,397.8**	**100.0**	**1,682.4**
Equity	4,429.9	44.0	2,432.6	29.0	1,997.3
Provisions	63.0	0.6	50.6	0.6	12.4
Liabilities	5,577.8	55.3	5,911.5	70.4	-333.7
Deferred income	2.9	0.0	3.1	0.0	-0.2
Deferred tax liabilities	6.6	0.1	0.0	0.0	6.6
	10,080.2	**100.0**	**8,397.8**	**100.0**	**1,682.4**

Deutsche Wohnen SE's non-current assets of € 7,738.6 million (previous year: € 7,699.7 million) consist mainly of shares in affiliates amounting to € 4,379.5 million (previous year: € 4,372.3 million) and loans to affiliates of € 3,344.3 million (previous year: € 3,311.6 million).

Receivables and other assets consisted primarily of receivables from affiliated companies (€ 1,534.6 million; previous year: € 103.6 million), which increased as part of cash pooling with Deutsche Wohnen SE as the central manager of the cash pool.

Deutsche Wohnen SE's equity increased by € 3.2 million in the fiscal year 2021 as a result of the net profit of € 90.6 million for 2021 and the ongoing non-cash capital increase under the domination agreement with GSW Immobilien AG, which grants external shareholders the right to exchange shares in GSW Immobilien AG for shares in Deutsche Wohnen SE. In addition, equity increased by € 1,596.9 million due to the conversion of convertible bonds and by € 660.8 million due to the sale of own shares. The dividend of € 354.1 million for the fiscal year 2020, the valuation changes and the exercising of stock options in the net amount of € 0.2 million led to reductions in equity.

After the deduction of own shares, the share capital amounted to € 396.9 million at the reporting date (previous year: € 343.8 million). The equity ratio amounted to 44.0% (previous year: 29.0%).

Liabilities were broken down as follows:

in € million	December 31, 2021	December 31, 2020	Changes
Unsecured financial liabilities	3,853.5	3,169.6	683.9
Liabilities to affiliated companies	1,665.8	1,020.9	644.9
Convertible bonds	0.0	1,605.9	-1,605.9
Liabilities to banks	0.2	60.4	-60.2
Other liabilities	58.3	54.7	3.6
	5,577.8	**5,911.5**	**-333.7**

Unsecured financial liabilities were broken down as follows:

in € million	December 31, 2021	December 31, 2020	Changes
Corporate bonds	1,851.3	1,200.0	651.3
Bearer bonds	1,371.8	1,483.0	-111.2
Registered bonds	480.4	486.6	-6.2
Commercial papers	150.0	0.0	150.0
	3,853.5	**3,169.6**	**683.9**

In the fiscal year 2021, two unsecured green corporate bonds were issued:

- Tranche 1 with a total nominal amount of € 500.0 million, maturing on April 7, 2031, and with a fixed interest rate of 0.50% p. a. In connection with the change of control, bondholders called in a nominal amount of € 174.3 million, leaving a nominal amount of € 325.7 million outstanding at the reporting date.

- Tranche 2 with a total nominal amount of € 500.0 million, maturing on April 7, 2041, and with a fixed interest rate of 1.30% p.a. In connection with the change of control, bondholders called in a nominal amount of € 165.7 million, leaving a nominal amount of € 334.3 million outstanding at the reporting date.

In the fiscal year 2020, two unsecured corporate bonds were issued:

- Tranche 1 with a total nominal amount of € 595.0 million, maturing on April 30, 2030, and with a fixed interest rate of 1.50% p.a. In the fiscal year 2021, bondholders called in a nominal amount of € 7.7 million in connection with the change of control, leaving a nominal amount of € 587.3 million outstanding at the reporting date.

- Tranche 2 with a total nominal amount of € 595.0 million, maturing on April 30, 2025, and with a fixed interest rate of 1.00% p.a. In the fiscal year 2021, bondholders called in a nominal amount of € 5.3 million in connection with the change of control, leaving a nominal amount of € 589.7 million outstanding at the reporting date.

The total nominal amount of the unsecured bearer bonds was € 1,360.2 million as of December 31, 2021 (previous year: nominal € 1,477.5 million). They bear fixed interest rates ranging from 0.00% p.a. to 2.50% p.a. and mature between 2022 and 2036.

In the past fiscal years, unsecured registered bonds were issued with a nominal value of € 475.0 million (previous year: nominal value of € 475.0 million) as of the reporting date. They bear fixed interest rates ranging from 0.90% p.a. to 2.00% p.a. and mature between 2026 and 2032.

As of the reporting date, unsecured corporate bonds under the Multi-Currency Commercial Paper Program were outstanding in the nominal amount of € 150.0 million (previous year: none).

Liabilities to affiliated companies increased in the context of intra-Group cash pooling with Deutsche Wohnen SE as the central manager of the cash pool (€ 1,058.2 million; previous year: € 345.6 million) and decreased with regard to intra-Group loans to Deutsche Wohnen SE (€ 525.8 million; previous year: € 559.6 million).

As of the previous year's reporting date, the two convertible bonds issued in fiscal year 2017, recognized at their total nominal amount of € 1,600.0 million plus accrued interest, were still outstanding. In the fiscal year 2021, these convertible bonds with a nominal value of € 1,596.9 million were converted into shares in Deutsche Wohnen SE. The nominal amount of € 3.1 million remaining after the conversions was repaid.

Liabilities to banks decreased as a result of repayments in the fiscal year.

As in the previous year, other liabilities as of December 31, 2021 included liabilities from a promissory note loan, the holder of which was not a bank as of the reporting date, in the nominal amount of € 50.0 million.

Deutsche Wohnen SE's debt-to-equity ratio (ratio of debt to total assets) at the reporting date was 56.0% (previous year: 71.0%).

Pursuant to Section 264 (1)(2) HGB, a detailed cash flow statement has been omitted.

Deutsche Wohnen SE received a long-term issuer rating from each of the two international rating agencies Standard & Poor's and Moody's. The ratings are BBB+ from Standard & Poor's (as of December 21, 2021) with a positive outlook, and A3 from Moody's (as of December 17, 2021) with a stable outlook.

Forecast for the 2022 Fiscal Year

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

Our forecast is based on the corporate plan drawn up using the planning instruments. It includes assumptions on overall economic development and the development of the housing market. Acquisitions and opportunistic disposals are not included unless they were already registered at the time of planning. Effects from the integration process with Vonovia SE, which had not yet started at the time of planning, have also been reflected neither in the planning not, therefore, in the forecast. The possible risks and opportunities from future developments have been adequately taken into account.

The net assets, financial position and results of operations of Deutsche Wohnen SE are linked to the economic performance of its subsidiaries. Earnings are also dependent on the profit and loss transfers and the distributions of the subsidiaries.

For 2022, we expect significantly lower income from investments due to the discontinuation of the one-time valuation gains among the consolidated tax group subsidiaries that arose in 2021. We therefore expect, before one-time effects such as integration or transaction costs, to achieve positive earnings before income taxes in the mid-double-digit million range.

REPORT ON RISKS AND OPPORTUNITIES

Deutsche Wohnen SE, Berlin, together with its subsidiaries, forms the Deutsche Wohnen Group ("Deutsche Wohnen" or the "Group"). It maintains a holistic and Group-wide risk management system covering the activities of all Group companies.

Deutsche Wohnen's Risk Management System

Deutsche Wohnen continuously reviews opportunities that arise and could enable the Group to secure its further development and growth. Both the exploitation of these opportunities and the current business model are associated with risks. Knowing, assessing and managing all significant risks is of great importance. To this end, a central risk management system (RMS) has been implemented at Deutsche Wohnen to ensure the identification, measurement, management and monitoring of all material risks of relevance to the Group. It is intended to ensure that risks are identified, prioritized and communicated to the responsible decision-makers at an early stage so that they can decide on countermeasures or consciously bear any associated risks. This approach is intended to avert or minimize damage to Deutsche Wohnen.

A central risk management system is designed to identify, prioritize and communicate risks at an early stage.

Scope

Deutsche Wohnen SE's RMS, including the risk early warning system, records the risks arising from all activities of all direct or indirect shareholdings over which it can exercise a controlling influence, irrespective of segment. Insofar as business activities are performed under management service agreements, risks arising from the management service agreement are recognized. In the case of non-controlling interests, risks arising from the valuation of the investment are recognized.

This means that the subsidiaries are included in the Deutsche Wohnen Group's RMS and risk early warning system, the regulations of which are applied uniformly throughout the Group.

Principles of the Risk Management Strategy

Deutsche Wohnen's risk strategy is geared toward safeguarding the continued existence of the company as a going concern and also toward increasing its enterprise value on a sustainable basis. Entrepreneurial success requires that opportunities are perceived and associated risks are recognized and evaluated. Opportunities should be exploited in an optimal manner and entrepreneurial risks should be borne consciously and responsibly, and proactively managed, provided that an appropriate increase in value can be achieved. Risks that could jeopardize the company's continued existence as a going concern must be avoided. The Management Board adopts rules and regulations for Deutsche Wohnen that specify and supplement statutory provisions in order to promote risk-averse behavior among employees.

Every employee is required to behave in a risk-conscious manner.

Responsibility

The establishment of an appropriate and functional risk management system (RMS) is the joint responsibility of the Management Board of Deutsche Wohnen SE. It decides on the structural and procedural organization as well as the allocation of resources. It approves the documented results of risk management and takes them into account when managing the business.

The risk management manual put in place by the Management Board documents the Management Board's specifications on the organizational regulations and measures of the RMS and serves as a working basis for the risk owners.

Selected Deutsche Wohnen executives are designated as **risk owners** and, in this role, assume responsibility at a Group level for identifying, assessing, documenting and communicating all material risks, as well as for risk-minimizing measures in the risk category assigned to them.

In accordance with the specifications in the risk management manual, the **risk manager** coordinates the recording, assessment, documentation and communication of risks as part of the risk management process (risk inventory) and prepares the report for the Deutsche Wohnen SE Management Board, the management of the Group companies and the Supervisory Board.

The risk owners provide their feedback as part of a quarterly risk inventory and participate personally in meetings with the Management Board and the risk manager, which also take place on a quarterly basis. The aim is to make the risk situation in the Group transparent and to ensure that the identified risks are dealt with in a uniform manner throughout the Group.

Instruments in the Risk Management System

The RMS applies throughout the Group and is intended, in its entirety, to help ensure that corporate targets can be achieved, deviations are identified at an early stage, negative effects on Deutsche Wohnen are avoided, and appropriate measures can be initiated in good time.

The existing Group-wide RMS is adapted to developments at Deutsche Wohnen as required.

The central elements of Deutsche Wohnen's risk management system (RMS) are:

1. Internal Control System (ICS)
2. Reporting
3. Risk management
4. Compliance
5. Internal Audit

1. Internal Control System (ICS)

With regard to the accounting process, the objective of the ICS is to ensure the correctness and effectiveness of accounting and financial reporting. Deutsche Wohnen has established an ICS that predominantly ensures the principles of transparency, compliance with the dual-control principle, segregation of duties and minimum information for employees.

With regard to the (Group) financial reporting process, the main features of our existing internal control and risk management system can be summarized as follows:

- Deutsche Wohnen is characterized by a clear organizational, corporate, and control and monitoring structure.
- Coordinated Group-wide planning, reporting, control and early-warning systems and processes are in place to ensure the comprehensive analysis and management of earnings-relevant risk factors and risks to the Group's ability to continue as a going concern.
- The functions in all areas of the accounting process (for example, financial accounting and controlling) are clearly assigned.
- The IT systems used in accounting are protected against unauthorized access.
- Standard software is predominantly used in financial systems.
- The processes of the departments involved in (Group) accounting comply with the requirements for proper accounting.
- The completeness and accuracy of (Group) accounting data are checked using manual and software-supported controls.
- In the case of processes relevant to (Group) accounting, the dual-control principle is applied.
- Among other things, the Supervisory Board deals with key issues relating to (Group) accounting, risk management and the audit of the financial statements, as well as the focal points of these issues.

The internal control and risk management system with regard to the accounting process — the main features of which have been described above — ensures that business matters are correctly recorded, prepared and assessed in the financial statements and included in external accounting.

The internal control and risk management system ensures that accounting at Deutsche Wohnen and at companies included in the consolidated financial statements is uniform and complies with legal and statutory requirements and internal guidelines.

2. Reporting

Integrated corporate planning and corresponding internal reporting on operating and financial indicators from the area of controlling form the basis of the early warning system used in the company.

The Management Board and Supervisory Board receive essential information in monthly reports.

A central component of the RMS is detailed monthly corporate reporting, which compares the actual figures with the target figures approved and, if necessary, further developed by the Supervisory Board. Deutsche Wohnen focuses in particular on key figures relating to the development of property lettings, leases and disposals, and segment earnings, as well as the development of personnel and non-personnel operating costs, cash flows, liquidity, and balance sheet ratios.

Reporting enables deviations to be identified at an early stage and appropriate measures initiated.

The detailed monthly reporting provides the Management Board and Supervisory Board with essential information.

3. Risk Management

Risks are documented as part of the quarterly risk inventory process. Ten overarching risk categories are defined. The risk categories contain around 70 individual risks, to which environment- and company-specific early warning indicators are assigned; these indicators are then used to identify the risks.

Risks are managed by the departments and, from a potential loss amount of € 500 thousand, verified in the risk inventory and assigned to the risk categories presented. Outside the scope of regular reporting, the risk owners and the risk manager are required to report any material changes in the risk situation to the Management Board immediately.

The timeframe for a risk assessment is 12 months in each case. The timeframe for the risk assessment for investment risks is 36 months.

Risks are assessed by means of expenditure-oriented thresholds for the amount of damage (indicated taking into account the risk-minimizing measure taken or being implemented) and the probability of occurrence.

For each risk, the “Relevance” indicator is used to determine whether factors are currently present that could indicate the occurrence of the risk.

In the risk inventory, the risks are ultimately assigned to one of four categories based on this information: Negligible, Significant, Major, Critical.

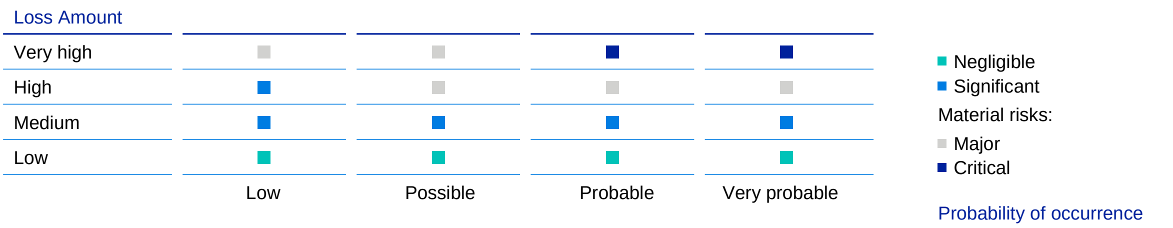
Ten Risk Categories

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

Thresholds

Loss Amount	in € mn	Probability of Occurrence	in %
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

Risk Assessment Matrix



In line with the final assessments in the risk inventory, the “material risks” (relevant risks with final ratings of “Major” and “Critical”) and the risks threatening the existence of the company as a going concern (critical risks may threaten the existence of the company as a going concern) are identified for Deutsche Wohnen. Only relevant risks are analyzed in relation to risk-bearing capacity. Interdependencies of risks that are not individually assessed as material or as posing a threat to the Group’s ability to continue as a going concern but are taken into account if, when viewed cumulatively, they could potentially have a material impact on the Group or pose a threat to its ability to continue as a going concern.

The Group's risk-bearing capacity is determined on a quarterly basis. The Group's risk-bearing capacity is determined on the basis of market value by reference to the fair value valuation in the IFRS consolidated financial statements. The relevant risks identified in the risk inventory are compared on a cumulative basis with the risk-bearing capacity of the Deutsche Wohnen Group.

The result of the quarterly risk inventory is documented in the form of a risk-control matrix.

The Management Board receives an updated risk inventory and information on risk-bearing capacity for each quarter. In the case of ad hoc reports or significant changes in the risk situation, there is an obligation to report this to the Management Board immediately. The Supervisory Board Audit Committee is informed about the risk situation at its regular meetings.

4. Compliance

For Deutsche Wohnen, compliance represents an essential component of responsible corporate governance.

Company-wide conduct guidelines apply to all employees.

Compliance with statutory provisions, the standards of the German Corporate Governance Code, internal directives and voluntary commitments, and fair dealings with business partners and competitors, are important principles for Deutsche Wohnen. They serve to translate the values, principles and rules of responsible corporate governance into day-to-day activities.

Risks arising from corporate governance are monitored by the Legal department and as part of risk management in the risk inventory.

Company-wide, employees are subject to behavioral guidelines that specify and supplement statutory provisions. Employees receive regular training on compliance risks, as do their supervisors.

The Code of Conduct for Business Partners is based on the conduct guidelines and sets out the requirements for our business partners in terms of compliance with legal regulations and integrity and ethical standards.

Deutsche Wohnen has appointed a Compliance Officer with Group-wide responsibility. Among other things, they maintain the insider list for stock corporations and advise management, employees and business partners on the consequences of violations of insider regulations and relevant legal framework conditions, and acts as a central point of contact for questions and for reports of suspected violations.

5. Internal Audit

Risk management is subject to process-independent monitoring, which is carried out by an external auditing company at least every three years.

Risk management is monitored by an independent party.

The focal points of the audit are determined in consultation with the Management Board and the Supervisory Board. The results of the audit are made available to the Management Board, the Supervisory Board and the risk manager.

Risk Report

Overall Assessment of the Risk Situation by Company Management

According to our assessment of the overall risk situation, there were no individual or aggregated or interdependent risks for the fiscal year 2021 and there are currently no such risks that could jeopardize the continued existence of the company as a going concern and could have an impact on the results of operations, net assets, and financial position of Deutsche Wohnen as a going concern.

The risk assessment includes the risk-minimizing measures that have been taken or are being implemented.

Two risks in the investment risk category are identified as material.

The Group’s risk-bearing capacity will not be exceeded in the fiscal year 2021 or at present.

In connection with the coronavirus pandemic, Deutsche Wohnen has identified risks that are defined as general company risks. These are not currently assessed as material.

The cause-and-effect chains relating to long-term climate risks identified within workshops for Deutsche Wohnen in 2021 do not indicate any risks that require additional consideration, taking into account the reporting format and reporting period of the risk inventory for 2021.

The following table provides an overview of the 10 risk categories and the classification of the two risks identified as material in the Deutsche Wohnen risk assessment matrix.

Risk Category	Risk	Loss Amount	Probability of Occurrence	Relevance	Result (After Assessment, Relevance, Countermeasures)
1. General company risks		No material risk identified			
2. Legal risks		No material risk identified			
3. IT risks		No material risk identified			
4. Rental risks		No material risk identified			
5. HR/staff risks		No material risk identified			
6. Acquisition and disposal risks		No material risk identified			
7. Nursing business risks (real estate and operations)		No material risk identified			
8. Property risks		No material risk identified			
9. Financial risks		No material risk identified			
10. Investment risks (portfolio and CapEx/project development and new construction)	Cost risk for investments in existing portfolio (increasing material costs)	High	Possible	Yes	Major
	Cost risk for investments in project development and new construction (rising material costs)	High	Possible	Yes	Major

1. General Company Risks

General company risks relate to risks that cannot be directly assigned to the other categories. No material risks are identified in this category.

Risks from Planned Integration Measures with Vonovia

In the de facto group, controlled companies continue to be independent. There is a risk that legal bases for an exchange of services and data or a possible compensation of disadvantages are not sufficiently regulated. The fitness for purpose of IT and the continuity of existing processes must also be considered in relation to the integration. The loss of managers or employees in key positions can result in higher costs due to the involvement of external support. The risks for Deutsche Wohnen are considered to be not material.

Risks from the Coronavirus Pandemic

Deutsche Wohnen has not identified any significant risks in connection with the coronavirus pandemic with regard to the care of its employees, its dealings with customers and residents of and visitors to care facilities, and the maintenance of business operations. Residual risks are countered by appropriate measures.

Failure to Recognize Market Developments and Trends

If relevant market developments or trends are not anticipated at an early stage, this could result in risks.

Market risks can arise if the economic situation in Germany deteriorates, causing market rents or property prices to stagnate or decline. Furthermore, a stagnating or shrinking economy can lead to increased unemployment, which limits the financial options of customers. In addition, a decline in net disposable income — whether due to unemployment, tax increases or adjustments, or ancillary cost increases — through lower new lettings, lower rent from new lettings and rising vacancies could also have a negative impact on Deutsche Wohnen’s business performance. A significant increase in the volume of new construction can also have a negative impact on price developments.

Risks from Loss of Image

Due to the strained supply and demand situation in Germany’s conurbations, private homeowners are the focus of the political sphere and the media. This leads to political demands and to corresponding reporting.

Both negative media coverage and legal proceedings against Deutsche Wohnen’s companies or employees could have a negative impact.

Risks from Claims

Increased claims or, for instance, natural disasters (including storms and floods) or changes/dependencies in the insurance market could lead to financial burdens.

Risks from Legal Requirements

The EU General Data Protection Regulation (GDPR), which came into force in May 2018, places stricter requirements on companies with regard to their handling of personal data. Violations can be punished with severe turnover-based fines.

The processing of personal data of all departments (processing operations) is documented and continuously updated in a processing directory managed by Deutsche Wohnen. In the reporting period, and at present, no data-processing operations have been identified from which a significant risk arises. The procedures for and requirements of the processing of personal data are continuously optimized through technical and organizational measures.

In 2019, the responsible supervisory authority issued an administrative order imposing a fine on Deutsche Wohnen. The order relates to a technical data archiving solution that was used by Deutsche Wohnen but has since been replaced. Following an appeal by Deutsche Wohnen, the Berlin District Court discontinued the proceedings on the grounds of the invalidity of the administrative order imposing the fine. The Commissioner for Data Protection and Freedom of Information filed an appeal against this ruling. Deutsche Wohnen responded accordingly to the grounds of appeal. The proceedings are being heard before the Berlin Court of Appeal, which referred the legal question to the ECJ for a preliminary ruling by means of the resolution dated December 6, 2021.

2. Legal Risks

No material risks are identified in this category.

Risks potentially resulting in losses for the company could arise under certain circumstances from non-compliance with legal requirements, failure to implement new or amended laws, a lack of comprehensive provisions in concluded contracts, or inadequate documentation.

Pending or threatened legal disputes could have a material effect on the net assets, financial position and results of operations.

On April 30, 2014, a domination agreement was concluded between Deutsche Wohnen SE as the controlling company and GSW Immobilien AG as the controlled company; the agreement became effective upon its entry in the commercial register on September 4, 2014. Under this agreement, Deutsche Wohnen is obligated to assume losses vis-à-vis GSW. Under the domination agreement, Deutsche Wohnen SE further undertook, at the request of the external GSW shareholders, to exchange their GSW shares for Deutsche Wohnen shares at a ratio of currently 3:7.079 (settlement offer). Deutsche Wohnen guarantees the other external GSW shareholders a compensation payment in the form of an annual guaranteed dividend of € 1.66 gross per share for the term of the domination agreement.

At present, at the request of individual GSW shareholders, the appropriateness of the settlement offer and compensation payment is being reviewed in mediation proceedings pursuant to Section 1 No. 1 of the German Act on Appraisal Proceedings (*Gesetz über das gesellschaftsrechtliche Spruchverfahren* — SpruchG). If a higher settlement or compensation payment is determined by court ruling or by out-of-court agreement, external GSW shareholders may — at the expense of Deutsche Wohnen — demand a corresponding supplement to the benefits received. The risk is assessed as not material.

A political initiative in Berlin aims to resocialize the properties of landlords that own more than 3,000 apartments in Berlin. The successful referendum on September 26, 2021 does not legally oblige the Berlin State Government or House of Representatives to enact a law on the socialization of apartments. For this reason, the risk is assessed as not material.

3. IT Risks

No material risks are identified in this category.

Deutsche Wohnen's processes are heavily reliant on the functioning of central IT applications and systems. In principle, there is a risk of partial or total failure of these applications, which could lead to significant disruptions to business operations. Despite the continual optimization of security precautions and measures in line with requirements, there is a generalized risk that IT could be attacked by malware or data could be accessed by unauthorized persons.

4. Rental Risks

No material risks are identified in this category.

In its ruling dated March 25, 2021, the Federal Constitutional Court declared the Act on Rent Controls in the Housing Sector in Berlin (MietenWoG Bln — the "rent cap") to be null and void; accordingly, there are no longer any risks in this regard in the reporting period.

At the federal state level, further interventions can be expected, especially from the Berlin Government (for example, the expansion of social environment protection zones or the amendment of the ban on the change of use of property). An increasing number of conservation areas are being set up or expanded in Berlin. As a result, modernization measures can be denied or their implementation made more difficult. Further changes to the law (for example, regarding the scope of apportionable operating costs) are regularly discussed. It is therefore not possible to rule out the introduction of further regulatory changes. For this reason, Deutsche Wohnen continuously monitors implementation laws, participates in housing industry committees and makes use of legal opportunities to make our voice heard.

Risks from payment arrears in connection with the effects of the coronavirus pandemic or risks from bad debt losses are currently assessed as not material.

5. HR/Staff Risks

No material risks are identified in this category.

It is becoming increasingly difficult to recruit qualified employees due to the ongoing shortage of skilled workers; at the same time, employees in key positions could leave the company in connection with the integration measures expected in connection with the acquisition of a majority stake by Vonovia.

Deutsche Wohnen could also be exposed to risks if employees do not comply with statutory regulations or binding corporate directives.

6. Acquisition and Disposal Risks

No material risks are identified in this category.

Due to changes in the legal framework, the division of residential property ownership is becoming more difficult (in social environment protection zones, for example).

A macroeconomic downturn, a general increase in interest rates, a change in regulatory parameters or an expansion in the volume of new construction may lead to a decline in interest in purchasing existing properties. Deutsche Wohnen’s sales plans could be delayed or price expectations not enforced.

In the case of acquisitions in new and existing regions, there is a possibility that business plans from purchases cannot be implemented in full, only in part, or only at a later date, or that disputable third-party claims exist.

7. Nursing Business Risks (Real Estate and Operations)

This risk category covers specific risks arising from the nursing business. No material risks are identified in this category.

Sales losses may occur or costs may arise if adjustments have to be made due to changes in the statutory framework conditions in the nursing business (for example, compliance with a statutory quota for single-room occupancy is required in some federal states).

Recruiting qualified employees for care facilities was problematic during the reporting period, and remains problematic. Deficiencies can impact the profitability or quality of the care facility.

8. Property Risks

This category tracks risks that may result from the condition of real estate with regard to legal, structural or environmental requirements.

Risks can arise from maintenance backlogs, structural damage or inadequate fire safety measures. Furthermore, risks could arise from contaminated sites, including wartime contamination, pollutants in soil and hazardous substances in building materials, as well as from possible violations of building regulations. No material risks are identified in this category.

Technical inventory analyses are used to gain an overview of the condition of the properties. When valuing the properties, the technical condition is taken into account as part of the underlying assumptions.

9. Financial Risks

No material risks are identified in this category.

Risk from New Legislation

There were no material risks from corporate tax reforms in the reporting period.

Risk from Fluctuation in Value

Deutsche Wohnen recognizes its investment property (i.e. property held to generate rental income or for capital appreciation) at fair value. The fair values are determined in particular by the development of the regional and national real estate transaction market as well as economic development and interest rate levels. There is therefore a risk that, in the event of negative developments on the real estate market or in the general economic situation or as a result of rising interest rates, the carrying amounts of the real estate assets recognized by Deutsche Wohnen may have to be written down.

Furthermore, this could also result in fluctuations in the value of investment carrying amounts and/or investment income or of cash investments.

Liquidity Risks

Deutsche Wohnen's financial risks include delayed cash flows from revenue and from loans granted, as well as unforeseen expenses that could lead to liquidity bottlenecks.

Financial Market Risks and Risks from Financial Instruments

In the fiscal year 2021, Standard & Poor adjusted Deutsche Wohnen SE's rating to that of Vonovia SE, namely a rating of BBB+ stable. Even after the combination with Vonovia, the rating from Moody's remains at A3.

In principle, however, banks may no longer be able or willing to renew loans as they fall due. It cannot be ruled out that refinancing will become more expensive and that future contract negotiations will take more time.

Furthermore, loan agreements contain financial covenants that, if not observed, could lead to extraordinary termination by the banks. In Deutsche Wohnen's case, these are financial covenants that mainly relate to the debt service cover ratio (DSCR) and interest service cover ratio (ISCR) and to the debt-to-equity ratio as a function of rental income (multiplier).

The Group's risks arising from financial instruments consist of interest-related cash flow, liquidity and default risks. Management establishes and reviews risk management policies for each of these risks. **Default risks**, i.e. the risk that a contractual partner will not meet its payment obligations, are managed through the use of credit lines and control procedures. For Deutsche Wohnen, there is no significant concentration of default risk, either in the case of an individual contractual partner or a group of contractual partners with similar characteristics. The **risk of a liquidity shortage** is continuously monitored by means of a liquidity planning tool. Deutsche Wohnen seeks to ensure that sufficient liquidity is available to meet future obligations at all times. The **interest rate risk** to which the Group is exposed arises primarily from non-current financial liabilities with variable interest rates and is predominantly hedged by means of interest rate derivatives. Please refer to our disclosures in the notes to the consolidated financial statements for further details.

Tax Risks

Fundamental changes in the tax environment can lead to financial risks.

Tax audits for previous years have not yet been completed for some companies within the Group. It is possible that additional taxes will have to be paid.

Deutsche Wohnen is subject to the regulations on the interest threshold, which restricts the tax deductibility of interest expenses when calculating its tax liability. It cannot be ruled out that tax burdens may result from these regulations in the future.

A change in our shareholder and organizational structure could trigger real estate transfer taxes, or tax loss carryforwards could be lost.

10. Investment Risks (Portfolio and CapEx/Project Development and New Construction)

Two risks in this category are considered to be material.

For Deutsche Wohnen, two material risks exist due to expected cost increases as a result of material cost rises for investments in portfolio properties and for investments in project development and new construction. This can reduce revenues, make it more difficult to compete on price and quality when inviting tenders and awarding contracts, result in higher costs for construction, acceptance and warranty monitoring, and delay investments. The two risks are assigned the ratings “Loss Amount — High” and “Probability of Occurrence — Possible.” The risks are assessed as being relevant. These assumptions result in the risk rating “major.”

The cost increases result from the current situation on the world market due to the coronavirus pandemic, trade restrictions, container shortages and natural events. Deutsche Wohnen expects the situation to ease in mid-2022. Project-specific measures are being examined (e.g. application of material price clauses). Two risks in this category are considered to be material.

The further risks in this category are considered to be not material. A risk is identified in the event of deviations from expected building regulations conditions or if approval procedures take longer. The removal of contamination, contaminated sites or pollutants from investment locations can be more costly than originally calculated. Legislation is an important factor influencing investments and is always subject to the risk of change. A risk is also seen when new building regulations or restrictions come into force; changes could have a negative impact on return targets. Construction site closures and a lack of construction permits could have a negative effect, as they may lead to unplanned costs and construction delays.

In principle, complex investment measures are always subject to a cost risk, a project risk and a time risk.

Opportunities from Future Development

In the fiscal year 2021, Deutsche Wohnen was able to set an important course for continued positive business development. Overall, the concentration and focus of the portfolio on metropolitan regions in recent years, while maintaining a conservative capital structure, promises further potential for value growth in the future.

Opportunities from the Combination with Vonovia SE

As part of the Vonovia Group and thanks to its size and positioning, Deutsche Wohnen can, in addition to benefiting from synergies and economies of scale, set new standards in Europe and play a positive role in shaping the future of the industry.

The combination of the two companies offers the opportunity to jointly address the strategic challenges on the housing market even more consistently.

Both Vonovia and Deutsche Wohnen have placed climate protection at the center of their activities. Climate protection, needs-based housing and affordable homes are societal challenges that require substantial investment and can be better addressed together.

Furthermore, Deutsche Wohnen is consolidating its position as one of Germany’s largest project developers and will make a significant contribution to the creation of new homes.

Together with Vonovia, Deutsche Wohnen is creating new prospects for its employees and its customers and is able to work on solutions for the housing market of the future.

Opportunities Arising from Market Developments and Trends

The positive development of the real estate portfolio is supported by ongoing dynamic market development. The rising demand for housing, particularly in conurbations, as a result of the influx of new residents and a trend toward a reduction in average household sizes, reinforces this positive development. A continuation of the ECB’s expansionary monetary policy and the resulting low interest rate environment may continue to have a positive impact on the attractiveness of real estate.

Positive developments in the regulatory environment and in subsidy programs may improve the conditions for portfolio management as well as for energy upgrades and new construction.

Business activities in the Nursing and Assisted Living business area offer further opportunities for Deutsche Wohnen as a result of the increasing demand on the market for care spaces.

The residential and project development portfolio owned by Deutsche Wohnen shows further growth potential in the development of rents and market values of properties, particularly in the Core+ regions.

Financial Opportunities

Deutsche Wohnen's Financing Structure Is Very Stable and Flexible. The Group is financed on a long-term basis and has a low debt-to-equity ratio (LTV). Deutsche Wohnen's business model is well established among its banking partners.

With the two ratings from Standard & Poor's and Moody's (BBB+ and A3 respectively), Deutsche Wohnen remains one of the best-rated real estate companies in Europe. The issuer ratings give us increased financial flexibility.

Access to the equity and debt capital markets, including in conjunction with the current very low level of interest rates, offers good opportunities for financing future growth.

Opportunities from Investments

Deutsche Wohnen is investing in its real estate in order to further enhance the quality of its portfolio. In addition, targeted investments will significantly increase the potential for new construction. The majority of new construction projects are developed for the company's own real estate portfolio and secure future growth. The opportunities lie not in the fulfillment of short-term return expectations, but in sustainable investment and value creation.

Aware of its own corporate responsibility and given the context of its sustainability strategy, Deutsche Wohnen is facing up to the social challenges of the energy revolution and of digitalization. Against this background, on the one hand, investment measures are being taken with the aim of increasing energy efficiency and avoiding CO_2 in heat generation plants. Secondly, Deutsche Wohnen is already investing in multimedia infrastructures so that it can continue to meet the digital needs of its customers into the future.

Opportunities Arising from the Investment in QUARTERBACK

A further opportunity for Deutsche Wohnen lies in its 40% financial stake in QUARTERBACK Immobilien AG. The Group's new construction activities are pooled in QUARTERBACK Immobilien AG. QUARTERBACK develops and implements high-quality projects. Deutsche Wohnen is selling real estate under forward deals. Opportunities lie in an increase in the value of the properties during the construction phase, as fixed prices are agreed. In addition, Deutsche Wohnen will benefit from the QUARTERBACK Group's earnings in line with its stake in the company while also making additional homes available.

FORECAST REPORT

Economic Environment

More dynamic recovery expected for the German Economy: The DIW Berlin (German Institute for Economic Research) forecasts that the German economy will recover in the coming year — provided the supply bottlenecks ease and the coronavirus pandemic is overcome. After a slow recovery from the pandemic of 2.1% in 2021, the German economy is expected to see strong growth of 4.9% in 2022.[1]

Russia's invasion of Ukraine is not only a serious attack on democracy, but the accompanying economic sanctions against Russia could lead to further rises in oil and gas prices and thereby to inflation. Private spending would be correspondingly lower and economic growth would slow again after the gradual recovery following the coronavirus pandemic.[2]

German Housing Market

Strong residential investment market takes related sub-asset classes along: There is still excess demand in the residential investment market. Accordingly, high levels of demand are expected to continue in 2022. This will also result in increased demand in related sub-asset classes. The nursing and healthcare real estate market in particular is seen as having great potential for substantial growth. Given the exceptional situation in 2021 and some "mega deals" taking place, the transaction volume in the residential real estate market is not an indicator for the coming year. However, volumes are expected to remain at the average of previous years. Market activity could also be boosted by major platform deals.[3]

High demand for new construction in metropolitan areas: According to the German Economic Institute, almost 342,000 new apartments were needed in Germany in 2019 and 2020. Construction activity is lagging well behind demand, with around 287,000 apartments completed at last count. The high level of capacity utilization in the construction industry, the shortage of skilled workers in the construction sector and lengthy processes make it unlikely that construction activity will expand to over 300,000 apartments per year. Recently, construction activity expanded noticeably in almost all major cities, yet this is still not enough to meet demand. In Berlin, Munich, Stuttgart and Cologne in particular, there is a need for a significant increase in construction activity in the long term.[4]

Berlin housing construction must meet high demand: According to a needs analysis by JLL, Berlin will require 20,450 additional apartments per year until 2030 in order to meet future demand. However, the number of completions is expected to stagnate in the medium term, since the number of permits is declining while less land is available for construction.[5]

1 DIW Weekly Report 37/2021.
2 Cologne Institute for Economic Research (iwkoeln.de), Ukraine Crisis: Higher Gas Prices Threaten 6% Inflation [*Ukraine-Krise: Mit höheren Gaspreisen droht eine Inflation von sechs Prozent*].
3 JLL, press release dated January 6, 2022
4 Cologne Institute for Economic Research, IW Report 28/2019, "Is Housing Construction on the Right Track?" [*"Ist der Wohnungsbau auf dem richtigen Weg?"*]
5 JLL, Residential City Profile Berlin, H1 2020

Residential rents and prices continue on an upward trend: Purchase prices for residential property have risen steadily over the past decades, with growth accelerating significantly in the low-interest environment of recent years. This trend continues unabated in spite of the coronavirus pandemic. Rental prices are also continuing along their growth path of recent years. Following the end of the rent cap in Berlin, prices for existing apartments in the capital are also rising again. Demand for affordable housing in cities is offset by higher overall energy efficiency and sustainability requirements, and thus rising costs. Sustained demand for housing and the growth prospects of cities will continue to translate into further price increases in the future.[6]

No end in sight for the low interest rate policy: The European Central Bank (ECB) is expected to keep base rates in the euro area at their extremely low level. Favorable financing conditions and low returns on alternative investments are therefore likely to continue to favor demand for residential property in the future.

Forecast for the 2022 Fiscal Year

Our forecast is based on the corporate plan drawn up using the planning instruments. It includes assumptions on overall economic development and the development of the housing market. Acquisitions and opportunistic disposals are not included unless they were already registered at the time of planning. Effects from the integration process with Vonovia SE, which had not yet started at the time of planning, have also been reflected neither in the planning not, therefore, in the forecast. The possible risks and opportunities from future developments have been adequately taken into account.

For the fiscal year 2022, we expect FFO I of around € 490 million and adjusted EBITDA (excluding disposals) of around € 640 million. The forecast includes the decline in earnings from the institutional sales made in fiscal year 2021 on contract rents and leases totaling around € 75 million for fiscal year 2022.

The debt-to-equity ratio (LTV) is expected to be below 30% at the end of 2022.

The value development of our real estate is largely dependent on the development of prices on the transaction market. Against the backdrop of the continued positive outlook for the German residential real estate market, including in metropolitan regions in particular, we expect a positive development in the value of our real estate portfolio in fiscal year 2022 and a resulting slight increase in NAV compared with fiscal year 2021.

6 Colliers, Residential Investment, Germany 2021/2022

TAKEOVER-RELATED INFORMATION

according to Sections 289a and 315a of the German Commercial Code (HGB)

Share Capital and Shares

As of December 31, 2021, the share capital of Deutsche Wohnen SE amounted to € 400,296,988.00 (previous year: € 359,843,541.00), divided into 400,296,988 no-par value bearer shares, each representing a notional share of the share capital of € 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 (AktG), in particular Sections 12, 53a et seqq., 118 et seqq. and 186; as a result, the company has no rights from its own shares in accordance with Section 71b AktG. There are no shares with special rights conferring powers of control.

Equity Interests Representing More Than 10% of Voting Rights

Pursuant to Section 33 (1) of the German Securities Trading Act (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 (BaFin) accordingly without delay. Any such notifications are published by Deutsche Wohnen SE pursuant to Section 40 WpHG. Vonovia SE reported a direct or indirect stake in the share capital of Deutsche Wohnen SE in the reporting year 2021 that exceeded the threshold of 10% of voting rights. According to the last voting rights notification received, Vonovia SE held a direct interest of 86.87% as of December 31, 2021.

Power of the Management Board to Issue or Buy Back Shares

Authorized Capital

By resolution of the Annual General Meeting held on June 15, 2018, which was entered into the commercial register on August 16, 2018, the Management Board was authorized to increase the company's share capital, with the consent of the Supervisory Board, by originally up to € 110 million once or several times during the period until June 14, 2023 by means of the issuance of up to 110 million new ordinary bearer shares against cash contributions and/or contributions in kind (**Authorized Capital 2018/I**). This authorization was partially utilized amounting to € 2,617,281.00 by issuance of 2,617,281 new shares. After partial utilization, the Authorized Capital 2018/I continues to exist in the amount of up to € 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 authorized 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

Conditional capital for compensation of GSW shareholders

The issued capital of the company was originally contingently increased by up to a further € 15 million by means of the issuance of up to 15 million new no-par value bearer shares pursuant to a resolution adopted by the Annual General Meeting held on June 11, 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 April 30, 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 June 4, 2015 in accordance with Section 5 (4) of the domination agreement. To the extent that this is necessary pursuant to Section 5 (2) of the domination agreement, the company will pay compensation for fractional shares in cash. € 9,280,652.00 of this Contingent Capital 2014/II had been used — by means of the issuance of 9,280,652 new no-par value bearer shares with a corresponding increase in the issued capital — by December 31, 2021, with € 5,719,348.00 remaining as of December 31, 2021. Mediation proceedings pursuant to Section 1 (1) of the German Act on Appraisal Proceedings (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 (4) (3) 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 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 2014 stock option program

Furthermore, the contingent increase of the share capital, originally by up to € 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 € 1.00, has been authorized (**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 authorizing resolution adopted by the Annual General Meeting held on June 11, 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 fiscal 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. € 256,418.00 of this Contingent Capital 2014/III had been used — by means of the issuance of 256,418 new no-par value bearer shares with a corresponding increase in the issued capital — by December 31, 2021, with € 12,623,334.00 remaining as of December 31, 2021.

Contingent capital to serve the convertible bonds 2017–2024

The **Contingent Capital 2015/I** amounting to € 50 million serves the issuance of shares to the owners of convertible bonds with a total nominal value of € 800 million issued by the company on February 27, 2017 pursuant to the authorization of the Annual General Meeting of June 12, 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 authorized capital or other benefits are not used to service the obligations. € 18 million of this Contingent Capital 2015/I had been used – by means of the issuance of 18 million new no-par value bearer shares with a corresponding increase in the issued capital – by December 31, 2021, with € 32 million remaining as of December 31, 2021.

Contingent capital to serve the convertible bonds 2017–2026

The **Contingent Capital 2017/I** amounting to € 30 million serves the issuance of shares to the owners of convertible bonds with a total nominal value of € 1.6 billion issued by the company on February 27, 2017 and on October 4, 2017 pursuant to the authorization of the Annual General Meeting of June 2, 2017. Shares will only be issued 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 authorized capital or other benefits are not used to service the obligations. € 22,344,203 of this Contingent Capital 2017/I had been used — by means of the issuance of 22,344,203 new no-par value bearer shares with a corresponding increase in the issued capital — by December 31, 2021, with € 7,655,797 remaining as of December 31, 2021.

Contingent capital to serve future conversion and option rights

The share capital of the company was increased by up to a further € 35 million by means of the issuance of up to 35 million new no-par value bearer shares pursuant to a resolution adopted by the Annual General Meeting held on June 15, 2018 **(Contingent Capital 2018/I)**. If conversion rights or option rights are exercised or conversion or option obligations are met, the contingent capital increase serves to issue shares to the holders or creditors of convertible bonds or bonds carrying option rights, participating rights and/or participating bonds (or a combination of these instruments), which are issued before June 14, 2023 by the company, or companies which are controlled or majority owned by the company, on the basis of the authorizing resolution adopted by the Annual General Meeting held on June 15, 2018. The resolution adopted at the Annual General Meeting held on June 15, 2018 authorized the Management Board with approval of the Supervisory Board to issue no-par value convertible bonds, bonds carrying option rights, participating rights or participating bonds (or a combination of these instruments) with a nominal value of up to € 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 € 35 million. Shares will only be issued 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 authorized capital or other benefits are not used to service the obligations.

Acquisition of Own Shares

The acquisition of own shares is authorized pursuant to Article 9 (1) (c) (ii) SE Regulation in conjunction with Section 71 et seqq. AktG and also, as at the balance sheet date, by the Annual General Meeting held on June 15, 2018. The Management Board is authorized, with the consent of the Supervisory Board and subject to compliance with the principle of equal treatment of shareholders pursuant to Article 9 (1) (c) (ii) SE Regulation in conjunction with Section 53a AktG to purchase and use the company's own shares until June 14, 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 authorization is used if this figure is lower. Shares acquired using this authorization together with other own shares the company has previously acquired and still holds or are attributable to it under Section 71a et seqq. AktG may not at any time exceed 10% of the company's share capital. The authorization may not be used for the purpose of trading in own shares.

Based on this authorization, Deutsche Wohnen SE acquired 16,070,566 shares in the period from November 15, 2019 through September 14, 2020. The shares bought back shall be used for purposes permitted by the authorization to acquire own shares by the Annual General Meeting of June 15, 2018. More detailed information pursuant to Article 5 (1) (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. In connection with the Business Combination Agreement between Deutsche Wohnen SE and Vonovia SE, Deutsche Wohnen sold 12,708,563 of its own shares to Vonovia SE at a price of € 52.00 per share.

Share buyback program up to a maximum of 25 million shares

Share buyback

As of December 31, 2021, the company therefore still held 3,362,003 own shares. A share capital of € 3,362,003.00 is attributable to these own shares.

Appointment and Dismissal of Management Board Members and Amendments to the Articles of Association

Members of the Management Board are appointed and dismissed by the Supervisory Board pursuant to Article 9 (1) and Article 39 (2) SE Regulation and Sections 84 and 85 AktG. The Supervisory Board appoints members of the Management Board of Deutsche Wohnen SE for a maximum period of five years. Reappointment or extension of the term of office are permitted for a maximum of five years. The Articles of Association of Deutsche Wohnen SE additionally stipulate in Section 8 (1) and (2) that the Management Board must consist of at least two members and otherwise the Supervisory Board determines the number of Management Board members. It may appoint deputy members of the Management Board and nominate a member of the Management Board as Chief Executive Officer or Spokesperson of the Board.

According to the Articles of Association, the Management Board of Deutsche Wohnen SE must consist of at least two members.

According to Article 59 SE Regulation, the Annual General Meeting decides on changes to the Articles of Association. Pursuant to Section 14 (3) (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 (1) (2) AktG in conjunction with Section 14 (5) of the Articles of Association, the Supervisory Board is authorized 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 that are subject to a change in control primarily relate to financial arrangements. As is customary in such cases, these entitle the lender to terminate the financing arrangement and demand early payment of the redemption amount in the event of a change of control.

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

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

CORPORATE GOVERNANCE

The disclosures pursuant to Sections 289f and 315d HGB (Corporate Governance Statement) are published on our Investor Relations homepage in the Corporate Governance & CSR section.

CLOSING STATEMENT PURSUANT TO SECTION § 312 (3) AKTG

In relation to the fiscal year 2021, Deutsche Wohnen SE has been a controlled company of Vonovia SE, Bochum, within the meaning of Section 312 AktG since September 30, 2021. In accordance with Section 312 (1) AktG, the Management Board of Deutsche Wohnen has therefore prepared a report on relations with affiliated companies, which contains the following concluding statement:

“We declare that, with respect to the legal transactions and other measures listed in the report on relations with affiliated companies, under the circumstances known to us at the time, the Company has carried out legal transactions and taken or omitted measures, in each case receiving or paying appropriate counter-performance, and has not been disadvantaged by the fact that measures were taken or omitted.”

Berlin, March 18, 2022

Konstantina Kanellopoulos
Co-Chair of the Management Board

Lars Urbansky
Co-Chair of the Management Board

Philip Grosse
Management Board Member

Olaf Weber
Management Board Member

CONSOLIDATED NON-FINANCIAL STATEMENT

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

In accordance with Sections 315b and 315c in conjunction with Sections 289c to 289e of the German Commercial Code (HGB), Deutsche Wohnen SE publishes a consolidated non-financial statement for the fiscal year 2021. It includes the material non-financial matters that have been identified based on significant impacts on environmental, employee, social considerations, corruption and bribery, and human rights and their relevance to the business activities of Deutsche Wohnen for 2021. In preparing this statement, we followed the standards of the Global Reporting Initiative (GRI). The reported key figures are self-defined performance indicators. The consolidated non-financial statement was subject to a voluntary limited assurance audit by the auditing firm KPMG AG.

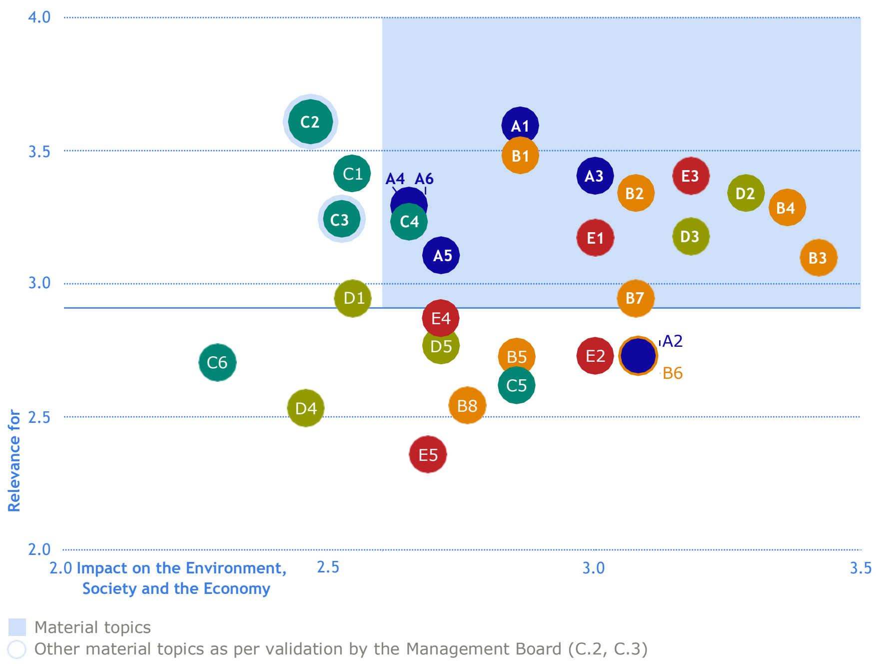
In the reporting year, we validated the results of the 2020 materiality analysis and reviewed the extent to which the material topics also apply to the current reporting year. The review process was managed by Sustainability Management/CSR Reporting, and the final review was conducted by the entire Management Board. The business model and the key challenges for the company did not change materially in the fiscal year, nor did the ongoing coronavirus pandemic lead to any change in the relevance of the material topics under the German Commercial Code. The consolidated non-financial statement is structured in line with our five areas of action in the area of sustainability.

Material Topics in 2021 and Allocation According to the German Commercial Code

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

1 The “Respect for human rights” aspect is relevant across all topic areas to which human rights are applicable in a broader sense.

Deutsche Wohnen Materiality Matrix 2021



Based on the material topics, an internal risk analysis was also carried out in accordance with Sections 315b and 315c in conjunction with Sections 289c to 289e HGB. No material non-financial risks were identified for 2021.

In addition, the combined management report presents further measures and activities undertaken by Deutsche Wohnen SE as part of its sustainability management. References can be found at the appropriate places in this consolidated non-financial statement. With regard to risks and the management of these, in addition to the information provided in this statement, we would like to refer you to the combined management report.

Business Model

Deutsche Wohnen is one of the leading publicly listed real estate companies in Germany and Europe. The real estate portfolio has a total value of around € 27.6 billion and comprises around 154,000 residential and commercial units. Our portfolio also includes care facilities with around 9,580 spaces and apartments for assisted living with a fair value of around € 1.2 billion. Since October 2021, Vonovia SE has been the largest shareholder in Deutsche Wohnen, accounting for around 88% of all voting shares. More information on the business model can be found in the combined management report.

Meeting the Requirements of the EU Taxonomy Regulation

A key objective of the European Commission’s Action Plan on Financing Sustainable Growth is to channel cash flows into sustainable investments and ensure market transparency. In order to achieve this goal, the EU Taxonomy was enacted in 2020 in accordance with Article 1 (2c) of Regulation (EU) 2020/852 (hereinafter referred to as the “EU Taxonomy Regulation”). It presents a uniform EU classification system that systematically details and defines in a mandatory nature which economic activities are considered ecologically sustainable. Deutsche Wohnen is obliged to comply with these increasing regulatory transparency requirements at a European level.

Within the scope of the first-time application pursuant to Article 10 of the EU Taxonomy Regulation, the reporting obligation for the fiscal year 2021 is to be limited to the share of taxonomy-eligible (as defined in Article 1 No. 5 of the Regulation) and non-taxonomy-eligible economic activities
(within the meaning of Article 1 No. 6 of the Regulation) on the key figures relating to turnover, capital expenditure (CapEx) and operating expenditure (OpEx) with regard to the climate-related environmental objectives (1) Climate mitigation (Annex I) and (2) Climate change adaptation (Annex II) of the EU Tax Regulation. In addition to the quantitative information on the aforementioned KPIs, qualitative information must be provided for this purpose that can be used to explain changes in the results during the reporting period.

Identification and Categorization of Economic Activities Eligible for Taxonomy

In the reporting year, Deutsche Wohnen fulfilled the tasks arising from the EU Taxonomy Regulation as part of a multi-stage process and made a classification into taxonomy-eligible and non-taxonomy-eligible activities.

Based on Annex I and Annex II of the delegated act on the climate targets of the EU Taxonomy Regulation, Deutsche Wohnen has analyzed all activities and determined those that are deemed eligible for taxonomy based on the descriptions in the taxonomy and, where applicable, the supplementary NACE codes.

On February 2, 2022, the European Commission published a second FAQ document addressing questions regarding the interpretation of Article 8 of the EU Taxonomy Regulation. For Deutsche Wohnen, which primarily has taxonomy-eligible economic activities in the area of "Construction and Real Estate," this document has implications that could no longer be fully implemented by the time the consolidated non-financial statement was published. In particular, when determining the individual key performance indicators (KPIs), no distinction has been made between the categories of taxonomy-eligible, enabling taxonomy eligibility, and taxonomy-eligible transitional activities. The EU Taxonomy data shown includes all taxonomy-eligible activities. The corresponding comments in the FAQ document were taken into account for the environmental objective (2) Climate change adaptation when determining the activities eligible for taxonomy. As a result, the activity 12.1 "Provision of residential care combined with either nursing, supervisory or other types of care as required by the residents" is not reported for environmental objective (2) for Deutsche Wohnen for the reporting year.

In terms of taxonomy, Deutsche Wohnen has identified the following key environmentally sustainable activities:

- 4.1 Electricity generation using solar photovoltaic technology
- 7.1 Construction of new buildings
- 7.2. Renovation of existing buildings
- 7.3 Installation, maintenance and repair of energy efficiency equipment
- 7.4 Installation, maintenance and repair of charging stations for electric vehicles
- 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
- 7.6 Installation, maintenance and repair of renewable energy technologies
- 7.7 Acquisition and ownership of buildings

Calculation of the performance indicators is based on the accounting and measurement methods of the consolidated financial statements. The consolidated financial statements of Deutsche Wohnen comprise the scope of consolidation[1] and are prepared in accordance with all International Financial Reporting Standards (IFRS) applicable in the EU.

Performance Indicators

Definition and Calculation Method

To determine the KPIs presented as percentages, the taxonomy-eligible net revenue, CapEx and OpEx are set in relation to total net revenue, total CapEx and total OpEx respectively. The definition of each KPI is based on Annex I of the Delegated Act on Article 8 on the content and presentation of the information to be disclosed.

Revenue

The taxonomy-eligible net revenue (numerator) comprises amounts that were generated from taxonomy-eligible economic activities (see the section on taxonomy-eligible economic activities).

$$\frac{\textit{Taxonomy-eligible net revenue}}{\textit{Total net revenue}}$$

In the numerator (total net revenue), Group revenue from the income statement is used in the calculation of the taxonomy-eligible revenue. For details of the accounting, please refer to the accounting policies presented in section C of the notes to the IFRS consolidated financial statements.

CapEx and OpEx

The taxonomy distinguishes between three different types of taxonomy-eligible CapEx and OpEx (numerators):

a. CapEx/OpEx that relates to assets or processes associated with economic activities eligible for taxonomy, or

b. CapEx/OpEx that are part of a plan to expand taxonomy-compliant economic activities or part of an upgrade plan to convert taxonomy-eligible economic activities into taxonomy-compliant economic activities, or

c. CapEx/OpEx that relates to the acquisition of products and services from taxonomy-eligible economic activities or individual measures through which the activities are carried out in a low-carbon manner or the emission of greenhouse gases is lowered, and insofar as these measures are implemented and operational within 18 months.

$$\frac{\textit{taxonomy-eligible CapEx}}{\textit{CapEx}}$$

$$\frac{\textit{taxonomy-eligible OpEx}}{\textit{OpEx}}$$

1 See scope of consolidation according to list of shareholdings — Appendix 1 to the notes to the consolidated financial statements.

Pursuant to the EU Taxonomy, the numerator of CapEx consists of additions to property, plant and equipment and intangible assets (including additions from business combinations) before depreciation and amortization and revaluations, including from revaluations and impairments, without taking into account changes to fair value. As such, Deutsche Wohnen incurs costs that are recognized as additions on the basis of IAS 16.73(e) (i) and (iii), IAS 38(e) (i), IAS 40.76(a) and (b) and IFRS 16.53(h) pursuant to this definition. The numerator used in the CapEx is calculated by analyzing the assets or processes related to the CapEx covered by the numerator to determine their taxonomy-eligible status. With regard to developed land, the CapEx for buildings and land has been included as additions, as economic activity 7.7. cannot be performed without the relevant land. In addition, as the building is one of the key components of a plot of land, the building and the plot of land are considered one and the same legal entity.

In the context of economic activity 7.1 Construction of new buildings, the corresponding properties do not constitute fixed assets but rather are reported within current assets in the real estate inventories (Chapter C.8 Inventories), with IAS 2 Inventories being applied as the relevant IFRS standard. As IAS 2 Inventories does not fall within the scope of CapEx as defined by the EU Taxonomy, the real estate inventories do not form part of the denominator.

Pursuant to the EU Taxonomy, the OpEx numerator encompasses direct, non-capitalized costs relating to research and development, building renovation measures, short-term leasing, maintenance and repair, as well as all direct expenses in connection with day-to-day maintenance of property, plant and equipment that are necessary in order to ensure the continuous and effective functionality of these assets. To this extent, this is an addition to the performance indicator of the recognized CapEx values rather than a full presentation of the OpEx of Deutsche Wohnen, as shown under the financial statement item E.5 Cost of materials. Deutsche Wohnen regards direct costs as those costs that can be clearly and directly attributed to an identified activity, but not to a specific building. Pursuant to the requirements, Deutsche Wohnen includes costs for building renovation measures and costs for maintenance and repair when defining the denominator. In respect of direct expenses, costs for maintaining the functionality of property, plant and equipment are included.

The denominator includes direct non-capitalized operating expenses in connection with the day-to-day maintenance of property, plant and equipment that are necessary to maintain the continuous and effective functionality of these assets.

Supplementary Disclosures

Duplicate counting is avoided by means of direct allocation of the taxonomy-eligible revenue, CapEx and OpEx to a taxonomy-eligible economic activity.

A clear allocation is achieved for CapEx and OpEx by first allocating to environmental objective 1 c) and then a) according to the described sequence. At Deutsche Wohnen, there are no CapEx plans in the reporting year that meet the requirements of the EU Taxonomy.

Shares of Performance Indicators That Are Associated with Taxonomy-eligible and Non-taxonomy-eligible Economic Activities

In order to comply with regulatory requirements for the fiscal year 2021, Deutsche Wohnen discloses the following shares in performance indicators that are associated with taxonomy-eligible and non-taxonomy-eligible economic activities. The key figures shown relate solely to the legally required disclosures pertaining to the first environmental objective (1) Climate mitigation.

	Share of taxonomy-eligible economic activities (in %) Dec. 31, 2021	Share of non-taxonomy-eligible economic activities (in %) Dec. 31, 2021
Revenue	88	12
CapEx	97	3
OpEx	97	3

Most of the Deutsche Wohnen Group's revenue is taxonomy-eligible as it mainly represents revenue from residential property management (economic activity 7.7 Acquisition and ownership of buildings). The high proportion of taxonomy-eligible CapEx is largely explained by the economic activities 7.2 Renovation of existing buildings and 7.7 Acquisition and ownership of buildings as part of the management of the Group's real estate assets. At Deutsche Wohnen, OpEx is made up in particular of maintenance expenses as a subset of the cost of materials and are explained by the expenses incurred for day-to-day maintenance and non-capitalized building refurbishment measures under activity 7.7 Acquisition and ownership of buildings.

Ultimately, the respective shares of non-taxonomy-eligible economic activities are predominantly explained by the activities in the multimedia business and nursing/assisted living segments.

Recommendations Made by the Task Force on Climate-related Financial Disclosures (TCFD)

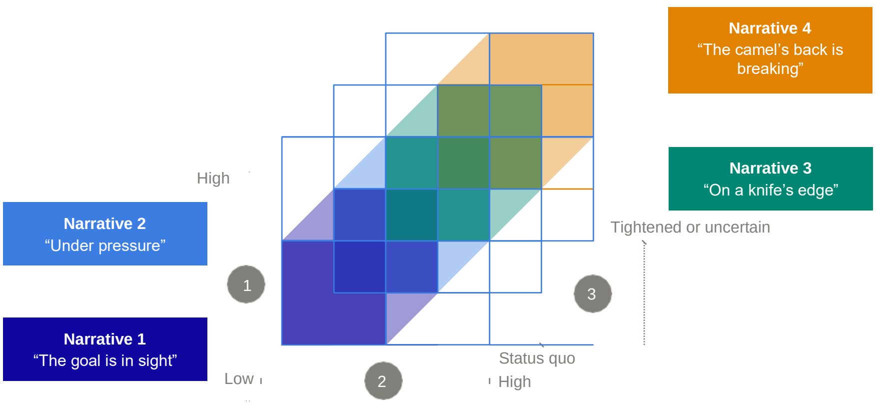
In the reporting year, we worked with a scientific partner to conduct a climate scenario analysis for our portfolio for the first time in accordance with the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD). The project was managed by the CFO Department in the area of sustainability management/CSR reporting, with the participation of relevant departments at Deutsche Wohnen.

The climate scenario analysis is based on three dimensions: climate change, society and technology, and economy and regulation. It takes into account a total of 21 risk drivers that represent both physical climate risks and transitory, industry-specific risks for the building sector.

To reduce the complexity of the abstract three-dimensional scenario space, four narratives were determined for the climate scenario analysis. These represent the range of possible futures, and are based on the representative concentration pathways set out by the Intergovernmental Panel on Climate Change[2] and on scientific studies on the transition to a climate-neutral economic system. They were defined both pictorially and qualitatively using the characteristics of the three scenario dimensions and their drivers. The narratives vividly describe potential future climate scenarios, allowing company-related opportunities and risks to be assigned and potential impacts on Deutsche Wohnen to be determined.

2 Representative concentration pathways RCP2.6, RCP4.5, RCP6.0 and RCP8.5 describe the possible trajectories of greenhouse gas concentrations in the atmosphere and associated global warming.

Potential Future Climate Scenarios in Three-Dimensional Scenario



1 Climate change
2 Social, societal and technology-related aspects
3 Legal and market framework

Narrative 1: The Goal Is in Sight

The impact of climate change on Germany is limited. The topic of "sustainability" is firmly anchored in society. The European economy continues to grow and develop.

Narrative 2: Under Pressure

Legislation creates a strict and unclear framework. Economic development is faltering. In parts of society, financial concerns compete with climate protection.

Narrative 3: On a Knife's Edge

Climate protection has little support in society. Technological advances are proving difficult. The effects of climate change are also hitting Europe particularly hard.

Narrative 4: The Camel's Back Is Breaking

Climate change is progressing faster than predicted. Society is becoming more and more aware of the effects of climate change and politicians are not finding any solutions to limit the damage.

Driver Characteristics in the Respective Narratives

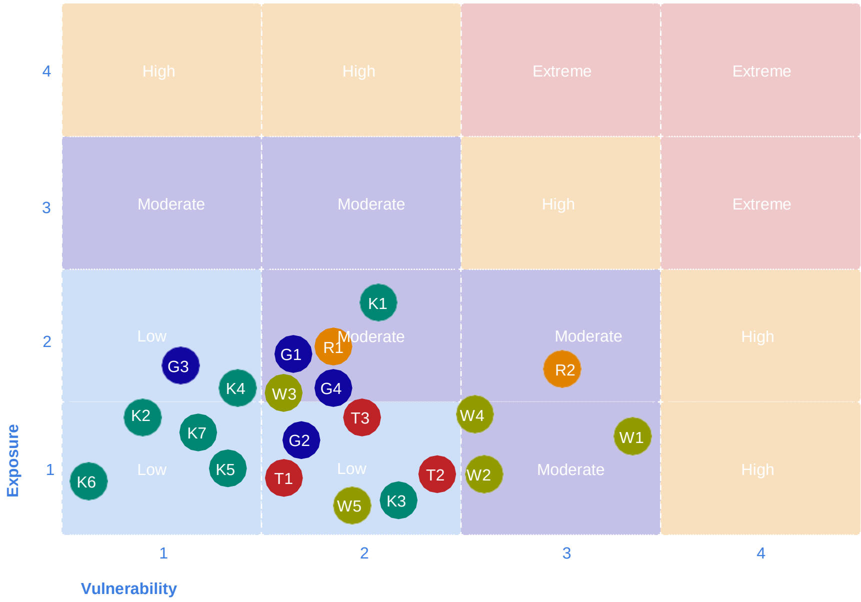
Dimension/Driver	Narrative 1: The Goal is in Sight	Narrative 2: Under Pressure	Narrative 3: On a Knife's Edge	Narrative 4: The Camel's Back Is Breaking
Climate Change	**Low**	**Moderate**	**High**	**Extreme**
K1 Heat or local rise in temperature	Moderate	High	Extreme	Extreme
K2 Cold or local fall in temperature	Low	Moderate	Moderate	High
K3 Periods of dryness and drought	Low	Moderate	High	Extreme
K4 Precipitation, heavy rainfall and flooding	Low	High	Extreme	Extreme
K5 Snow load	Low	Low	Moderate	Moderate
K6 Strong wind	Low	Moderate	High	Extreme
K7 Damage due to climate-related effects	Low	Moderate	High	High
Society and Technology	**Low**	**Moderate**	**High**	**Extreme**
G1 Demographic change	Low	Moderate	Moderate	High
G2 Socioeconomic framework	Low	Moderate	Extreme	Extreme
G3 Urbanization and housing demand	Low	High	Extreme	Extreme
G4 Reputation	Low	Moderate	High	High
T1 Renovation wave	Low	Low	High	Extreme
T2 Innovative supply of energy	Low	Moderate	High	Extreme
T3 Digitalization and networking	Low	Moderate	High	Extreme
Economy and regulation	**Low**	**High**	**Moderate**	**Extreme**
W1 Energy and CO_2 prices	Low	Extreme	Moderate	High
W2 Construction growth and price fluctuations	Low	High	Moderate	Extreme
W3 Climate-related costs	Low	Moderate	High	Extreme
W4 Financing and subsidies	Low	High	Low	Extreme
W5 Value retention	Low	High	Moderate	High
R1 (Energy-related) specifications for new and existing buildings	Low	Extreme	Moderate	Extreme
R2 Rent regulation	Low	Extreme	High	Extreme

Each dimension is divided into seven drivers, which define the possible characteristics of the dimensions (low, moderate, high, extreme). The characteristics of the individual drivers are based on the evaluation of scientific studies and are not company-specific.

As a result, a qualitative risk assessment was carried out to determine the long-term impact on Deutsche Wohnen depending on the various future scenarios through to 2040, as well as a quantitative risk assessment of potential financial impacts based on selected key financial indicators, such as rental income and investment costs.

The key findings of the analysis show that, in the analyzed timeframe through 2040 for Narrative 1, the Deutsche Wohnen portfolio has a low level of vulnerability to physical climate risks due to its energy efficiency and geographic location. Transitory climate risks are weightier than physical climate risks. Therefore, the risks in the dimension with the legal and market framework are most pronounced in all four narratives.

Driver characteristics by exposure and vulnerability for the Deutsche Wohnen business model — Narrative 1: *The Goal Is in Sight*



Climate Change
K1 Heat or local rise in temperature
K2 Cold or local fall in temperature
K3 Periods of dryness and drought
K4 Precipitation, heavy rainfall and flooding
K5 Snow load
K6 Strong wind
K7 Damage due to climate-related effects

Society and Technology
G1 Demographic change
G2 Socioeconomic framework
G3 Urbanization and housing demand
G4 Reputation
T1 Renovation wave
T2 Innovative supply of energy
T3 Digitalization and networking

Economy and regulation
W1 Energy and CO_2 prices
W2 Construction growth and price fluctuations
W3Climate-related costs
W4 Financing and subsidies
W5 Value retention
R1 Energy-related) specifications for new and existing buildings
R2 Rent regulation

Exposure: The extent of exposure to the adverse consequences of a risk driver.

Vulnerability: The extent of susceptibility of being adversely affected by the consequences of a driver as a result of structural and organizational conditions.

The results of the risk analysis and risk assessment in relation to the 21 physical and transitory risk drivers were cross-checked with the Q2/2021 risk inventory to verify the extent to which the risk inventory already takes these drivers into account. This analysis did not identify any long-term climate risks whose potential financial impact was not already identified in the risk inventory's review period. For additional information, please refer to the Report on Risks and Opportunities.

In January 2022, the solution was implemented in Deutsche Wohnen's IT infrastructure. This enables the real estate portfolio to be analyzed regularly and the quantitative and qualitative risk assessments to be conducted and updated.

Responsible Corporate Governance

The significance of housing continues to grow.

Since the coronavirus pandemic began, people's homes are now also places of work and education, so have become the center of their lives to a greater extent than ever before. Housing has become even more important in light of this shift and in view of its social and ecological dimension. Deutsche Wohnen is aware of the increasing responsibility this entails.

Beyond the current changes, Deutsche Wohnen also faces other challenges. These include the ongoing trend toward urbanization, which is accompanied by a shortage of housing and rising rents in metropolitan regions and conurbations, where a large proportion of our portfolio is located. Demographic change and an aging society are also among the central issues facing us; new solutions must be found to these issues, through housing concepts and services suitable for senior citizens.

The real estate sector also has a key role to play in achieving climate policy objectives, as one-third of CO_2 emissions in Germany are caused by buildings and their occupants. [3] At the same time, the industry must invest even more vigorously in digital transformation. Doing so will enable the industry to make its own business models and services more efficient and achieve its sustainability goals even better, especially in terms of resource conservation.

One-third of CO_2 emissions are caused by the real estate sector.

Economic Stability Secures Sustainable Future

Deutsche Wohnen's business activities are geared to the long term. As a capital market-oriented company, we act in an economically responsible manner and are committed to the interests of our shareholders. Compared with other sectors, the economic impact of the coronavirus pandemic was once again low for Deutsche Wohnen in this reporting year. On the one hand, this is due to government support, which also benefited our customers and business partners. On the other hand, we also attribute this to our resilient and stable business model and our risk-conscious business strategy. The economic stability of our company is ensured by the size and quality of our real estate portfolio and our focus on attractive German metropolitan regions and conurbations. Investments in the construction of new residential properties and care facilities in growth regions are also increasing our competitiveness. By refurbishing our real estate holdings, we also improve the quality, energy efficiency and longevity of our portfolio.

Deutsche Wohnen aims to exploit the opportunities arising from digitalization, the Internet of Things and artificial intelligence, focusing in particular on holistic, integrated smart living concepts.

Our Sustainability Strategy

Responsible corporate governance provides the framework for the other areas of action for sustainability also described in our Mission Statement. This includes responsibility toward our customers, toward our real estate portfolio and socially responsible refurbishments, toward new construction and toward our employees. We also pay attention to the protection of the environment and the climate and are committed to the community in our neighborhoods and their surroundings. We are committed to acting with integrity, respecting human rights and complying with laws and regulations, and particularly those relating to data protection. Our business partners are also obliged to fulfill corresponding compliance and sustainability criteria.

Our Sustainability Mission Statement

Our sustainability strategy is designed to address challenges in a committed and responsible manner and to reconcile the various expectations and requirements. Within the residential real estate industry, we want to take a leading role in the field of sustainability and increase the transparency and comparability of sustainable services.

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

Our goal is to create affordable housing in metropolitan regions with future-proof and sustainable neighborhoods that bring together homes, places for working and places for living. We strive for DGNB Gold certification for our new construction projects.

With around 19 million buildings, the housing industry in Germany plays a key role in climate policy; after all, around 64% of the energy required in the entire real estate sector is consumed by the residential segment.[4] We have therefore set ourselves the goal of making our real estate portfolio climate-neutral by 2040 and investing extensively in the quality, sustainability and energy efficiency of our holdings. In doing so, we are focusing on the refurbishment of building fabric and modernization of heat generation plants, the provision of tenant electricity from renewable energies, efficient and decentralized heat generation, and sustainable mobility concepts in our neighborhoods.

We are investing in the quality, sustainability and energy efficiency of our holdings.

As a well-established partner of urban society, we are also committed to working with our stakeholders to create livable, urban and holistic neighborhoods and promote the arts, culture, education and sports.

Placement of Green Corporate Bonds

At the end of the first quarter of 2021, Deutsche Wohnen issued two green corporate bonds on the capital market for the first time. These bonds total € 1 billion, have an average term of 15 years and an average interest rate of 0.90% p.a.

Green bonds make it possible to link debt financing with Deutsche Wohnen's sustainability strategy. The net proceeds from the issue will be used to finance green projects. In the future, this will enable Deutsche Wohnen to invest even more vigorously in the acquisition and construction of climate-friendly buildings and in the energy-efficient refurbishment of its portfolio.

Therefore, the successful placement is proof of the attractiveness and future viability of our business model, as well as a clear signal from the market to consistently pursue our sustainability strategy and make a significant contribution to sustainable living in Germany.

Sustainability Program for Managing Targets and Measures

Our sustainability program consists of strategic and operationalized targets and associated measures in our five areas of action for sustainability. It also documents our progress and the degree to which we have achieved our goals in the relevant areas. It forms the basis for managing our sustainability-related objectives, which also contribute to our corporate objectives. The entire Management Board is responsible for the sustainability strategy. In addition, a cross-functional sustainability committee was established to deal with the strategic management and further development of sustainability within the company and of the sustainability program itself.

Adherence to Sustainability Standards in Business Relationships

Compliance Guidelines

Deutsche Wohnen has implemented a Code of Conduct for Business Partners that sets out requirements with regard to adherence to legal regulations as well as integrity and ethical standards. We expect our business partners to comply with all applicable laws and regulations, in particular with regard to anti-corruption, money laundering, anti-trust, competition, environmental, data protection and capital markets, and to treat their employees fairly and responsibly. The obligation to comply with the Code of Conduct is an integral part of all material new contracts concluded.

In addition, Procurement Guidelines have been implemented. These regulate the responsibilities of centralized and decentralized procurement, cooperation with business partners and the specific requirements in terms of quality, compliance and sustainability.

Our aspiration and goal is to ensure that fundamental and universally applicable human rights are respected and complied with in all areas of our business activities. The Management Board of Deutsche Wohnen has issued a Mission Statement on Respecting Human Rights. In this way, we want to actively promote responsible conduct and fair working conditions in our company.

Deutsche Wohnen expects its business partners to do the same and to ensure that their own business partners, subcontractors and service providers also comply with their due diligence obligations with regard to human rights. The Code of Conduct for Business Partners sets out these expectations in concrete terms, building on the conventions of the International Labor Organization (ILO) and the United Nations Guiding Principles on Business and Human Rights.

One instrument for uncovering human rights violations is the whistleblower system for employees, customers and business partners. No human rights violations were reported or known about during the reporting period.

Trusting, Close Dialogue With Our Stakeholders

As a large company in the housing industry, we are at the center of many interests. Our customers, shareholders, employees, scientists, politicians, administrators and the general public rightly follow how we fulfill our responsibilities. The various requirements and assessments of our sustainability performance are an ongoing challenge for us, but also an opportunity to anchor responsible action even more consistently in our strategy. Our objective is to strike a fair balance between the different needs and interests.

Among our most important dialogue instruments are systematic and regular stakeholder surveys. We are also developing new dialogue formats with political decision-makers and opinion leaders at the federal, state and municipal levels and are increasing our discourse with stakeholders in urban society.

Transparency Regarding Our Sustainability Performance

ESG ratings results

We aim to continuously improve the transparency of our reporting, and we are also guided by the most important rating systems and ESG ratings in our industry. Deutsche Wohnen has been reporting in accordance with the GRI global guidelines since 2013. In addition, we follow the sustainability best practice recommendations on reporting set out by EPRA (EPRA sBPR), the association of listed real estate companies. Our progress in ESG in the reporting year was also reflected in convincing results in important ratings and rankings, such as ISS ESG, Sustainalytics and MSCI.

Maintaining Integrity Through Compliance and Anti-Corruption

Our values determine our daily actions.

Deutsche Wohnen relies on gaining and maintaining the trust of its customers, buyers and business partners. Our aspiration is to implement our values – particularly those of honesty, integrity and openness – and the principles and rules of responsible corporate governance in our daily activities. Compliance is an essential foundation for integrity – it demands adherence to legal requirements and internal guidelines.

We do not tolerate any form of corruption or other unfair business practices, and we expect the same from our business partners. Any conflicts of interest must also be avoided.

Guidelines and Processes Established

Deutsche Wohnen has established behavioral guidelines that specify the legal requirements and apply to all employees throughout the company. Our anti-corruption guidelines contain supplementary detailed directives on ensuring compliance with laws and internal rules for the prevention of corruption and bribery. Unlawful influence on business partners or by business partners through favors, gifts or the granting of other advantages is prohibited without exception. Employees must confirm that they have received and understood the guidelines when they start working for us.[5] Managers must make their employees aware of the need for compliance.

The rules on the prevention of corruption are a central component of Deutsche Wohnen's compliance management system. All areas of the company and all processes are subject to regular audits with regard to compliance risks. We investigate any suspicious circumstances and any instances of corruption on an event-driven basis and as part of our regular risk reporting procedures. All transactions with anti-trust implications, such as acquisitions, are carefully and thoroughly reviewed.

The Management Board, the Group Compliance Officer and the Legal/Compliance Team are responsible in particular for ensuring compliance with legal requirements and internal policies, as are managers and all employees. Managers and employees complete compliance training, which is held as in-person and virtual sessions.

Compliance With Tax Law Through the Tax Compliance System

Deutsche Wohnen is unreservedly and unconditionally committed to compliance with tax regulations. Any tax optimization offered is implemented exclusively within the framework of the law and in compliance with generally applicable standards. The Deutsche Wohnen Group has implemented a tax compliance system in order to ensure compliance with statutory obligations and to avoid tax and fiscal risks.[6] This system is made up of regulations and working directives that are amended in line with changes to the legal framework and the business environment. In addition, it regulates tasks, areas of responsibility and notification and reporting obligations in detail.

The tax compliance system is reviewed for adequacy at appropriate intervals by external legal counsel specializing in tax affairs. Partial aspects of tax compliance are also the subject of audits by the Internal Audit Department.

4 This refers to all companies that manage staff, with the exception of FACILITA Berlin GmbH, the SYNVIA Group and the companies of Wohnen plus.

5 The tax compliance system applies to Deutsche Wohnen SE and companies that are directly or indirectly majority-owned by Deutsche Wohnen SE and for which an internal business arrangement exists.

Whistleblower System for Confidential Reports

A whistleblower system is available for reporting possible regulation breaches. It allows the company's employees, customers and contractual partners to pass on information about possible serious legal or regulatory violations to the ombudsperson. This can be done anonymously if desired. The whistleblowers are protected by the ombudsperson's duty of confidentiality.

During the reporting period, no new cases of corruption were reported at Deutsche Wohnen or any of its subsidiaries, and there were no confirmed incidents in which employees were dismissed or given warnings for corruption.

Ensuring Thorough Data Protection and Data Security

Deutsche Wohnen processes personal data, in particular that of its customers, employees, applicants and business partners, in order to fulfill its contractual obligations or for legally prescribed purposes, for example. Responsible handling of data and compliance with data protection regulations are a high priority for us.

Data protection and data security are a high priority for us.

The Federal Data Protection Act (BDSG) and the General Data Protection Regulation (GDPR) set the definitive rules for companies when it comes to the handling of personal data.

Responsibilities and Processes Defined

At the level of Deutsche Wohnen SE, the Management Board is responsible for ensuring data protection. The Management Board has appointed an external data protection officer, who works together with the data protection coordinator and two other employees in the Legal/Compliance Department. This team is responsible for data protection issues and is assisted by the data protection contacts from the respective departments. IT Security provides support for technical issues relating to data protection.

The necessary technical and organizational measures have been implemented in order to protect personal data and ensure data security at Deutsche Wohnen. These include employee confidentiality obligations, policies and working directives, and data protection forms. Among other measures, employees receive basic training in data protection and IT security when they start working for us. Refresher training is carried out at regular intervals.

We have established clear processes for handling potential data protection incidents. All employees are called upon to report suspicious circumstances to the Data Protection Team. In collaboration with IT Security and the department in question, an evaluation is then carried out and next steps implemented. This allows the data protection authority to be notified within the 72-hour period and the data breach to be remedied immediately.

Ongoing Review of Data Protection Risks and Incidents

In 2021, no data protection incidents or instances of unauthorized persons accessing Deutsche Wohnen data were brought to the attention of the Data Protection Team in the context of the obligation to report a data breach.

One case from 2019 was followed up in the reporting year. In the fourth quarter of 2019, the responsible supervisory authority issued an administrative order imposing a fine on Deutsche Wohnen. The allegations in the order relate to a data archiving solution that has already been replaced by Deutsche Wohnen. In response to the company's appeal, the Berlin District Court discontinued the proceedings because it considered the administrative order imposing the fine to be invalid. The public prosecutor's office lodged an immediate appeal against the ruling of the Berlin District Court. Deutsche Wohnen responded accordingly to the grounds of appeal. The proceedings are being heard before the Berlin Court of Appeal, which, in a resolution dated December 6, 2021, referred various legal questions to the European Court of Justice (ECJ) for a preliminary ruling.

Responsibility Toward Our Customers and Properties

Making Our Real Estate Portfolio and New Construction Sustainable

Our core business is strongly influenced by changing regulatory conditions and social and ecological challenges. Housing shortages, rising rents, demographic change, climate protection requirements and resource efficiency demand forward-looking solutions.

We are creating additional homes in metropolitan areas through new, sustainability-focused construction projects.

People in Germany now live alone more often than they did three decades ago. This is primarily the case in cities, where almost half of those living alone reside. It is here that the pressure on the housing market will continue to rise, as the number of residents is increasing significantly. The strained housing market also means that many households are overburdened by housing costs.

Since the onset of the coronavirus pandemic, the role of housing has become even more central to society's consciousness. The contact restrictions meant that life took place within our own four walls to a greater extent than ever before. The coronavirus pandemic also further advanced the digitalization of our living and home environments, giving the market for smart-home solutions further impetus. For the real estate industry in particular — including for Deutsche Wohnen — digitalization is and will continue to be a key area of action.

We want to continue to offer our customers affordable and safe housing in attractive neighborhoods. To this end, we are not only investing in the quality of our holdings through maintenance and refurbishment, but we are also creating additional homes in metropolitan areas through new, sustainability-focused construction projects. In all construction matters, we pay particular attention to the use of materials that do not pose environmental or health risks, and we commit our suppliers to socially and ecologically responsible conduct.

Customer Satisfaction at the Core

The satisfaction of our customers is what ensures our economic success and is a high priority for our company. That is why we are constantly working to improve the quality of our services and to better address the changing needs of our tenants. Furthermore, we would like to be a partner that makes it possible for our customers to live well and in a high-quality way across many generations. For this reason, we think of our neighborhoods in a holistic manner – from outdoor facilities and infrastructure through to energy supply and mobility.

The satisfaction of our customers is of great importance to us.

Above all, we see it as our responsibility to offer our customers fair living conditions and, in doing so, to give them more security and the ability to plan their lives. That is why we base our rent policy on people's individual life and income circumstances and have also anchored this principle in our *tenant promise*.

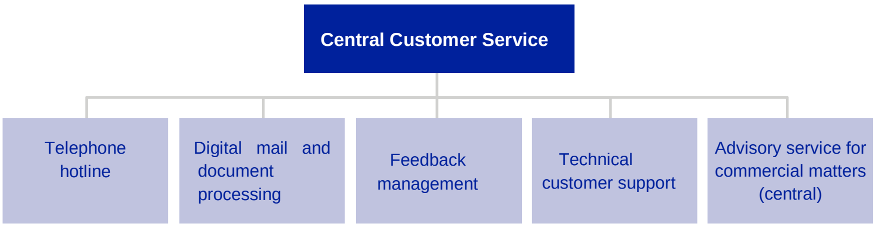
In Dialogue With Our Tenants

To improve our service, we have established the Deutsche Wohnen customer portal, which makes services available round the clock. For example, customers can use the portal to view all information relevant to their contracts, look at their rent and deposit accounts or energy certificates, and adjust their advance payments.

Online customer portal

We have also introduced our Central Customer Service function to reduce the processing time of requests and facilitate a personal approach. This is also in response to feedback from our tenant surveys.

We also offer our customers the opportunity to address their concerns directly with the commercial and technical staff at our sites. Our rental offices answers inquiries from prospective tenants.



Latest Tenant Survey on Satisfaction With the Housing Situation

In the third quarter of 2021, Deutsche Wohnen conducted its annual tenant survey, which involved reaching out to around 31,000 households by mail. At 34%, the participation rate was similar to the previous year (2020: 33%). The results are consistently positive compared to previous years. Our tenants reported significant improvements in the cleanliness of the neighborhood. This applies in particular to the assessment and maintenance of outdoor and green areas. Satisfaction with Deutsche Wohnen as a company rose between 2019 and 2021 from 78% to 81%. At 86% (2020: 88%), comparably high approval ratings were recorded once more in relation to satisfaction with the apartments. Our tenants were particularly satisfied with the friendliness of our employees (91%). In addition to the positive feedback, room for improvement was also noted. For example, the satisfaction rating of 59% with regard to the processing time of requests shows that the processes here need to be further optimized.

86%
tenant satisfaction

Performance indicator	2021	2020	2019
Tenant survey: satisfaction with the housing situation	86	88	87
Satisfaction with Deutsche Wohnen as a landlord	81	82	78

Social Responsibility Toward Our Tenants

We express our responsibility toward our customers to maintain fair housing conditions in our voluntary commitment *Our Promise to Our Tenants*. We focus on the individual income and life circumstances of our tenants and limit rent increases in cases of hardship. We also allocate one in four new apartments to tenants who are entitled to a certificate of entitlement to public housing. In this way, we want to limit the consequences of gentrification and maintain the social mix of our portfolio. What is more, since 2017, Deutsche Wohnen has concluded further project-related agreements with several Berlin districts for the socially responsible implementation of complex refurbishment measures.

Special Support for Tenants During the Coronavirus Pandemic

We have assured our tenants that no one will lose their apartment during the pandemic. We have set up support services for both residential and commercial tenants, ranging from concrete assistance in case of payment difficulties, to information on tenant protection regulations, applying for subsidies and social services that offer counseling.

In 2020, we launched a € 30 million coronavirus relief fund to support tenants, business partners and service providers who have experienced financial difficulties as a result of the coronavirus pandemic. The proportion of tenants who have made use of this relief fund is low, as is the uptake of the fund to date. We will keep the fund open as long as the coronavirus crisis and its impact on our tenants continues. We expect to make further payments from the fund in the current fiscal year, in particular to support tenants, as well as business partners and service providers, who do benefit sufficiently from government assistance programs.

Compliance With Strict Hygiene Requirements in Contact With Customers and Employees

During the coronavirus pandemic, we swiftly implemented the measures adopted by the federal government to contain the virus and communicated updated instructions to our employees. For example, when performing maintenance and modernization services and coming into contact with tenants, instructions were given to ensure compliance with hygiene regulations in order to protect customers, employees and those working for the contracted companies. The measures were coordinated with our internal safety committee. Appointments such as viewings, apartment inspections and handovers, as well as lease signings, had to be carried out largely without any contact in the first half of the year. For apartment viewings, we were able to offer safe and customer-friendly formats thanks to the showroom and the digital 360-degree tour.

Focusing on the Health and Safety of Our Customers

Ensuring that our customers are healthy and safe is important to us. Here, we pay particularly close attention to risk avoidance in the removal and disposal of pollutants as part of refurbishment projects, as well as contaminated sites on the soil areas of the properties. We also want to ensure that buildings materials are used that do not pose health risks and are sustainable.

At Deutsche Wohnen, customer safety on the roads around residential complexes and apartments is managed by coordinated action between the operating companies DWCF, DWI and FACILITA.

The handling of hazardous building materials is regulated by laws and guidelines. When removing and disposing of hazardous waste, Deutsche Wohnen complies with the applicable laws and guidelines within the framework of technical construction regulations, such as the Technical Rules for Hazardous Substances (*Technische Regeln für Gefahrstoffe* — TRGS) and the Asbestos Disposal Directive (*Asbestsanierungsrichtlinie* — AsbestSanRI). Before the start of a refurbishment project, expert opinions must be prepared; the corresponding engagement of services is part of the contract template for professional planners. Further process steps include property inspections, taking samples, and the proper and documented disposal of those hazardous substances that are not permitted to remain in the building.

Safe Handling of Contaminated Sites

A large proportion of the apartments in Deutsche Wohnen's portfolio were not built by the company itself. In some cases, these buildings still contain materials that were technically modern at the time of construction but are now considered harmful if released.

Potentially harmful substances, such as asbestos, "old" man-made vitreous fibers (KMF), polycyclic aromatic hydrocarbons (PAH) and paint containing lead, in existing buildings are usually removed and replaced with suitable materials during maintenance work, when new leases begin or in the course of refurbishment projects. Hazardous waste is disposed of in accordance with regulations to eliminate any danger to people and the environment. During refurbishment and new construction projects, we are careful with the soil around the properties. New construction sites are treated in accordance with the legal requirements of the Federal Soil Protection Act (*Bundesbodenschutzgesetz* — BBodSchG).

Sustainable Real Estate Portfolio Through Maintenance and Refurbishment

Our real estate portfolio comprises around 151,200 residential units and 2,800 commercial units. Our extensive investments in recent years are aimed in particular at the maintenance, sustainability and quality enhancement of our real estate. The focus here is not only on the modern furnishings in apartments, but also on the energy efficiency of buildings, the refurbishment of the technology used in the facilities, the strengthening of security and the improvement of residential value.

In recent years, we have carried out complex energy refurbishment work on around 10,000 apartments for around 20,000 people. This not just enables us to secure the future of our holdings and neighborhoods, but, compared to demolition or reconstruction, refurbishment also avoids the consumption of what is referred to as "gray energy." This refers to the CO_2 emissions generated during construction and, in particular, during the production of the materials used, such as steel, concrete or aluminum. Reusing these materials, therefore, also contributes toward climate protection and resource efficiency.

Our aim is to achieve an objective and fair balance between the interests of society, the company and the residents in our neighborhoods. We want to live up to this aspiration, especially when planning and carrying out maintenance and refurbishment works. The aim is to find viable solutions for our customers, such as temporary accommodation, rent reductions or arrangements for cases of financial hardship.

In this way, we also want to increase the acceptance of maintenance and refurbishment works and continue taking a sensitive approach to issues discussed across society, such as new construction and socially compatible climate protection measures, and promoting dialogue.

Maintenance measures and refurbishment projects, including technical and commercial management and the consideration of tenants' interests, are implemented as part of a close partnership between DWI/DWKS, DWCF, DWM and FACILITA. [7]

Our New-Construction Strategy for Creating Housing in Conurbations

There is a shortage of almost two million affordable homes in Germany's metropolitan areas and conurbations, where new construction continues to lag behind housing demand despite rising completion figures.[8] Deutsche Wohnen wants to play its part in solving the problem and is continuing to develop new construction potential on its own properties and conversion sites. We pursue our new-construction strategy with the aim of developing neighborhoods that are fit for the future and bring together homes, places for working and places for living – both now and into the future.

On the whole, we intend to invest up to € 5.9 billion in the construction of new residential, care and office properties over the next ten years. In doing so, we will create around 12,000 new apartments and 1,200 commercial units for our own portfolio, particularly in the metropolitan regions of Berlin, Dresden/Leipzig, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Munich and Stuttgart.

≤ € 5.9 bn
to be invested in new construction projects over the next ten years.

The operational responsibility for the development, planning and construction of the new building projects is concentrated by Deutsche Wohnen in a separate platform under the leadership of the QUARTERBACK Group, which implements all of Deutsche Wohnen's new construction projects. In the reporting year, the volume of investment in new construction amounted to around € 408 million.

Priority for Sustainable Construction

New construction projects and selected refurbishment projects are planned and implemented in accordance with the recognized certification system of the German Sustainable Building Council (DGNB). Under the standards of this system, we consider the entire life cycle of a building and pay particular attention to the use of high-quality and environmentally friendly materials as well as sustainable energy, water and transport concepts. We strive for DGNB Gold certification for our new construction projects.

Aligning Supply Chain and Use of Materials With a View to Sustainability

We procure energy sources and artisanal and technical services, and we commission suppliers to provide and dispose of these where appropriate. The procurement of building materials is the responsibility of the artisanal, construction and planning companies working for us and is based on the specifications set out in tenders or product catalogs. We procure most of our services directly from local craftsmen, planners and construction companies, or from across Germany.

With regard to the materials used, we are aware that there are also associated environmental impacts, whether in terms of the extraction of raw materials, in manufacturing processes or in disposal. In order to avoid negative effects as far as possible, ecological and health-related aspects are taken into account in our procurement decisions. The durability of the products is particularly important to us.

6 Deutsche Wohnen Immobilien Management GmbH and Deutsche Wohnen Kundenservice GmbH, Deutsche Wohnen Construction and Facilities GmbH, Deutsche Wohnen Management GmbH, FACILITA Berlin GmbH.

7 https://www.boeckler.de/de/boeckler-impuls-unbezahlbare-mieten-4100.htm

In the reporting year, we developed a standard construction specification that brings together our quality specifications for sustainable construction. These specifications are based both on Deutsche Wohnen's own standards and on the certification criteria of the DGNB. Within an ongoing process, we are examining the technical feasibility of the specifications, which, in future, will apply equally as a uniform rulebook to all departments, partner companies and new construction and (where applicable) refurbishment projects.

High Safety Standards on Construction Sites

In order to ensure occupational safety for suppliers and external construction companies on construction sites, we primarily use contracts based on the German Regulations on Contract Awards for Public Works (*Vergabe- und Vertragsordnung für Bauleistungen* — VOB/B). According to the VOB/B, contractors are responsible for order on the construction site and for the fulfillment of all obligations toward their employees. If a construction site exceeds a certain size, then, in accordance with the Construction Site Ordinance (*Baustellenverordnung* — BauStellV), we register the construction project with the Berlin State Office for Occupational Safety, Health and Technical Safety (Landesamt für Arbeitsschutz, Gesundheitsschutz und technische Sicherheit Berlin — LAGetSi) or the authorities responsible for occupational safety in the federal states and draw up a health and safety plan (referred to as a "SiGe-Plan" in German). Compliance is ensured with the help of a health and safety coordinator, whose inclusion is mandatory when workers from several employers are working on the construction site.

Responsibility Toward Our Employees

Qualified and motivated employees are crucial to the success of our company. For this reason, we want our employees and applicants to see us as an attractive and modern employer. To achieve this, we need to provide solutions to current challenges. These include the pending combination with Vonovia, the ongoing shortage of skilled workers, demographic changes and a rapidly changing working world that – accelerated by the coronavirus pandemic – is increasingly characterized by virtual communication and remote and flexible working. [9]

We aspire to be an attractive employer.

In the interest of our company's success, we want to proactively manage these central issues, with the aim of contributing toward a high level of satisfaction among our employees. Our attractiveness as an employer is a key factor in attracting talent to the company and retaining specialists and managers. In the context of the combination with Vonovia, we have ruled out redundancies for operational reasons until the end of 2023. We are continuously strengthening our training and education system, offer flexible working time models for a better work-life balance, and create a working environment that promotes health. We are also committed to having an appreciative corporate culture based on equal opportunities, diversity and openness. Our employer values provide us with clear orientation. [10]

Clear Responsibilities Defined

Overall responsibility for HR matters lies with the CEO. In addition to the areas of administration, personnel management and recruitment, the responsible Human Resources Department is also in charge of personnel and organizational development with the internal

8 The coronavirus pandemic has not significantly affected our employee strategy or the key objectives associated with it. The only effects in this regard were seen in the operational implementation of measures (including adjustment of framework working hours, promotion of remote working, predominantly remote training and education).

9 The measures described below in the context of staff work and the key figures shown relate to all companies managing staff, with the exception of FACILITA Berlin GmbH, QUARTERBACK Immobilien AG, SYNVIA media GmbH, PFLEGEN & WOHNEN HAMBURG and KATHARINENHOF. For information on PFLEGEN & WOHNEN HAMBURG and KATHARINENHOF, please refer to the section entitled "Our Responsibility Toward Employees in the Nursing and Assisted Living Business Area."

training program, corporate health management, internal communications training, the organizing of employee events, and the further development of the *digital workplace*. In addition, there is the task of systematically managing change processes in the organization and supporting structural projects in the operational divisions.

Attracting and Retaining Employees

In the years ahead, many employees in Germany will no longer be available to the labor market due to their age. In the real estate industry, more than half of companies are reporting a significant shortage of skilled workers. [11] A visible indicator of this is a decline in active applications. In order to attract new talent, we focus on establishing contact as early as possible, ensuring that everyone involved gets to know each other and the company, and providing comprehensive information about Deutsche Wohnen as an employer. To this end, we use an onboarding process that includes individual induction guides, mentoring programs and feedback sessions.

Performance indicator	2021	2020	2019
Number of trainees and students on dual courses of study hired in the reporting year	23	30	25
Employee turnover[1]	15.6%	9.5%	11.5%
of which initiated by the employer	33.5%	44.2%	40.8%
of which initiated by the employee	60.2%	49.0%	52.8%

1 Excluding temporary staff, trainees, interns, marginal employees and temporary student staff. The positive trend of previous years was presumably negatively impacted in the reporting year by the forthcoming combination with Vonovia SE.

We are continuously strengthening our personnel marketing, both internally and externally, in order to position Deutsche Wohnen as an attractive employer in the long term. In parallel to established instruments such as advertisements, flyers and campaigns, we are consistently relying on digital formats, such as the LinkedIn and Xing channels, as well as other social media platforms.

Fair Remuneration and Sharing in the Company's Success

We offer fair remuneration that is in line with the market. Our compensation structure sets uniform standards, including in relation to gender, and is the basis for equal remuneration for comparable positions. In order to allow our employees to share in our company's success, we introduced a bonus program in 2018 that rewards employees who have been with the company for a number of years. This program will not be continued, but will take into account entitlements acquired in the past.

Training and Education at the Heart of Staff Development

The success of our company is reliant on qualified and motivated employees who share our values and put these into practice in their day-to-day work. We want to fill key positions in our company with our own specialists and retain top performers on a long-term basis. The focus of our strategic staff work, therefore, is on the structured development of our employees, which will enable them to enhance their personal strengths and meet their own needs.

11 https://www.e-b-z.de/presse/news-und-pressemeldungen/ebz-personalentwicklungsstudie.html

To secure our next generation of skilled workers, we focus primarily on in-house training and offer apprenticeships in property management and office management roles. Students can start their careers with us as interns, as working students or, after successfully completing their studies, as trainees. At the end of the year, Deutsche Wohnen employed 50 apprentices and 10 students on dual courses.

Awards for achievements as an employer and as a trainer.

For our achievements in training, we have been recognized as a Fair Company by karriere.de. In addition, the *Excellence in Vocational Training* seal from the Chamber of Trade and Industry, which was awarded back in 2020, remained valid in the reporting year. We were also recognized by the business magazine *Capital* in its *Germany's best trainers* study. Having received the “TOP National Employer” award from FOCUS magazine, we are also one of Germany's best employers once again in 2021.

Empowering Employees for Tasks of the Future

We use employee surveys and employee interviews, and other methods, to determine training needs. In the reporting year, the focus was on conducting various team workshops, holding training on annual employee appraisals, and offering training in how to use tools related to the digital workplace.

Based on the development potential and needs identified, we are implementing a company-wide training program that will be managed via our own online portal and evaluated by us on an ongoing basis. Despite the pandemic, in the reporting year our employees and managers took part in a large number of training events as planned. Where possible, we converted these to remote variants. Based on feedback from our employees, we have found that this approach is very practical for subject-specific topics and therefore want to expand it even further across various topics, where the content is suitable.

Performance indicator (in %)	2021	2020	2019
Training rate – total workforce	66.6	59.9	43.0
Training rate – management	90.1	87.2	78.6
Training rate	5.6	6.2	5.6

A particular training focus is on strengthening the skills of our managers. We are preparing them specifically for their changed role in an increasingly digitalized world of work and are strengthening their skills in cross-generational collaboration with increasingly flexible forms of employment. Deutsche Wohnen's digital infrastructure is characterized by a three-tier system: We use platforms for exchange and collaboration, the intranet for communication and information, and tools for social networking among employees. In the reporting year, we continued to drive forward the development of the digital workplace.

We offer our junior managers modular training that specifically prepares them for leadership roles. The modules in the management trainee program focus on the perception of the participants' own leadership roles, but also on methods of putting leadership into action. In addition to the measures for existing and future managers and our team-focused measures, we are also training our employees on a professional and interdisciplinary level, focusing on law, stress management, communication with customers and negotiation skills.

Promoting Work-Life Balance and Family-Friendly Working Conditions

We consider work-life balance and the creation of a family-friendly working environment to be important factors in the attractiveness of a modern, socially responsible employer. Due to the operational measures taken to contain the coronavirus pandemic, employees sometimes worked from home during the reporting year. Deutsche Wohnen has responded to these changing conditions and has made the structure of a new working world a topic for the future. In doing so, we are focusing on designs for remote, flexible and digitally oriented workplace setups and the management processes required for these. The focus was also on enabling variable working time arrangements, including deviations from framework working hours, and on expanding the digital workplace.

Part-time and flextime models and remote working serve to reconcile career and family life.

The issue of work-life balance and family-friendly working conditions is evaluated as part of our regular employee surveys and employee dialogues. A participation rate of 66% was recorded in the employee survey from the reporting year. The survey focused on the topics of collaboration, work content, leadership, development opportunities, corporate culture and values, work-life balance, and management. The evaluation shows an improved overall result compared to the 2019 survey. In particular, collaboration and mutual support and the assessment of those in direct line management positions developed positively. The results of the survey on the topic of management demonstrate the trust placed in the Management Board to lead Deutsche Wohnen in a future-oriented and competitive manner. Even more comprehensive and comprehensible information is desired with regard to the combination with Vonovia. Overall, 75% of respondents are satisfied with Deutsche Wohnen as an employer.

Performance indicator (in %)	2021	2020	2019
Proportion of part-time employees	12.4	13.7	13.3
Working from home	90.0	89.2	42.9
Parental leave rate	7.2	5.8	5.6
Sickness rate	6.1	5.9	6.1
Employee satisfaction	75	N/A [1]	77

1 In 2020, no comprehensive survey was conducted on the satisfaction of our employees.

In 2021, around 90% of our employees made use of the opportunity to work remotely and worked from home on approximately 55,600 days in total.

To further improve the work-life balance, we have introduced a model for flexibly structured working hours that is based on value credit accounts and goes beyond statutory regulations. In this way, we want to take into account the different individual needs in the various phases of life, such as when starting a family, but also with regard to earlier retirement or transitioning toward retirement.

Our Responsibility Toward Employees in the Nursing and Assisted Living Business Area

Demographic change, in conjunction with the shortage of skilled workers, represents a key challenge for the care sector. According to the forecast for 2030, there will be a shortage of around 120,000 nursing staff at facilities across Germany. [12] Our aim is therefore to offer nursing staff an attractive place to work with fair pay and to further strengthen their loyalty to the company. At the same time, it is important for us to promote training for the nursing profession in order to attract future specialists. The professional qualification of our nursing staff is achieved through obligatory training and our focus on developing the skills of managers, such as nursing or facility managers.

We ensure the professional qualification and fair payment of our nursing staff.

In the context of the coronavirus pandemic, we were faced with special challenges in terms of health protection for both the workforce and the residents and patients in our facilities. Despite the strict measures in place, outbreaks could not be completely avoided. In addition to the legally required implementation of a pandemic plan, we were particularly engaged in finding appropriate and family-friendly working-time and home-working arrangements for employees for the time when daycare centers and schools were closed. Depending on the regulations of the respective federal state, childcare was initially made possible within the facilities. Subsequently, emergency care for children with parents in key occupational groups was implemented in order to relieve the burden on employees. In order to maintain a work-life balance, we have also agreed family and employee-friendly shift arrangements – regardless of the impact of the pandemic – that particularly meet the needs of mothers.

Responsibility Toward the Environment and the Climate

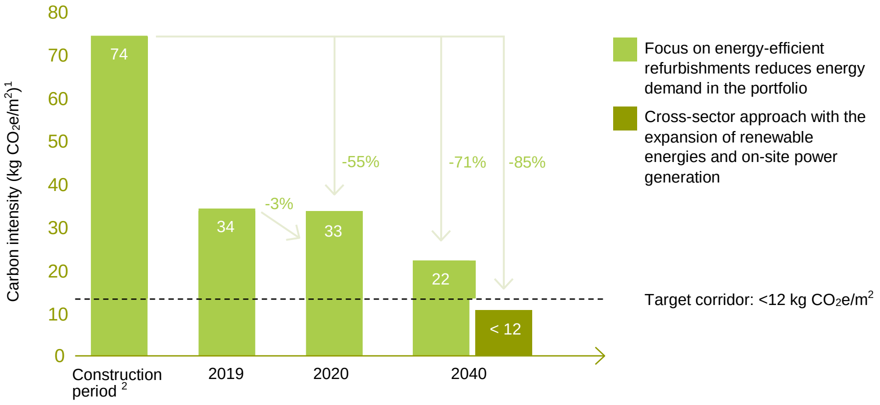
Our Climate Roadmap to 2040

According to the German government's climate protection plan, greenhouse gas neutrality in the building sector is to be achieved by 2045. As one of the largest real estate companies in Europe, we are part of the industry that accounts for around one-third of national CO_2 emissions. [13] We therefore see it as our responsibility to make our contribution to a virtually climate-neutral building stock in Germany.

We want to make our contribution to a virtually climate-neutral building stock.

This is why we have set ourselves an ambitious climate target and aim to move our portfolio toward climate neutrality by 2040. In essence, the various measures aim to minimize the energy demand in existing buildings and to use as few CO_2-intensive energy sources as possible for the unavoidable energy demand. This should reduce carbon intensity from 33 kg CO_2e/m^2 (2020) to below 12 kg CO_2e/m^2 by 2040. Therefore, Deutsche Wohnen will, among other things, achieve the target corridor defined as decisive by the Initiative Wohnen 2050 (IW.2050). [14]

12 https://www.gs-qsa-pflege.de/wp-content/uploads/2020/09/Abschlussbericht_PeBeM.pdf
13 https://www.umweltbundesamt.de/themen/klima-energie/energiesparen/energiesparende-gebaeude#eigentuemer
14 A target corridor of <12 kg CO_2e/m^2 is considered industry-wide to be the accepted CO_2 emissions for achieving a virtually climate-neutral building sector.



1 The climate roadmap shown is calculated on the basis of the CO_2 technology tool of the Initiative Wohnen 2050 (IW.2050) (excluding nursing homes). This is used as a basis across the industry. The target corridor of <12 kg CO_2e/m^2 is derived from the industry's available CO_2 budget and is considered across the industry to be the accepted CO_2 emission level for achieving climate neutrality in the building sector.
2 This key figure represents the theoretical carbon intensity per m^2 for a specific product cluster of a standard house with construction period standards.

Our climate target builds on Deutsche Wohnen's previous achievements. Deutsche Wohnen already has a climate-friendly portfolio thanks to continuous investment in building shells, building services and energy upgrades. [15] For example, the company began modernizing its building fabric and heat generation systems, using cogeneration units and switching to more environmentally friendly energy sources several years ago.

Deutsche Wohnen will continue to build on this good starting position through further targeted investments over the coming years, in particular through the expansion of decentralized heat supply by means of cogeneration units and the use of renewable energies. The expansion of photovoltaic systems will also supply the neighborhoods with renewable electricity. New construction of climate-friendly properties and building automation, as well as smart applications for heating control, will also be targets that we will pursue.

The main decisions made by the company that are relevant to climate protection and the environment are made by the Management Board. The CEO and COO are responsible for the management of the processes. Two internal departments in the COO's reporting line are responsible for the technical planning and implementation of the energy-related refurbishment and modernization measures and for energy management and the technology applied.

Our Contribution on the Road to Climate Neutrality

We have identified five key areas of action that will help us to achieve a virtually climate-neutral building stock. Of the dedicated measures, we are focusing on energy-efficient refurbishments, low-carbon heat and power generation, green energy, climate-friendly new construction projects, and building automation.

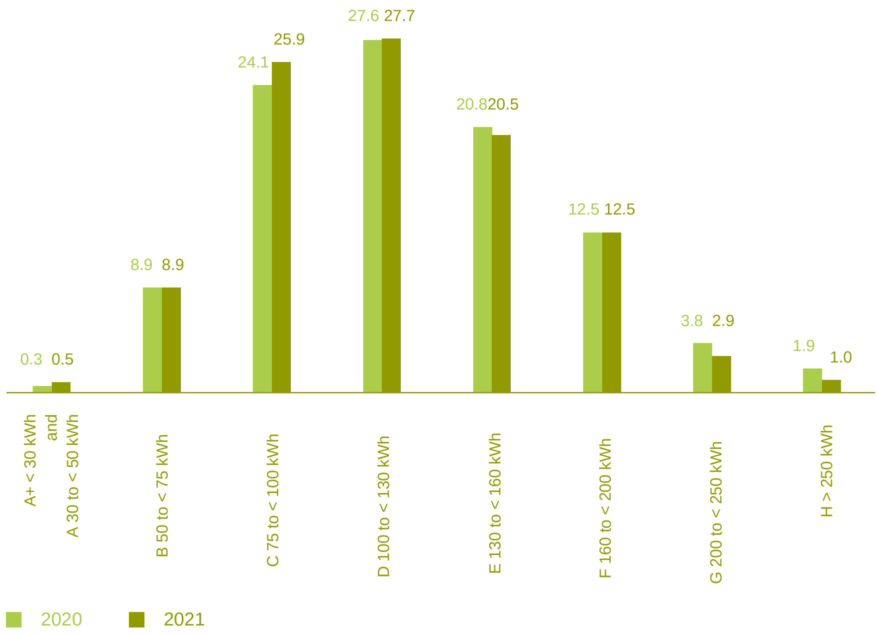
15 Compared to relevant peers.

Energy-Efficient Refurbishments

Deutsche Wohnen reinvests more than 40% of its rental income in the maintenance and refurbishment of its building stock – more than € 340 million in the reporting year alone – around 10% of which was spent on energy-efficient refurbishment works. The measures include, in particular, the insulation of facades, basement ceilings and roofing, the renovation of stairwells, the installation of modern heating and hot water systems, the improvement of furnishing standards for apartments, the replacement or energy-efficient refurbishment of windows, and the replacement of heat generation systems. The energy-related refurbishment rate in the reporting year was around 2.5%[16] (previous year: 1.8%).[17] Between 2015 and 2021, we carried out complex energy refurbishments on around 10,000 residential units in total. As a result, the final energy demand was improved by a good 30% on average.

Energy Efficiency of Residential Units

Summary in Energy Efficiency Classes[1] by Final Energy Demand (kWh/m² per year) in %



1 Weighted average of final energy consumption based on the current energy performance certificates of the properties in relation to the useful building area. Due to the lack of determination of the heating type, deviations of about 20 kWh may occur in the final energy demand calculation. The classification into energy efficiency classes is therefore only based on the German Energy Saving Ordinance (EnEV) classification. The approximately 30,000 listed units, for which energy certificates are not required, were not included in the analysis.

16 The energy-related refurbishment rate represents the ratio of residential units refurbished for energy efficiency in the reporting year in relation to the total number of residential units as of the reporting date of December 31. It includes the complex energy-efficiency refurbishments completed in the reporting year as well as energy-efficiency measures in connection with tenant changes.

17 Prior-year figure unaudited.

Based on the evaluation of the energy certificates at the end of the reporting year, the energy efficiency of around 63% of our residential buildings is better than the average consumption of residential buildings in Germany (129.0 kWh/m^2 per year). 18 Around one-third of our residential units are in a good range below 100 kWh/m^2 per year (A+ to C). The average value of our portfolio is 122.8 kWh/m^2 per year, so has continued to develop positively compared to the previous year (2020: 125.1 kWh/m^2 per year).

Performance Indicator	2021	2020	2019
Average energy efficiency [1]	122.8 kWh/m^2 per year	125.1 kWh/m^2 per year	128.9 kWh/m^2 per year

1 Weighted average of final energy on the basis of the current energy certificates for residential properties (the approximately 30,000 listed units are not taken into account here, as no energy certificate is required for these).

In the reporting year, the focus was on operationalizing our strategic climate targets. As part of this, projects with about 6,000 units were analyzed, which will be implemented starting in 2022. The proportion of energy-efficiency measures in these projects is around 60% and leads to a reduction of more than 50% in final energy demand.

Low-Carbon Heat and Power Generation

When refurbishing heat generation systems in our buildings, we rely on energy-efficient technology to reduce the CO_2 emissions of our portfolio. We invest in the energy sector pairing of decentralized heat generation and efficient cogeneration. For instance, around 7,000 households are already supplied with heating by means of 36 cogeneration units. In addition, we are focusing on renewable power generation and the expansion of the charging infrastructure for electric mobility. With a continuously increasing proportion of district heating, we are significantly reducing the primary energy factor of our final energy consumption, thus expanding the climate-friendly heat supply.

As a result of our measures, the carbon intensity of our portfolio was reduced to 32 kg CO_2e/m^2 per year at the end of the reporting year.

Performance Indicator	2021	2020	2019
Carbon intensity [1]	32 kg CO_2e/m^2 per year	33 kg CO_2e/m^2 per year	34 kg CO_2e/m^2 per year

1 Carbon intensity represents greenhouse gas (GHG) emissions per m_2 of rental space in residential and commercial properties. Here, total emissions including upstream emissions from energy supply were determined based on final energy from energy certificates and specific GHG factors (GEMIS 5.0, district heating supplier). 2019 and 2020 figures unaudited.

Green Energy

We cover the majority of our general electricity requirements with certified electricity from renewable sources. For around 85% of our rental portfolio[19] and our administrative locations, the electricity for stairwell and corridor lighting comes entirely from hydropower. As part of the partnership with GETEC Energie Holding GmbH, by 2030 around € 50 million will be invested in the expansion of decentralized power supply through photovoltaic systems. We are planning to install around 1,000 photovoltaic systems on the roofs of Deutsche Wohnen’s properties. A total of 59 photovoltaic systems with a total output of around 1.2 MWp have already been installed on our buildings. The electricity generated in this way is directly available to tenants in the buildings as green tenant electricity.

18 BMWi, Energy Efficiency in Figures [*Enegieeffizienz in Zahlen*], January 2022, https://www.bmwi.de/Redaktion/DE/Publikationen/Energie/energieeffizienz-in-zahlen-entwicklungen-und-trends-in-deutschland-2021.html

19 Excluding care facilities.

In the future, the electricity generated decentrally via photovoltaic systems will also be used to charge electric vehicles in the respective residential complexes. Together with GETEC, Deutsche Wohnen plans to install more than 2,000 charging points across Germany. The investment volume amounts to approximately € 25 million. Some 75 charging stations have already been installed in the reporting year.

Climate-Friendly New Construction Projects

A key investment focus is on new construction for the portfolio that conserves resources as much as possible, with high energy standards based on the DGNB's Gold standard certification system. Furthermore, with the KfW-55 standard, we are aiming for a significantly lower energy requirement than that prescribed by the currently valid German Buildings Energy Act (*Gebäudeenergiegesetz* — GEG).

During planning and construction, compliance with sustainability criteria will be ensured by qualified planning firms and their auditors. In addition, our contractors are contractually obligated to meet these requirements. Alongside sustainable energy, water and traffic concepts, in our new construction projects we also pay particular attention to the use of high-quality, environmentally friendly and durable building materials, the use of which we adapt to the individual requirements of the property in question.

Building Automation

Buildings account for around 35% of the total energy demand in Germany, of which around 80% is for heating spaces. [20] This is why usage control in particular is becoming the focus in terms of potential optimization. Analyses show that between 9% and 14% of heating energy can be saved through the use of digital applications. [21] According to the 2022 study by the Smart Living economic institute, automated systems in residential environments can even achieve overall energy savings of more than 20%.

We enable our tenants in around 800 apartments in Berlin and Leipzig to save energy through automated consumption control. With the MiA ("Meine intelligente Assistenz") smart assistant, Deutsche Wohnen has implemented a smart building concept in which residents can individually adjust their heating via a display in their apartment or via an app for when they are on the move. In this way, we are supporting them in taking more climate-friendly action themselves through smart home solutions. The advantage of MiA is that it is not solely for new construction projects, but can also be integrated into existing properties without invasive construction measures or the laying of cabling – and with components that are energy self-sufficient and operate without batteries. Initial assessments indicate that a reduction in heating energy of up to 10% can be achieved.

Climate Protection as a Joint Effort

We would like to work toward a climate-neutral portfolio in partnership with our tenants. To this end, we have set out a scientifically based concept for socially responsible climate protection in the building sector, which can be used to launch a modernization offensive that effectively contributes to the achievement of climate targets. We see climate protection as a task for society as a whole – one that must be tackled by governments, companies and citizens alike. Deutsche Wohnen has held numerous background discussions on this approach with policymakers and has presented the concept to industry associations and committees.

20 Dena, "dena COMPACT BUILDING REPORT 2019" [*dena-GEBÄUDEREPORT KOMPAKT 2019*].
21 Techem GmbH, HRI, "Energy Revolution in Buildings – Significance of Digitalization" [*Energiewende in Gebäuden – Bedeutung der Digitalisierung*], 2020.
22 https://www.smart-living-germany.de/SL/Redaktion/DE/Meldungen/2021/2021_06_03_Studie-Gebaeudeautomation-mit-Fallbeispielen.html

Responsibility Toward Society

Commitment to Livable Cities and Social Cohesion

We want to create attractive living spaces and neighborhoods for people – whether they are young, old, live alone or with family. Contemporary housing standards and an intact infrastructure enhance their well-being and contribute to a better social climate. Furthermore, the design of a housing development also has a positive impact on the surrounding neighborhoods. This is why we want to strengthen neighborhoods by promoting diversity, integration and a vibrant neighborhood culture. We also assume social responsibility through our diverse commitment to projects and initiatives in the areas of culture, art and sports.

At the heart of our commitment is *Our Promise to Our Tenants*, with which we make a concrete contribution to the improvement of the strain on the housing market. In addition, the protection of listed buildings and building culture are important social concerns for us. We underline this by maintaining several UNESCO World Heritage sites in our portfolio. As a partner in urban development, we are committed to making cities livable and strengthening social structures. To achieve this, we rely on continuous dialogue and cooperation with residents, policymakers and social institutions. The Management Board is closely involved in the strategic planning of all significant actions.

Developing and Shaping Neighborhoods Responsibly

We attach importance to a socially and demographically balanced tenant structure in our neighborhoods. In this context, one of the commitments we have made in Our Promise to Our Tenants is to allocate one in four apartments to people entitled to a certificate of entitlement to public housing (WBS) as part of new leases. We continued to meet this commitment in 2021, renting out around 27% of our apartments to people with the appropriate housing entitlement.

Furthermore, we are supporting tenants, business partners and service providers who have experienced financial difficulties as a result of the coronavirus pandemic with a coronavirus relief fund, which was established in 2020.

Our neighborhoods combine home life, a place to work and a place to live and are intended to contribute toward a livable residential environment. The architecture of our portfolio covers a wide variety of building types and ages: from listed New Classical estates and stylish older buildings to large housing estates and new builds. Around 1,600 playgrounds make our housing estates particularly attractive to families with children. Most of our buildings are surrounded by open green spaces. As part of its green space management, Deutsche Wohnen develops open spaces in its neighborhoods to improve the quality of living and with the aim of preserving and promoting biodiversity.

For us, healthy neighborhood development that enhances attractiveness also includes making suitable spaces available to local businesses. That is why we protect small businesses and promote the establishment of daycare centers, for example. Around 16% of the commercial space is leased to non-profit initiatives and social institutions. In the reporting year, we invested around € 65.2 million in our portfolio as part of our neighborhood development activities. The measures in more than 30 neighborhoods, particularly in the regions of Berlin, Dresden, Hanover and Frankfurt, include not only energy-efficient refurbishments, but also measures to increase the value of housing, such as the addition of balconies, the designing of outdoor and green spaces and the conversion of attics to create new living space.

Support for Social Projects

Together with various partners and institutes, we have been committed to combating domestic violence for years. In doing so, we participate in public awareness campaigns and support affected women and children by providing housing. In cooperation with non-profit organizations, we offer homeless people the prospect of a new home.

As part of our corporate citizenship and philanthropy, we also support numerous social projects in our neighborhoods with donations and the opportunity to use commercial space rent-free. For a number of years, this has included the “NaDu” (“HeyYou”) day-care facility in Hanover-Sahlkamp, which has been running since 2002. In the Berlin districts of Kreuzberg, Schöneberg, Marzahn and Hellersdorf, we particularly support educational, counseling and recreational opportunities offered by associations that are aimed at young people and families in socially challenging situations.

We support numerous social projects in our neighborhoods.

We partner with associations, social organizations and initiatives to offer support with neighborhood work. In the reporting year, part of the donations also went to support those affected by the catastrophic floods in North Rhine-Westphalia. We donated toys and other much-needed items to a daycare in a Deutsche Wohnen neighborhood in Leichlingen. We also made a donation to the local volunteer fire department to thank them for their work during the emergency.

In Dialogue with Society and the World of Politics

Its economic, social and environmental importance means that the housing market is at the center of political and social debate. As Germany’s second-largest landlord, Deutsche Wohnen has an important role to play here in dialogue with policymakers at a federal, state and local level, with associations, with the media and with NGOs, and the company intends to carry out this role responsibly. We contribute our thoughts and expertise to the discussion in order to clarify our contribution to achieving sociopolitical goals, such as new construction and climate protection, and to showcase concrete proposals for solutions. To this end, Deutsche Wohnen has presented its own climate concept aimed at resolving the current dilemma of *climate protection versus housing costs.* This concept envisages combining the aspects of climate protection, economic efficiency and social compatibility in a meaningful way. For example, financial resources from the CO_2 levy in the heating sector would flow directly into the modernization of buildings and refurbishment costs would be significantly reduced for tenants and owner-occupiers. According to a scientific report, by 2050 this could trigger a wave of energy-related modernization through an investment of € 500 billion in the national building sector and reduce CO_2 emissions from 121 million tons to 33 million tons. The proposal would reduce the burden on tenants by around € 123 billion. [23]

On September 30, 2021, the result of the referendum on the socialization of the portfolios of large housing companies was announced. The majority of voters supported the expropriation of large real estate corporations. We respect the outcome of the Berlin referendum, which expresses the concern of many people about developments in the housing market. At Deutsche Wohnen we take these concerns seriously and we acknowledge our varied responsibilities.

23 Cologne Institute for Economic Research: “IW Report: Is the Climate Protection–Housing Costs Dilemma Resolved?”, [*IW-Gutachten: Auflösung des Klimaschutz-Wohnkosten- Dilemmas*], November 2020, according to scenario 3 variant 2.

First, the outcome of the referendum means a call for the Berlin State Government to address the requests. However, the Berlin State Government is not required to draft and submit to the House of Representatives a bill of expropriation in relation to large real estate companies. Experts also have considerable doubts about the constitutionality of such a law. [24]

Deutsche Wohnen is engaged in regular and trusting dialogue on this topic with political leaders in the city. We bring our perspectives and concerns about the referendum's goals to the table. In this way, we hope to convince politicians that new construction is the only solution to the ongoing housing shortage in Berlin and to offer our support.

The sale of around 11,000 residential and commercial units by Deutsche Wohnen to the State of Berlin was a contribution from our company to the expansion of the municipal housing stock. In this context, Deutsche Wohnen, together with Vonovia, presented the Future and Social Pact for Housing. This limits rent increases, for example, to 1% for the next three years and to the level of inflation for two further years. Modernization fees will not exceed € 2 per square meter, housing for families will be offered by the companies at special conditions, and support will be provided to prevent homelessness. Furthermore, new construction in Berlin will be pushed forward in the coming years. Alongside Our Promise to Our Tenants and our coronavirus relief fund, the Future and Social Pact for Housing is part of Deutsche Wohnen's long-standing commitment to the promotion of a social-oriented and sustainable housing industry.

Berlin, March 18, 2022

Konstantina Kanellopoulos Co-Chair of the Management Board	Lars Urbansky Co-Chair of the Management Board	Philip Grosse Management Board Member	Olaf Weber Management Board Member

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR REGARDING THE CONSOLIDATED NON-FINANCIAL STATEMENT

To the Supervisory Board of Deutsche Wohnen SE, Berlin

We have audited the consolidated non-financial statement (the “statement”) of Deutsche Wohnen SE, Berlin (the “Company” or “Deutsche Wohnen”) for the period from January 1 to December 31, 2021 in order to obtain limited assurance.

Responsibility Statement

The legal representatives of the Company are responsible for the preparation of the statement in accordance with Sections 315b, 315c in conjunction with 289c to 289e of the German Commercial Code (HGB) and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereinafter “EU Taxonomy Regulation”) and the delegated acts adopted in this regard, as well as with their own interpretation of the formulations and terms contained in the EU Taxonomy Regulation and the delegated acts adopted in this regard, as presented in the section “Meeting the Requirements of the EU Taxonomy Regulation” of the consolidated non-financial statement.

This responsibility of the Company’s legal representatives includes selecting and applying appropriate methods for preparing the statement as well as making assumptions and estimates for individual figures that are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

The EU Taxonomy Regulation and the delegated acts adopted in this regard contain formulations and terms that are still subject to considerable uncertainties of interpretation and for which clarifications have not yet been published in every case. For this reason, the legal representatives have set out their interpretation of the EU Taxonomy Regulation and the delegated acts adopted in this regard in the section entitled “Meeting the Requirements of the EU Taxonomy Regulation.” They are responsible for the defensibility of this interpretation. Due to the inherent risk that undefined legal terms can be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Responsibility of the Auditor

It is our responsibility to express a limited assurance opinion on the statement based on the audit we carry out.

We conducted our audit as a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board (IAASB). In accordance with these standards we plan and carry out the audit in such a way that we can ascertain, with limited assurance, that no matters have come to our attention that lead us to believe that the Company’s statement in the reporting period from January 1 through December 31, 2021, has not been prepared, in all material respects, in accordance with Sections 315b, 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted in this respect as well as the interpretation by the legal representatives as set out in the section “Meeting the Requirements of the EU Taxonomy Regulation” of the statement. This does not mean that a separate audit opinion is issued for each statement. In a limited assurance engagement, the audit procedures performed are less extensive than in a reasonable assurance engagement, resulting in a significantly lower level of assurance. The procedures selected depend on the auditor’s judgment.

In the course of our engagement, we performed the audit procedures and other activities detailed below. These included:

- Questioning employees responsible for materiality analysis at Group level in order to gain an understanding of Deutsche Wohnen SE’s approach to identifying material topics and corresponding reporting boundaries
- Carrying out a risk assessment, including a media analysis, of relevant information on Deutsche Wohnen SE’s sustainability performance over the reporting period
- Assessing the suitability of internally developed definitions
- Assessing the design and implementation of systems and processes for identifying, processing, and monitoring disclosures, including consolidation of data, on environmental, labor and social issues, respect for human rights, and combating corruption and bribery
- Questioning Group-level employees responsible for determining disclosures about concepts, due diligence processes, results and risks, performing internal control procedures and consolidating disclosures

- Inspecting selected internal and external documents
- Analytically assessing the data and trends of the quantitative information reported for consolidation at Group level by all sites
- Assessing local data-collection, validation and reporting processes, as well as the reliability of the reported data, through interviews and the inspection of relevant documents on-site at Deutsche Wohnen SE
- Assessing the overall presentation of the information
- Assessing the process for identifying taxonomy-eligible economic activities and the corresponding disclosures in the statement

The legal representatives have to interpret undefined legal terms when determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation. Due to the inherent risk that undefined legal terms can be interpreted differently, the legal conformity of the interpretation and our corresponding audit in this regard are subject to uncertainties.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Assurance of Auditor Independence and Quality In performing the engagement, we have complied with the national legal regulations and professional pronouncements on independence quality assurance, in particular the professional statutes for auditors and certified public accountants as well as the IDW Assurance Standard: Quality assurance requirements in audit practice (IDW QS 1).

Audit Opinion

Based on the audit procedures we carried out, and the audit evidence we obtained, no matters have come to our attention that lead us to believe that Deutsche Wohnen SE's statement for the reporting period from January 1 through December 31, 2021, has not been prepared, in all material respects, in accordance with Sections 315b, 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted in this respect as well as the interpretation by the legal representatives as set out in the section "Meeting the Requirements of the EU Taxonomy Regulation" of the statement.

Restriction of Use / Clause on General Engagement Terms

This note is addressed to and intended solely for the Supervisory Board of Deutsche Wohnen SE, Berlin. We do not assume any responsibility toward third parties in this respect.

The audit, during which we provided the above-mentioned services for Deutsche Wohnen SE, Berlin, was based on the General Engagement Terms for German Public Auditors and Public Audit Firms in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab.pdf). By taking note of and using the information contained in this note, each recipient confirms that they have taken note of the provisions made therein (including the limitation of liability in clause 9 of the General Engagement Terms) and acknowledges their validity in their relationship with us.

Berlin, March 29, 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

as of December 31, 2021

in € million	Note	Dec. 31, 2021	Dec. 31, 2020 adjusted	Dec. 31, 2020 as reported
Assets				
Investment property	D.1	28,730.5	28,069.5	28,069.5
Property, plant and equipment	D.3	206.8	197.0	197.0
Intangible assets	D.4	180.8	357.7	357.7
Trade receivables	D.6	1.2	0.0	0.0
Derivative Financial Instruments	D.7	2.8	2.3	2.3
Long-term financial assets accounted for using the equity method	B.3	373.3	374.3 [1,2]	0.0
Other financial assets	D.8	325.0	59.2 [1,2]	425.0
Deferred tax assets	D.18	0.1	0.0	0.0
Non-current assets		**29,820.5**	**29,060.0** [1]	**29,051.5**
Land and buildings held for sale	D.5	189.0	472.2	472.2
Other inventories	C.8	11.2	12.3	12.3
Trade receivables	D.6	115.0	35.9	35.9
Income tax receivables	D.17	124.4	125.6	125.6
Derivative financial instruments	D.7	0.2	0.3	0.3
Other financial assets	D.8	647.4	343.6	343.6
Other non-financial assets	C.6	14.5	9.1	9.1
Cash and cash equivalents	D.9	676.7	583.3	583.3
Non-current assets held for sale	D.10	1,633.3	163.6	163.6
Current assets		**3,411.7**	**1,745.9**	**1,745.9**
Total assets		**33,232.2**	**30,805.9** [1]	**30,797.4**

1 Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.
2 Prior-year statement changed.

in € million	Note	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2020
			adjusted	as reported
Equity and liabilities				
Equity attributable to shareholders of the parent company				
Subscribed capital	D.11	400.3	359.9	359.9
Own shares	D.11	-3.4	-16.1	-16.1
Issued capital		**396.9**	**343.8**	**343.8**
Capital reserves	D.11	4,433.4	1,688.1	1,688.1
Accumulated other consolidated comprehensive income		-39.0	-47.8	-47.8
Group equity generated	D.11	11,936.0	11,416.1 [1]	11,407.6
Total equity attributable to shareholders of the parent company		**16,727.3**	**13,400.21**	**13,391.7**
Non-Controlling Interests	D.11	476.1	441.1	441.1
Total equity		**17,203.4**	**13,841.3** [1]	**13,832.8**
Financial liabilities	D.12	5,839.0	6,444.7	6,444.7
Convertible bonds	D.13	0.0	1,762.8	1,762.8
Corporate bonds	D.13	3,522.5	2,875.5	2,875.5
Pension obligations	D.14	104.8	109.6	109.6
Other provisions	D.15	38.7	29.9	29.9
Trade payables		19.4	67.9	67.9
Derivative financial instruments	D.7	16.3	48.7	48.7
Other financial liabilities	D.16	320.3	289.9	289.9
Deferred tax liabilities	D.18	5,156.6	4,412.0	4,412.0
Total non-current liabilities		**15,017.6**	**16,041.0**	**16,041.0**
Financial liabilities	D.12	28.6	80.4	80.4
Convertible bonds	D.13	0.0	5.9	5.9
Corporate bonds	D.13	281.3	254.1	254.1
Other provisions	D.15	36.0	27.5	27.5
Trade payables		356.0	362.0	362.0
Derivative financial instruments	D.7	7.5	8.6	8.6
Tax liabilities	D.17	126.2	60.5	60.5
Other financial liabilities	D.16	73.6	108.7	108.7
Other non-financial liabilities		23.5	15.9	15.9
Financial liabilities in connection with non-current assets held for sale	D.10	78.5	0.0	0.0
Total current liabilities		**1,011.2**	**923.6**	**923.6**
Total equity and liabilities		**33,232.2**	**30,805.9** [1]	**30,797.4**

1 Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.

CONSOLIDATED INCOME STATEMENT

for the period from January 1 through December 31, 2021

in € million	Note	2021	2020
Income from Residential Property Management	E.1/4	1,209.8	1,197.8
Income from Nursing Operations	E.2/4	233.0	226.1
Lease income from Nursing Homes	E.4	33.8	38.2
Other income		25.4	21.7
Income from the sale of properties		780.2	1,251.6
Carrying amount of properties sold		-771.0	-1,221.0
Income from the sale of properties (development)		16.1	6.8
Carrying amount of properties sold (development)		-16.3	-7.3
Earnings from Disposals	E.3/4	**9.0**	**30.1**
Cost of materials	E.5	-547.0	-540.6
Personnel expenses	E.6	-259.6	-231.8
Other operating expenses	E.7	-143.2	-104.0
Other operating income	E.8	79.8	56.3
		641.0	**693.8**
Depreciation, amortization and impairment	D.3/4	-213.9	-40.0
Gains/losses from the fair value adjustment of investment properties	D.1	1,862.3	1,856.4
Impairment losses on financial assets		-6.4	-7.1
Earnings before interest and taxes (EBIT)		**2,283.0**	**2,503.1**
Financial income		35.5	10.3
Financial expenses	E.10	-182.2	-171.7
Net income from fair value adjustment to financial instruments	D.7/13, E.11	-356.6	-106.9
Result from investments accounted for using the equity method	B.3, E.12	-3.3	17.4 [1]
Earnings before taxes (EBT)		**1,776.4**	**2,252.2** [1]
Income taxes	E.13	-857.4	-699.1
Profit/loss for the period		**919.0**	**1,553.1** [1]
of which attributable to:			
Shareholders of the parent company		877.2	1,511.2 [1]
Non-controlling interests		41.8	41.9
		919.0	**1,553.1** [1]
Earnings per share			
Undiluted in €	H	2.45	4.341
Diluted in €	H	2.45	4.16 [1]

1 Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 through December 31, 2021

in € million	Note	2021	2020
Profit/loss for the period		**919.0**	**1,553.1** [1]
Other comprehensive income			
Items subsequently reclassified to profit or loss			
Net gains/losses from derivatives in cash flow hedges	D.7	12.6	-5.9
Income tax effects	D.18	-2.7	1.5
		9.9	**-4.4**
Items not subsequently reclassified to profit or loss			
Net change in fair value of equity instruments	C.7	0.0	-2.0
Income tax effects	C.18	0.0	0.0
Actuarial gains/losses on pensions and impact of caps for assets in pension plans	D.14	3.7	-3.4
Income tax effects	D.18	0.1	0.2
Net gains/losses from convertible bonds	C.11	-6.9	10.3
Income tax effects	D.18	2.0	-2.4
		-1.1	**2.7**
Other comprehensive income after taxes		**8.8**	**-1.7**
Total comprehensive income after taxes		**927.8**	**1,551.4** [1]
of which attributable to:			
Shareholders of the parent company		885.6	1,509.7 [1]
Non-controlling interests		42.2	41.7

1 Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from January 1 through December 31, 2021

in € million	Note	2021	2020
Operating activities			
Profit/loss for the period		919.0	1,553.1 [1]
Financial income		-35.5	-10.3
Financial expenses		182.2	171.7
Net income from fair value adjustment to financial instruments	D.7/13, E.11	356.6	106.9
Result from investments accounted for using the equity method	B.3, E.12	3.3	-17.4 [1]
Income taxes		857.4	699.1
Profit/loss for the period before interest and taxes		**2,283.0**	**2,503.1**
Non-cash income and expenses			
Fair value adjustment of investment properties	D.1	-1,862.3	-1,856.4
Depreciation, amortization and impairment	D.3/4	213.9	40.0
Other non-cash income and expenses	G	5.0	-4.4
Change in net current assets			
Change in receivables, inventories and other current assets		-0.8	-11.2
Change in operating liabilities		-13.3	-33.1
Net operating cash flow		**625.5**	**638.0**
Proceeds from the disposal of land and buildings held for sale	G	26.2	55.6
Investments in land and buildings held for sale		-15.5	-6.9
Interest paid		-151.8	-155.4
Interest received		9.7	6.4
Taxes paid		-60.0	-56.0
Taxes received		31.1	22.8
Net cash flow from operating activities		**465.2**	**504.5**
Investing activities			
Proceeds from the disposal of investment properties and assets held for sale	G	635.7	1,266.0
Payments for investments in properties		-762.0	-1,069.0
Payments for investments in other assets		-779.0	-644.5
Proceeds from distributions from shareholdings and joint ventures		0.1	0.1
Proceeds from the disposal of subsidiaries, less cash and cash equivalents disposed of		9.7	0.0
Payments for business combinations less cash and cash equivalents acquired		0.0	-517.1
Other proceeds from investing activities		197.3	64.9
Net cash flow from investing activities		**-698.2**	**-899.6**

1 Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.

in € million	Note	2021	2020
Financing activities			
Proceeds from new borrowings	D.12	4.2	571.5
Loan repayments	D.12	-594.1	-533.0
Repayment of convertible bonds	D.13	-3.1	0.0
Proceeds from the issue of corporate bonds	D.13	1,350.2	1,998.2
Repayment of corporate bonds	D.13	-670.3	-873.8
One-time financing payments		-37.4	-21.9
Repayment of lease liabilities		-22.7	-21.8
Proceeds from the sale of own shares		660.8	0.0
Payments for the purchase of own shares	D.11	0.0	-507.0
Proceeds from increase in capital	D.11	0.0	0.1
Other payments from financing activities		-2.2	-2.1
Costs of increase in capital	D.11	-0.1	0.0
Payment of dividend to shareholders of Deutsche Wohnen SE	H	-354.1	-312.6
Payment of dividends to non-controlling interests		-4.8	-4.8
Net cash flow from financing activities		**326.4**	**292.8**
Net change in cash and cash equivalents		**93.4**	**-102.3**
Opening balance of cash and cash equivalents		**583.3**	**685.6**
Closing balance of cash and cash equivalents		**676.7**	**583.3**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as of December 31, 2021

in € million	Share Capital	Own Shares	Issued Capital	Capital Reserves	Pensions and Financial Instruments
Note	D.11	D.11	D.11	D.11	D.11
Equity as of January 1, 2020	**359.7**	**-2.6**	**357.1**	**2,555.5**	**-33.9**
Profit/loss for the period					
Other comprehensive income					2.7
Total comprehensive income					**2.7**
Capital increase	0.2		0.2	2.4	
Acquisition of own shares		-13.5	-13.5	-484.4	
Withdrawal from capital reserve			0.0	-385.3	
Contribution in connection with Management Board remuneration			0.0	-0.1	
Change in non-controlling interests			0.0		
Dividend			0.0		
Other			0.0		
Equity as of December 31, 2020	**359.9**	**-16.1**	**343.8**	**1,688.1**	**-31.2**
Equity as of January 1, 2021 as reported	**359.9**	**-16.1**	**343.8**	**1,688.1**	**-31.2**
Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.			0.0		
Equity as of January 1, 2021 adjusted	**359.9**	**-16.1**	**343.8**	**1,688.1**	**-31.2**
Profit/loss for the period					
Other comprehensive income					-1.1
Total comprehensive income					**-1.1**
Capital increase	40.4		40.4	2,097.5	0.4
Cost of capital increase, less tax effect			0.0	-0.1	
Sale of own shares		12.7	12.7	648.1	
Contribution in connection with Management Board remuneration			0.0	-0.2	
Change in non-controlling interests			0.0		
Dividend			0.0		
Other			0.0		
Equity as of December 31, 2021	**400.3**	**-3.4**	**396.9**	**4,433.4**	**-31.9**

1 Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.

Cash Flow Hedge Reserve	Total Other Comprehensive Income	Retained Earnings Equity	Equity Attributable to the Shareholders of the Parent Company	Non-controlling interests	Total Equity
D.11	D.11	D.11	D.11	D.11	D.11
-12.4	**-46.3**	**9,834.1**	**12,700.4**	**406.9**	**13,107.3**
		1,511.21	1,511.21	41.9	1,553.11
-4.2	-1.5		-1.5	-0.2	-1.7
-4.2	**-1.5**	**1,511.2** [1]	**1,509.71**	**41.7**	**1,551.4** [1]
			2.6		2.6
			-497.9		-497.9
		385.3	0.0		0.0
			-0.1		-0.1
		0.2	0.2	-7.5	-7.3
		-312.6	-312.6		[-312.6
		-2.1	-2.1		-2.1
-16.6	**-47.8**	**11,416.1** [1]	**13,400.2** [1]	**441.1**	**13,841.3** [1]
-16.6	**-47.8**	**11,407.6**	**13,391.7**	**441.1**	**13,832.8**
		8.5	**8.5**		**8.5**
-16.6	**-47.8**	**11,416.1**	**13,400.2**	**441.1**	**13,841.3**
		877.2	877.2	41.8	919.0
9.5	8.4		8.4	0.4	8.8
9.5	**8.4**	**877.2**	**885.6**	**42.2**	**927.8**
	0.4	-0.4	2,137.9		2,137.9
			-0.1		-0.1
			660.8		660.8
			-0.2		-0.2
		-0.7	-0.7	-7.2	-7.9
		-354.1	-354.1		-354.1
		-2.1	-2.1		-2.1
-7.1	**-39.0**	**11,936.0**	**16,727.3**	**476.1**	**17,203.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year ended December 31, 2021

A General Remarks on the Consolidated Financial Statements of Deutsche Wohnen SE

1 The Deutsche Wohnen Group

The consolidated financial statements of Deutsche Wohnen SE ("Deutsche Wohnen") as of December 31, 2021 were prepared by the Management Board on March 18, 2022. The Supervisory Board is scheduled to approve the consolidated financial statements at its meeting on March 29, 2022. Deutsche Wohnen SE is a publicly listed real estate company that is based in Germany and operates nationally. Its headquarters are located at Mecklenburgische Straße 57, 14197 Berlin, and it is entered in the Commercial Register held at Berlin-Charlottenburg Local Court, HRB 190322 B.

The operating activities of Deutsche Wohnen SE are limited to its role as a holding company for the entities in the Group, which comprises all the key central functions. The operating subsidiaries focus on property management, disposals/acquisitions, project development, nursing care services and property-related services.

Vonovia SE, Bochum, has held a majority interest in Deutsche Wohnen SE since September 30, 2021; Deutsche Wohnen SE is controlled by Vonovia SE. Deutsche Wohnen has since been included in the consolidated financial statements of Vonovia SE. There is no domination agreement with Vonovia SE.

The consolidated financial statements are presented in euro. Unless stated otherwise, all figures are rounded to the nearest thousand euros (€ thousand) or million euros (€ m). For arithmetical reasons, there may be rounding differences between the tables and references and the exact mathematical figures.

2 Consolidated Financial Statements

The consolidated financial statements of Deutsche Wohnen and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) and the provisions applicable in a supplementary capacity pursuant to Section 315e (1) of the German Commercial Code [Handelsgesetzbuch — HGB].

The consolidated financial statements have been prepared on an amortized cost basis. This does not apply to investment properties, equity instruments, convertible bonds and derivative financial instruments in particular, which are measured at fair value.

The consolidated financial statements comprise the financial statements of Deutsche Wohnen and its subsidiaries as of December 31 of the given fiscal year. The subsidiaries' financial statements are prepared using uniform accounting policies with the same reporting date as the parent company's financial statements.

3 Application of IFRS in the Fiscal Year

The accounting policies used for the consolidated financial statements as of December 31, 2020 were applied unchanged, with the exception of new and amended standards and interpretations in the reporting year.

First-time application of new standards in fiscal year 2021:

In May 2020, the IASB published an amendment to IFRS 16 “Leases.” These amendments give lessees a temporary exemption from assessing whether a rent concession arising from the coronavirus pandemic is a lease modification. In March 2021, the IASB extended this temporary exemption until June 30, 2022. There was no material impact on the consolidated financial statements of Deutsche Wohnen.

In August 2020 the IASB published proposals for amendments to IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 9 “Financial Instruments” concerning uncertainties in connection with the second phase of the IBOR reform. The amendments supplement the requirements of the first phase of the project and address matters that could affect financial reporting after the reform of reference interest rates, including their replacement by alternative reference interest rates. There was no material impact on the consolidated financial statements of Deutsche Wohnen.

Otherwise there were no changes from IFRS or IFRIC applicable for the first time in 2021 that had a material impact on the consolidated financial statements of Deutsche Wohnen.

Standards that are not yet mandatory:

Published IFRS standards that have been endorsed by the EU but are not yet mandatory are shown below:

In May 2020, in conjunction with the revised Conceptual Framework, the IASB published amendments to IFRS 3 “Business Combinations” adapting references to the Conceptual Framework 2018. No changes were made to the accounting rules for business combinations. The amendments are effective as of January 1, 2022. Deutsche Wohnen does not expect any material impacts from the amendment.

In May 2020, the IASB published a clarification to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” relating to the cost of fulfilling an onerous contract. It stipulates that the cost of fulfilling a contract comprises costs that would not be incurred without the contract, as well as other costs directly attributable to the contract. The amendments are effective as of January 1, 2022. Deutsche Wohnen does not expect any material impacts from the amendment.

Additionally, in May 2020 the IASB published amendments to IAS 16 “Property, Plant and Equipment” relating to revenues from an asset that is not yet ready for operation. The sales proceeds for items produced in test runs and their production costs are to be recognized through profit or loss in accordance with the relevant standards and are not to be recognized as part of the costs of the asset. The amendments are effective as of January 1, 2022. No material impacts are expected as a result of this for Deutsche Wohnen.

The IASB also published Annual Improvements to IFRS Standards 2018–2020 Cycle in May 2020. The improvements consist of clarifications for the standards IFRS 1 "First-Time Adoption of IFRS," IFRS 9 "Financial Instruments," IFRS 16 "Leases" and IAS 41 "Agriculture." The amendments are effective as of January 1, 2022. Deutsche Wohnen does not expect any material impacts from the amendments.

The following IFRS standards have not yet been incorporated into EU law and as such do not yet apply:

The IASB published amendments to IAS 1 "Presentation of Financial Statements" in January 2020. They comprise clarifications of the criteria for classifying liabilities as current or non-current, as well as supplementary guidance and comments. Initial application is planned from January 1, 2023. Deutsche Wohnen is currently analyzing possible impacts.

The IASB published further amendments to IAS 1 "Presentation of Financial Statements" in February 2021. Together with IFRS Practice Statement 2, the amendments are intended to help those preparing the statements to focus in the future on the disclosure of material information regarding accounting policies. Initial application is planned from January 1, 2023. Deutsche Wohnen is currently analyzing possible impacts.

Also in February 2021, the IASB published amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors." The revision of the respective definitions is intended to clearly distinguish accounting methods from accounting estimates. Accordingly, monetary disclosures subject to accounting uncertainty are accounting estimates whose revision due to new information or developments does not constitute an error correction under IAS 8. Initial application is planned from January 1, 2023. Deutsche Wohnen is currently analyzing possible impacts.

In May 2021, the IASB published amendments to IAS 12 "Income Taxes." In doing so, the IASB is restricting the scope of the existing exemption regarding the initial recognition of assets and liabilities. Accordingly, deferred tax assets and liabilities must be recognized in the future if a transaction (for example, in connection with leases and removal or restoration obligations) gives rise to deductible and taxable temporary differences in the same amount. Initial application is planned from January 1, 2023. Deutsche Wohnen is currently analyzing possible impacts.

In September 2014, the IASB published amendments to IFRS 10 and IAS 28. These clarify that, in the case of transactions with a joint venture or associate, the extent of the revenue recognized depends on whether the assets sold or contributed constitute a business operation as defined by IFRS 3. This applies regardless of whether the transaction is structured as a share or asset deal. The IASB has postponed the date of initial application of the amendments indefinitely.

The IASB and the IFRS IC did not publish any further pronouncements or amendments to standards in the reporting year or up to the approval of the consolidated financial statements that could have a material impact on the consolidated financial statements.

4 Key Judgments, Estimates and Assumptions

Preparing the consolidated financial statements requires the management to make judgments, estimates and assumptions that affect the amount of income, expenses, assets and liabilities and the presentation of contingent liabilities as of the reporting date. The uncertainty resulting from these assumptions and estimates may lead to results that require significant changes to be made in future to the carrying amounts or the presentation of the assets or liabilities concerned.

Judgments

Company management made the following judgments with a material effect on the amounts in the financial statements when applying accounting policies. To the extent that disclosures on judgments are required by individual standards, a note to the corresponding item has been made.

Operating Lease Commitments — Group as Lessor

The Group has signed leases to rent out its investment properties. An analysis of the contract terms shows that all substantial risks and rewards of ownership of these properties remain with the Group, which therefore accounts for these contracts as operating leases.

Classification of Care Facilities as Investment Properties

In its Nursing and Assisted Living segment Deutsche Wohnen's business model is to hold care facilities to generate rental income and/or for capital appreciation. The decision to classify the care facilities that are managed by its KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG as investment properties was largely based on the analysis of two criteria: on the one hand, fluctuations in operating cash flows from care services (excluding the rents for the related residential units or nursing beds) are examined and, on the other hand, the earnings from the provision of care services are set against the rental income from the residential units in the care facilities as a means of assessing the significance of the care services for the material financial performance indicator FFO I. Due to the relatively minor fluctuations in the operating cash flows from the aforementioned provision of care services and the negligible size of the contribution of these services towards the amount of the FFO I in comparison with the rental income, these properties are reported on the balance sheet as investment properties.

Estimates and Assumptions

The main forward-looking assumptions and other key sources of estimation uncertainty as of the reporting date are explained below if they entail a considerable risk that the carrying amounts of assets and liabilities will have to be materially restated within the next financial year.

Fair Value of Investment Properties and Properties Held for Sale

The fair value of the residential and commercial properties held for investment purposes was determined on an internal basis and confirmed externally by means of portfolio valuations. Properties are divided into clusters on the basis of their location and quality. Assumptions regarding changes in rents, as well as discount and capitalization rates, are largely made on the basis of these clusters. Nursing and project properties were valued by an external appraiser. The valuation is largely based on assumptions about market rents, discount rates and maintenance costs. All valuation assumptions are subject to assumptions due to their long-term nature, which can result in positive and negative changes in value in the future. The carrying amount of the investment properties and properties held for sale amounted to € 30.4 billion (previous year: € 28.2 billion). For further information, see Note D.1 “Investment Properties.”

Impairment Testing of Goodwill

Deutsche Wohnen tests goodwill for impairment annually and if there is any indication of impairment. This entails estimating the recoverable amount of the cash-generating unit. This corresponds to either the fair value less costs of sale or the value in use, whichever is higher. Measuring value in use requires estimates and assumptions to be made about the underlying future cash flows and costs of capital. Although company management assumes that the estimates and assumptions are reasonable, any unforeseeable changes could result in an impairment loss. For further information, see Note D.4 “Intangible Assets.”

Pensions and Other Post-Employment Benefits

Expenses for post-employment defined-benefit plans and the measurement of the corresponding pension obligations are calculated using actuarial methods. The actuarial calculations are made on the basis of assumptions regarding discount rates, future wage and salary increases, mortality and future pension increases. Such estimates are subject to key uncertainties in view of the long-term nature of these plans. Pension obligations amounted to € 104.8 million as of December 31, 2021 (previous year: € 109.6 million). For further information, see Note D.14 “Pension obligations.”

Deferred Taxes

Accounting for deferred taxes requires, in particular, estimates of tax rates, the reversal of temporary differences and the use of deferred tax assets from tax loss carryforwards. The underlying assumptions are subject to uncertainty. After netting, deferred tax assets amounted to € 0.1 million (previous year: € 0.0 million) and deferred tax liabilities to € 5,156.6 million (previous year: € 4,412.0 million) as of December 31, 2021. For further information, see Note D.18 “Deferred Taxes.”

B Basis of Consolidation and Consolidation Methods

1 Basis of Consolidation

The consolidated financial statements comprise those of Deutsche Wohnen SE and the subsidiaries it controls from the time of their acquisition, i.e. from the date on which the Group obtains control over the entities in question. They continue to be consolidated until the date on which the parent company ceases to exercise such control over them. The composition of the Deutsche Wohnen Group can be seen in the list of shareholdings attached as Appendix 1.

In the fiscal year 2021, a total of 163 companies (previous year: 160) were included in the consolidated financial statements by way of full consolidation (Annex 1).

As part of the further development of new construction activities, Isaria München Projektentwicklungs GmbH, Munich, was sold to QUARTERBACK Immobilien AG ("QUARTERBACK Group") for € 12.5 million in the first quarter of 2021 with a profit of € 10.2 million, thus combining the existing new construction competencies of the Deutsche Wohnen Group in the QUARTERBACK Group. In the second quarter of 2021, four new companies without independent business in the legal form of a German GmbH (*Gesellschaft mit beschränkter Haftung* — limited liability company) were acquired in the Residential segment, one of which was combined with another subsidiary within the Group in the third quarter. In addition, a company within the SYNVIA Group was newly established in the legal form of a German GmbH in the third quarter of 2021. In the fourth quarter, a shelf company was acquired in the Nursing Operations segment, and in the Residential segment a company in the form of a legal civil law partnership (*Gesellschaft bürgerlichen Rechts* — GbR) was removed from the consolidated group as a result of a combination. There were no other changes to the basis of consolidation.

2 Consolidation Methods

The subsidiaries' financial statements are prepared using uniform accounting policies with the same reporting date as the parent company's financial statements. Subsidiaries are fully consolidated from the time of their acquisition, this being the date on which the Group obtains control over them. They continue to be consolidated until the date on which the parent company ceases to exercise such control over them.

Capital is consolidated in accordance with the acquisition method. The acquisition costs arising in the context of the acquisition of companies and businesses are offset against the fair value of the acquired assets and liabilities at the time of the acquisition. Any difference in a positive amount resulting from this offsetting is recognized under assets as goodwill. Negative differences are reviewed and recognized through profit or loss. The time of the acquisition is the point in time at which the Group acquires the ability to exercise control over the relevant activities of the subsidiary in question, becomes exposed to fluctuations in the return on its investment and has powers of disposal with which it may influence such fluctuating returns. Differences from sales and purchases of shares to and from non-controlling shareholders are offset within equity.

All intra-group balances, transactions, income, expenses, profits and losses from intra-group transactions included in the carrying amount of assets are eliminated in full.

Joint ventures and associates are consolidated in accordance with IAS 28 using the equity method. The investment is recognized for the first time at the acquisition cost. For subsequent consolidation the carrying amount is modified in the amount of the pro rata changes in the equity of the associate or joint venture.

Non-controlling interests represent that portion of earnings and net assets that is not attributable to the shareholders of the parent company. Non-controlling interests are measured at their share of the identified net assets of the company acquired at the acquisition date. Non-controlling interests are shown separately in the consolidated income statement, the consolidated statement of comprehensive income and the consolidated balance sheet. The disclosure on the consolidated balance sheet is made within equity, separate from the equity attributable to the shareholders of the parent company.

3 Disclosure on Interests in Other Companies

Shares in Fully Consolidated Subsidiaries

Deutsche Wohnen SE had 162 subsidiaries on the reporting date (previous year: 159). There are no restrictions on access to the assets and liabilities of these subsidiaries.

At some companies, including GSW Immobilien AG, Berlin, there are non-controlling interests that are only entitled to share in earnings. Non-controlling interests in these companies are recognized in equity in the consolidated financial statements. The interests of non-controlling shareholders in GSW Immobilien AG amounted to 6.0% of the overall shareholdings as at December 31, 2021 (previous year: 6.0%). In the fiscal year 2021, GSW Immobilien AG paid out dividends in the amount of € 4.8 million to non-controlling shareholders.

The following condensed information is provided for the GSW Group as a material subsidiary with non-controlling interests:

in € million	2021	2020
Non-current assets	9,130.1	9,502.3
Current assets	88.8	94.1
Cash and cash equivalents	6.9	6.4
Non-current assets held for sale	1,134.7	101.2
Non-current liabilities	-3,972.2	-4,088.4
Current liabilities	-528.6	-158.2
Financial liabilities in connection with non-current assets held for sale	-10.3	0.0
Net Assets	**5,849.4**	**5,457.3**
Net income for the year	**471.4**	**484.1**
Other comprehensive income	0.0	0.0
Change in cash and cash equivalents	0.5	0.4
Dividend	79.3	79.3

Deutsche Wohnen SE has assumed guarantees, sureties and other collateral vis-à-vis third parties on behalf of Group companies in the amount of € 2,641.9 million (previous year: € 2,762.0 million).

Interests in Joint Arrangements and Associates As of the reporting date Deutsche Wohnen holds shares in 22 joint ventures and 5 associates (previous year: 22 joint ventures and 4 associates).

Deutsche Wohnen holds 40% of the non-listed QUARTERBACK Immobilien AG with registered office in Leipzig, which was classed as an associate as of December 31, 2021. Pursuant to its IFRS financial information, as of December 31, 2021, the QUARTERBACK Group comprises 133 fully owned subsidiaries (previous year: 88) and 38 financial investments that are consolidated using the at-equity method (previous year: 38). QUARTERBACK Immobilien AG and its subsidiaries operate particularly in the development, realization and marketing of property projects and the management of various portfolio assets.

Deutsche Wohnen also holds interests in 11 non-listed financial investments of QUARTERBACK Immobilien AG, with equity interests of between 44% and 50% (QUARTERBACK property companies), that are classified as joint ventures. The purpose of these property companies and/or holding companies of property companies is real estate project development, either directly or indirectly.

As the financial information of the QUARTERBACK Group as of the acquisition date was not yet finalized at the time of publication of the consolidated financial statements of Deutsche Wohnen as of December 31, 2020, and the initial accounting for the share acquisition was therefore not yet complete, the purchase price allocation in the consolidated financial statements for the fiscal year ending December 31, 2020 included provisional disclosures. This preliminary purchase price allocation was adjusted in the second quarter of fiscal year 2021, primarily to reflect the fair value measurement of investment property, with the result that goodwill at QUARTERBACK Immobilien AG increased accordingly by around € 23.4 million. The fair values of the net assets of the 11 QUARTERBACK property companies increased by € 28.4 million.

The table below summarizes the financial information of QUARTERBACK Immobilien AG and the QUARTERBACK property companies as of December 31, 2021. The table also shows a reconciliation of the condensed financial information with the carrying amount of Deutsche Wohnen's interest in QUARTERBACK Immobilien AG and the combined QUARTERBACK property companies.

in € million	QUARTERBACK Immobilien AG 2021	QUARTERBACK Immobilien AG 2020	QUARTERBACK Property Companies 2021	QUARTERBACK Property Companies 2020
Non-current assets	**774.3**	**631.9 [1]**	**234.3**	**247.7 [1]**
Current assets				
Cash and cash equivalents	112.7	72.4	15.7	6.8 [1]
Other current assets	1,133.6	413.1 [1]	567.9	614.5 [1]
Total current assets	**1,246.3**	**485.5 [1]**	**583.6**	**621.3 [1]**
Non-current liabilities				
Financial liabilities (excluding trade payables)	-353.7	-235.9	-83.0	-24.9
Other liabilities	-416.2	-171.2 [1]	-28.9	-58.2 [1]
Total non-current liabilities	**-769.9**	**-407.1 [1]**	**-111.9**	**-83.11**
Current liabilities				
Financial liabilities (excluding trade payables)	-203.2	-86.8	-75.9	-94.8 [1]
Other current liabilities	-705.5	-309.6 [1]	-386.3	-456.1
Total current liabilities	**-908.7**	**-396.4 [1]**	**-462.2**	**-550.91**
Non-Controlling Interests	-40.9	-28.5 [1]	-11.9	-9.51
Net assets (100%)	**301.1**	**285.4 [1]**	**231.9**	**225.5 [1]**
Share of the Group in %	40	40	44 to 50	44 to 50
Share of the Group in net assets in €	120.4	114.2 [1]	108.8	106.3 [1]
Group adjustments	-1.6	10.4 [1,2]	-4.6	-2.5 [1,2]
Goodwill	114.5	114.5 [2]	–	–
Carrying amount of the company shares	**233.3**	**239.1 [2]**	**104.2**	**103.8 [2]**
Net revenue	891.6	199.8	85.2	67.2
Interest income	4.3	2.0	9.1	13.0
Depreciation, amortization and impairment	-3.0	-1.1 [1]	-0.2	-0.3
Interest expenses	-48.3	-28.6	-17.1	-13.7
Income taxes	-13.7	-27.0 [1]	1.9	-22.9 [1]
Profit and total comprehensive income (100%)	16.5	26.7 [1]	7.2	16.6 [1]

1 Prior-year figure adjusted.
2 Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.

Based on the final purchase price allocation, the preliminary at-equity accounting of the investments in the QUARTERBACK Group was adjusted as of December 31, 2020. As of December 31, 2020, the at-equity carrying amount of QUARTERBACK Immobilien AG is thus € 239.1 million (preliminary at-equity accounting as of December 31, 2020: € 220.4 million) and of the QUARTERBACK property companies is € 103.8 million (preliminary at-equity accounting as of December 31, 2020: € 113.9 million).

The at-equity adjustment of the investments in the QUARTERBACK Group will result in earnings of € -5.4 million as of December 31, 2021 (previous year: € -15.0 million).

Deutsche Wohnen had business relationships with the QUARTERBACK Group in the fiscal year 2021. These transactions generally resulted from the normal exchange of deliveries and services and all transactions were concluded on an arm's length basis. As of the reporting date, there were outstanding loan receivables of € 806.5 million (previous year: € 252.4 million), which are predominantly repayable no more than 12 months after the reporting date. The average interest rate for the loans is 5.05%. As of December 31, 2021, there were project property sales from the QUARTERBACK Group to subsidiaries of Deutsche Wohnen SE in the amount of € 876.0 million (previous year: € 292.5 million), for which the Deutsche Wohnen Group made advance payments in 2020 and 2021 totaling € 135.8 million (previous year: € 17.0 million). As of December 31, 2021, outstanding balances on receivables were recognized in the amount of € 0.0 million (previous year: € 0.8 million). In connection with new agency services contracted by the QUARTERBACK Group in the amount of € 16.6 million, Deutsche Wohnen has outstanding balances on receivables as of December 31, 2021, of € 0.9 million (previous year: € 0.0 million). Furthermore, a guarantee was granted to the QUARTERBACK Group in the amount of € 12.3 million in the fiscal year under review. In addition, Isaria München Projektentwicklungs GmbH was sold to the QUARTERBACK Immobilien Group for € 12.5 million in the first quarter of 2021.

In addition to these investments, Deutsche Wohnen also holds interests in 15 (previous year: 14) other entities that, when taken individually, are of minor importance and that are accounted for using the equity method; quoted market prices are not available. The following table shows, in aggregated form, the carrying amount and the share of profit and other comprehensive income of these companies:

in € million	2021	2020
Carrying amount of shares in non-material companies accounted for at-equity	**30.9**	**28.6**
Share of the Group in the profit or loss of non-material companies accounted for at-equity:		
Share of profit from continuing operations	1.8	2.4
Other comprehensive income	–	–
Proportionate total comprehensive income	**1.8**	**2.4**

In the fiscal year 2021, Deutsche Wohnen had business relationships with the non-material companies included at-equity. These transactions resulted from the normal exchange of deliveries and services and are shown in the table below:

	Receivables		Liabilities		Received Services		Services Rendered	
in € million	2021	2020	2021	2020	2021	2020	2021	2020
Associates	0.7	0.4	0.0	0.0	2.3	2.5	0.5	0.4
Joint ventures	5.4	7.2	2.9	1.8	226.7	219.3	7.6	10.0
Total	**6.1**	**7.6**	**2.9**	**1.8**	**229.0**	**221.8**	**8.1**	**10.4**

Deutsche Wohnen has no further significant financial liabilities or guarantees to these joint ventures and associates.

Investments in Non-Consolidated Entities

In the fiscal year 2021, Deutsche Wohnen acquired shares in seven further property companies of the QUARTERBACK Group, which are held as financial instruments together with the shares in 18 property companies acquired in 2020. In addition, Deutsche Wohnen holds shares in nine (previous year: eight) other non-consolidated entities which are not material for the Group. These generally relate to shareholdings in other real estate companies. There are no material obligations towards these companies.

Deutsche Wohnen's total risk exposure in relation to these 34 shareholdings is equivalent to their carrying amounts. The carrying amounts of the non-consolidated companies amounted to € 33.9 million as at December 31, 2021 (previous year: € 23.1 million).

C Accounting Policies

1 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of fair value is based on the presumption that the business transaction in the context of which the asset is sold or the liability is transferred occurs either:

- In the primary market for the asset or liability in question, or
- In the most advantageous market for the asset or liability in question, if no primary market exists.

The Group must have access to the primary or most advantageous market. The fair value of an asset or liability is measured using the assumptions on which market participants would base pricing for the asset or the liability. It is assumed that market participants act in their best economic interest.

The Group uses measurement techniques that are appropriate to the given circumstances and for which sufficient data for fair value measurement are available. The use of observable inputs should be maximized and the use of unobservable inputs should be kept to a minimum.

All assets and liabilities measured or presented at fair value in the financial statements are assigned to the fair value hierarchy described below. The fair value measurement is categorized in its entirety in the level of the lowest-level input that is significant to the entire measurement:

- Level 1: Prices quoted (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation procedure pursuant to which the input parameter at the lowest level that is of overall significance for the fair value measurement can be directly or indirectly observed in the market.
- Level 3: Valuation procedure pursuant to which the input parameter at the lowest level that is of overall significance for the fair value measurement cannot be observed in the market.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether any transfers between the levels of the fair value hierarchy have taken place by reviewing the classification at the end of each reporting period (based on the lowest-level input that is significant to the entire fair value measurement).

2 Investment Property

Investment properties are properties that are held to generate rental income or for the purpose of generating value and that are not used by the company itself or held for sale in the course of normal business activities. Investment properties include land with residential and commercial buildings, care facilities, project properties, undeveloped land, and land with third-party inheritable building rights.

Investment properties are valued initially at cost, including ancillary costs. Subsequent to the initial recognition, investment properties are valued at their fair value. Gains or losses arising from changes in the fair value of investment properties are reported in the profit and loss statement.

An internal assessment was performed for residential and commercial buildings. The portfolio was concurrently valued by Jones Lang LaSalle SE, Frankfurt/Main, in accordance with internationally accepted valuation methodologies, and the total value was confirmed. The amount of remuneration paid to the external appraisal companies is calculated on a fixed-rate basis and is therefore independent of the results of the property valuation. As a rule, the difference between the internal valuation and the external confirmation for an individual property is not larger than +/- 10%, provided that an absolute materiality threshold of +/- € 250 thousand is not exceeded. Development projects for residential and commercial buildings were valued by Jones Lang LaSalle SE, Frankfurt am Main. Care facilities were valued by W&P Immobilienberatung GmbH, Frankfurt am Main.

Investment properties are derecognized when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses from the permanent withdrawal from use or disposal of investment properties are recognized in the year of their withdrawal from use or disposal.

Properties are transferred from the investment properties portfolio if there is a change of use caused by the company either starting to use the property itself or by the commencement of development with an intention to dispose.

3 Property, Plant and Equipment

Property, plant and equipment are recognized at cost net of cumulative depreciation, amortization and cumulative impairment losses. Subsequent acquisition costs are recognized if it is probable that the future economic benefits associated with the asset will flow to Deutsche Wohnen.

Straight-line depreciation and amortization is based on the estimated useful life of the asset. The useful life of buildings is 50 years. The useful life of fixed assets is four to ten years. Any amortization of these assets is recognized as such under expenses in the consolidated income statement.

The carrying amount of property, plant and equipment is tested for impairment if there is any indication that the carrying amount of an asset exceeds its recoverable amount.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss resulting from derecognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount and is recognized in the consolidated income statement in the period in which the item is derecognized.

Residual values of assets, useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted as necessary.

4 Intangible Assets

Deutsche Wohnen only recognizes purchased intangible assets. They are measured at cost. There are currently no economic or legal restrictions on the use of the intangible assets.

Intangible assets with a certain useful life are amortized on a straight-line basis over their respective useful lives. Their useful lives are between 3 and 20 years. Any amortization of these assets is recognized as such under expenses in the consolidated income statement.

Intangible assets with an indefinite useful life, particularly goodwill, are not amortized. Intangible assets are tested for impairment if there is an indication of any impairment or – in the case of goodwill – at least once per year.

5 Borrowing Costs

Borrowing costs directly attributable to the purchase, construction or production of a qualifying asset are capitalized. For investment properties and project properties, Deutsche Wohnen exercises the option under IAS 23.4 of capitalizing borrowing costs for qualifying assets held at fair value. Other borrowing costs are recognized as expenses in the period in which they are incurred.

6 Impairment of Non-Financial Assets

Non-financial assets consist essentially of property, plant and equipment, intangible assets and inventories. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If there is any such indication, the Group estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of the fair value of an asset or cash-generating unit less costs of disposal and its value in use. The recoverable amount is measured for each individual asset, unless the asset does not generate cash flows that are largely independent of those of other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

Goodwill acquired in business combinations is tested for impairment at least once per year. To test for impairment, goodwill must be allocated to each of the acquirer's cash-generating units that is expected to benefit from the synergies of the combination. These cash-generating units represent the lowest level at which the goodwill is monitored for internal management purposes. For these purposes, goodwill of € 148.1 million (previous year: € 319.6 million) has been allocated as follows: € 0.0 million (previous year: € 171.6 million) was allocated to the Residential segment, € 140.0 million (unchanged from the previous year) was allocated to the Nursing Operations segment, and € 8.1 million (unchanged from the previous year) was allocated to the SYNVIA Group. Goodwill in the Residential segment decreased by € 0.1 million in the first quarter of 2021 due to the sale of Isaria München Projektentwicklungs GmbH to the QUARTERBACK Group and by € 171.5 million as of December 31, 2021 due to the annual impairment test.

Goodwill is tested for impairment by determining the value in use of the cash-generating units by reference to estimated future cash flows, as derived from actual figures and extrapolated for a detailed planning phase at a typical growth rate for the sector. The value in use of the cash-generating units is largely determined by the terminal value, however. Terminal value depends on the projected cash flow in the fifth year of the medium-term planning, the growth rate of the cash flows thereafter, and the discount rate. For further information, see Note D.4 "Intangible Assets."

Non-financial assets are assessed on each reporting date in order to ascertain whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If there is any such indication, the Group estimates the recoverable amount of the asset. A previously recognized impairment loss is reversed only if there has been a change in the estimations used to determine the asset's recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of scheduled depreciation and amortization, had no impairment loss been recognized for the asset in previous years. Any reversal is recognized in profit and loss for the period. Impairment losses on goodwill are not reversed.

7 Financial Assets

Deutsche Wohnen classifies its financial assets into the following measurement categories:

- At fair value (either through profit or loss or through other comprehensive income), and
- At amortized cost.

Classification depends on the company's business model for the financial assets and on the contractual cash flows. If the financial asset is held to collect contractual cash flows consisting solely of interest and principal payments, the asset is held at amortized cost. All other financial assets are measured at fair value. Gains and losses are recognized through profit or loss, provided that the Group does not exercise the option of measuring equity instruments at fair value through other comprehensive income.

Arm's-length purchases or disposals of financial assets are recognized as of the trading date, i.e. the date on which the Group undertakes to buy or sell the asset. Financial assets are derecognized when contractual rights to receive the cash flows from the financial asset expire or are transferred and the Group has transferred essentially all the risks and rewards of ownership.

For first-time recognition, the Group measures a financial asset at fair value, plus — in the case of a financial asset at fair value through other comprehensive income — the transaction costs directly attributable to this asset. Transaction costs of financial assets at fair value through profit or loss are recognized as expenses in the consolidated income statement.

Financial assets with embedded derivatives are considered as a whole to determine whether their cash flows consist solely of principal and interest payments.

Impairments of debt instruments are based on expected credit losses. The Group uses the simplified approach for trade receivables, which entails recognizing the credit losses expected over the full lifetime at the first-time recognition of the receivable. Impairments on receivables from property letting are recognized depending on the extent to which those receivables are past due. Appropriate individual impairments are recognized for other financial assets.

Interest rate hedges are reported at their fair value on the basis of market-aligned valuation models.

A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognized when the contractual rights to cash flows from a financial asset expire.

8 Inventories

Inventories comprise land and buildings held for sale and other inventories. Land and buildings held for sale are sold in the normal course of business, which may exceed a period of 12 months. Real estate is transferred from the portfolio of land and buildings held for sale if there is a change of use.

The initial measurement takes place at cost. Acquisition costs include the direct costs of purchasing and making the assets available for use, i.e. the acquisition costs of land and incidental purchase costs in particular. Costs of production include the costs directly attributable to the property development process and borrowing costs, provided that these are incurred during the production period. At the reporting date, the inventories are valued at the lower of cost and net realizable value. The forecast net realizable value corresponds to the expected sales proceeds in the normal course of business, less distribution and production costs up to completion.

9 Cash and Cash Equivalents

Cash and cash equivalents on the consolidated balance sheet comprise cash on hand and deposits at banking institutions.

10 Assets Held for Sale

Deutsche Wohnen accounts for investment properties and the associated financial liabilities as assets held for sale if contracts have been signed as of the reporting date, but ownership is transferred later. Properties held for sale are valued at their fair value.

11 Financial Liabilities

Deutsche Wohnen classifies financial liabilities as defined in IFRS 9 either as:

- Other financial liabilities measured at amortized cost,
- Financial liabilities accounted for at fair value, or
- Derivative financial liabilities.

Financial Liabilities and Corporate Bonds

Loans and corporate bonds are recognized for the first time at fair value less the transaction costs directly associated with the borrowing. After initial recognition, the interest-bearing loans are subsequently valued at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized, or during the amortization process.

Convertible Bonds

Convertible bonds, which, as financial instruments comprising bonds and stock options, can be redeemed by the company either in cash or in the form of stocks upon their conversion by creditors, and for which securities listings can be identified on the markets, are valued, when reported for the first time, at the fair value commensurate with their nominal value. Transaction costs related to the issue are recognized as financial expenses. As a result of the application of the fair value measurement option to compound financial instruments, the convertible bonds are subsequently measured at their market price on the relevant balance sheet date. Measurement gains and losses are recognized in other comprehensive income to the extent that they are due to changes in the default risk of the convertible bond. The equity instruments resulting from the conversion are recognized in accordance with IFRIC 19 by recognizing in the income statement the difference between the fair value and the carrying amount of the liability of the convertible bond.

Trade Payables and Other Liabilities

Liabilities are initially recognized at their fair value. After initial recognition, they are valued at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized, or during the amortization process.

A financial liability is derecognized when the underlying obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are materially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability at the time value. The difference between the two carrying amounts is recognized in profit or loss for the period.

12 Pensions and Other Post-Employment Benefits

Pension provisions are recognized for obligations (retirement, invalidity, surviving dependent benefits), vested entitlements and current benefits to active and former employees and their surviving dependents. In total, there are pension commitments for 2,084 employees (of which 370 are active employees and 1,714 are retired employees and pensioners), which provide for pension payments on the basis of length of service and the salary level at retirement age (previous year: 2,111 employees, of which 406 active employees and 1,705 retired employees and pensioners).

Expenses for defined-benefit plans are calculated using the projected unit credit method. Actuarial gains and losses are recognized in total comprehensive income.

Deutsche Wohnen pays contributions to government pension agencies under defined contribution plans in accordance with legal provisions. Current contributions are shown as social security expenses in personnel expenses. The Group has no further obligations once it has paid the contributions.

There is also a pension plan drawn up in accordance with the regulations governing public sector supplementary pensions. This is based on membership of a Group company in the Bayerische Versorgungskammer (hereinafter “BVK”) — the supplementary pension fund for municipalities in Bavaria — as well as the Pension Institution of the Federal Republic of Germany and the Federal States (Versorgungsanstalt des Bundes und der Länder, hereinafter “VBL”). The supplementary pension scheme consists of partial or full incapacity benefits and a retirement pension as a full pension or a pension paid to surviving dependents. The charge levied by the BVK and the VBL is determined on the basis of the employees’ compensation used to calculate the supplementary pension contribution. Structural changes or a departure from the VBL could result in significant demands for compensation.

The BVK and the VBL each therefore constitute a multi-employer defined benefit plan that, in accordance with IAS 19.30(a), is accounted for as a defined contribution plan because the companies do not provide sufficient information to account for the plan as a defined benefit plan.

No concrete information is available about any surplus or shortfall in plan assets or any related future impact on Deutsche Wohnen. Plan surpluses or shortfalls could, in the future, result in an increase or reduction in the premium amounts to be paid by Deutsche Wohnen to the BVK and the VBL.

13 Provisions

A provision is recognized if the Group has a present obligation (legal or constructive) as a result of a past event, the outflow of resources to settle the obligation is probable, and the amount can be estimated reliably. If the Group expects at least the partial reimbursement of a recognized provision (under an insurance policy, for example), the reimbursement is only recognized as a separate asset if the reimbursement is as good as certain. The expense involved in establishing the provision will be reported in the consolidated income statement net of the reimbursed amount. If the interest effect is material, provisions are discounted at a pre-tax rate that reflects the specific risks of the obligation. If obligations are discounted, the increase in the provision over time is recognized as a financial expense.

14 Leases

Deutsche Wohnen accounts as a lessee for all contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration, recognizing at present values a right-of-use asset for the leased item and a corresponding liability for the payment obligations incurred. Any renewal and termination options are taken into account when determining the lease term. Payment obligations are discounted at the incremental borrowing rate, since the Group cannot reliably determine the interest rates implicit in the lease. The right-of-use asset is measured at cost at the acquisition date, which is made up of the amount of the lease liability, lease incentives, and contract and restoration costs. Subsequent measurement of the right-of-use asset is in line with comparable acquired assets. Consequently, property, plant and equipment is depreciated on a straight-line basis and investment property is measured at fair value.

The Group uses the exemption for low-value leases and leases with a term of less than 12 months, recognizing lease payments as expenses on a straight-line basis in the consolidated income statement. The Group also takes advantage of the relief with regard to the separation of the lease and non-lease components of vehicle lease contracts.

If Deutsche Wohnen acting as lessor signs a lease that transfers all material risks and rewards to the lessee, the future lease payments by the customer are recognized in place of the leased item as lease receivables equal to the net investment in the lease.

Lease agreements that Deutsche Wohnen signs with its tenants are classified as operating leases. Accordingly, the Group acts as lessor in a diverse range of operating leases (tenancies) for investment properties from which it obtains the largest part of its income and revenues.

15 Recognition of Income and Expenses

Revenue From Contracts With Customers

Revenues from goods or services are recognized for the amount the Group expects to receive when control passes from Deutsche Wohnen to the customer either over time or at a point in time, after the performance obligation has been satisfied. The Group generates revenue from contracts with customers for nursing services, the sale of properties and the invoicing of operating costs. For income from operating costs, the Group acts as the principal for the contracted services with regard to tenants and bears the inventory risk.

Income from the sale of project properties is recognized either at a point in time or over time as defined in IFRS 15, when the customer gains control of the relevant asset. Deutsche Wohnen generally meets the criteria for transfer of control over time when selling its property assets and recognizes revenue using the percentage-of-completion method for the construction project from the time the contract with the customer is signed (cost-to-cost method). Revenue is measured on the basis of consideration defined in the contract with customers.

Additional costs of contract origination are capitalized and depreciated over time. If the period between the date of the contract and acceptance of freehold property and pro rata commonhold property is less than one year, the contract origination costs are not capitalized but are expensed immediately. Existing warranties are always recognized in accordance with IAS 37.

Rental Income

Rental income is recognized monthly over the term of the leases in accordance with the lease agreement.

Expenses

Expenses are recognized as soon as they are incurred in economic terms.

Interest Expenses and Income

Amounts of interest are recognized as expenses or income in the period in which they accrue.

Long-term, performance-related remuneration includes share-based remuneration components. The remuneration components to be expensed over the vesting period correspond to the fair value of the equity-based remuneration on the reporting date. Time values are measured on the basis of acknowledged valuation models. Liabilities are recognized in the corresponding amount.

16 Government Grants

Government grants are recognized when it is sufficiently certain that they will be received and the company meets the applicable conditions. In the case of a grant related to an expense item, the grant is recognized as planned income over the period necessary to match the grant on a systematic basis to the expenses that it is intended to compensate.

Deutsche Wohnen received government grants in the form of grants and loans to cover expenses, as well as loans at preferential interest rates.

Grants to cover expenses, in the form of rent subsidies, are recognized in the period in which the rent in question is collected. They are recognized as income from residential property management.

Loans to cover expenses and loans at preferential interest rates are property loans and are recognized as finance liabilities. Both have benefits compared with standard market loans, such as lower interest rates or interest and repayment holidays. The loans are initially measured at fair value and are subsequently carried at cost. They are subject to restrictions on increasing the rent of the properties, however, which are taken into account for the fair value measurement of the properties.

17 Capitalized Internal Expenses

Direct costs and production-related overheads incurred for construction work are recognized through profit or loss as an addition to the carrying amount of the property, provided that it is probable that the future economic benefits of the construction work will flow to Deutsche Wohnen. Income from initial recognition is shown in the consolidated income statement as other operating income and the addition is subsequently measured in line with the valuation method for the property.

18 Taxes

Current Tax Assets and Tax Liabilities

Current income tax assets and liabilities for the current period and for previous periods are valued at the amount expected to be reimbursed by or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those enacted as at the reporting date. The amount of the forecast tax asset or liability is a best estimate that takes any tax uncertainty into account.

Deferred Taxes

Income taxes are recognized and measured in accordance with IAS 12. Deferred income tax assets and liabilities are recognized for temporary differences. Taxable and deductible temporary differences are calculated by comparing the IFRS carrying amounts and the local tax bases of assets and liabilities (adjusted for permanent differences). The tax base is calculated according to the tax regulations of the respective tax jurisdiction where the item is taxed.

Deferred tax liabilities are recognized for all taxable temporary differences with the following exception: The deferred tax liability on taxable temporary differences in connection with investments in subsidiaries, associates and joint ventures is not recognized if the time of the reversal of the temporary differences can be controlled and it is likely that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, as yet unutilized loss carryforwards, and unutilized tax credits to the extent that it is probable that taxable income will be available, against which the deductible temporary differences and the unutilized loss carryforwards and tax credits can be offset. The following exceptions apply:

- Deferred tax assets may not be recognized for deductible temporary differences resulting from the initial recognition of an asset or liability other than in a business combination that, at the time of the transaction, does not affect accounting profit or taxable profit.
- Deferred tax assets for deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, are only recognized to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available, against which the temporary difference will be utilized.

The carrying amount for deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the deferred tax asset to be utilized. Unreported deferred tax assets are reviewed at each reporting date and reported to the extent that it appears likely that future taxable earnings will allow for the realization of the deferred tax asset in question.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred taxes reflect any income tax uncertainty.

Income taxes relating to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity and not in the consolidated income statement. Changes in deferred tax assets are recognized in or off the profit and loss statement on the basis of a reasonable pro rata allocation (IAS 12.63(c)).

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and these relate to income taxes levied by the same taxation authority on the same taxable entity.

19 Derivative Financial Instruments and Hedging Transactions

The Group uses derivative financial instruments to hedge interest rate risks. These derivative financial instruments are recognized at fair value at the time that the contract is concluded. Derivative financial instruments are recognized as financial assets if their fair value is positive, and as financial liabilities if their fair value is negative. They are subsequently measured at their fair value.

This is calculated using the discounted cash flow method, with the calculation of the present value taking account of individual credit ratings and other market factors in the form of credit rating and liquidity spreads customary in the market. The valuation also takes account of the non-performance risk (counterparty risk) and the company's own default risk in accordance with IFRS 13.42 et seqq.

Deutsche Wohnen accounts for interest rate swaps entered into according to the hedge accounting rules in IFRS 9, if the criteria are met. Hedge accounting requires documentation of the hedging relationship between the hedged item and the hedging instrument, and evidence that the hedge relationship is effective. IFRS 9 also stipulates that if the hedging relationship is effective, the change in the value of the effective portion of the hedge is recognized in equity and the change in the value of the non-effective portion is recognized in the consolidated income statement. Deutsche Wohnen has tested the effectiveness of the interest rate hedges on a prospective basis (hypothetical derivative method). Gains and losses from fair value changes in derivative financial instruments that do not fulfill the criteria for hedge accounting are recognized immediately through profit or loss. The time values of interest rate swaps are classified as current or non-current assets depending on the terms of the contract.

Deutsche Wohnen only hedges cash flows resulting from future interest payments.

20 Share-Based Remuneration

In the period 2014 through 2017, the Management Board of Deutsche Wohnen received share-based remuneration in the form of subscription rights (stock options). The stock option program was an option plan settled with equity instruments.

Expenses arising from the issuance of stock options are measured at the fair value of the stock options at the time they are awarded. Fair value was measured using generally accepted option pricing models. Expenses arising from the issuance of stock options were recognized, and equity (capital reserves) was increased accordingly at the same time.

The stock option program from the fiscal year 2014 terminated in the fiscal year 2021.

The dilutive effect of outstanding stock options is taken into account as additional dilution when calculating earnings per share, provided that the issuance of stock options and their underlying conditions results in an imputed dilution of existing shareholders.

In the fiscal year 2019, a restricted share unit (RSU) program was introduced for Management Board members, which is classified as stock-based, cash-settled remuneration. The assets or services acquired in the course of this remuneration program and the corresponding liability are recognized at the fair value of the liability. The fair value of the liability is to be remeasured on each reporting date and on the settlement date until it is settled. All changes in fair value are recognized through profit or loss.

The RSU program from fiscal year 2019 was terminated early in fiscal year 2021.

In the fiscal year 2020, individual Management Board members were granted subscription rights to share units (SUs) under certain conditions as part of a compensation agreement. This is classified as stock-based remuneration. Settlement of 40% in cash and 60% in own shares was agreed. The assets or services acquired in the cash-based component of this remuneration program and the corresponding liability are recognized at the fair value of the liability. The fair value of the liability is to be remeasured on each reporting date and on the settlement date until it is settled. All changes in fair value are recognized through profit or loss. The assets or services acquired in the stock component of this remuneration program and the corresponding increase in equity must be carried at the attributable fair value of the assets or services acquired when granted.

The SUs were settled in full in the fiscal year 2021.

D Notes to the Consolidated Balance Sheet

1 Investment Properties

Investment property is recognized at fair value. They developed as follows during the fiscal year:

in € million	Residential and Commercial Buildings	Residential Project Real Estate	Care Facilities	Total
	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2021
Opening balance	**25,873.0**	**985.9**	**1,210.6**	**28,069.5**
Additions	213.1	36.0	-8.9	240.2
Additions by way of company acquisitions	0.0	0.0	0.0	0.0
Other additions	285.4	182.9	37.0	505.3
Disposals	-5.4	0.0	0.0	-5.4
Fair value adjustment	1,661.0	26.6	47.2	1,734.8
Reclassification within IAS 40	41.8	-41.8	0.0	0.0
Reclassification between measurement categories	-1,746.1	-0.1	-67.7	-1,813.9
Closing balance	**26,322.8**	**1,189.5**	**1,218.2**	**28,730.5**

in € million	Residential and Commercial Buildings	Residential Project Real Estate	Care Facilities	Total
	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2020
Opening balance	**23,906.9**	**333.0**	**1,193.3**	**25,433.2**
Additions	675.0	0.3	0.9	676.2
Additions by way of company acquisitions	0.0	509.4	0.0	509.4
Other additions	300.6	68.7	18.7	388.0
Disposals	-23.8	0.0	-0.3	-24.1
Fair value adjustment	1,650.4	3.2	-0.8	1,652.8
Reclassification within IAS 40	-71.3	71.3	0.0	0.0
Reclassification between measurement categories	-564.8	0.0	-1.2	-566.0
Closing balance	**25,873.0**	**985.9**	**1,210.6**	**28,069.5**

Reclassifications between measurement categories amounting to € 1,813.9 million (previous year: € 566.0 million) include, on the one hand, reclassifications to non-current assets held for sale amounting to € 2,079.1 million (previous year: € 563.9 million) and, on the other hand, reclassifications from land and buildings held for sale to investment property amounting to € 265.2 million (previous year: € 0.0 million). Additions also include advance payments for investment properties. Other additions particularly comprise capitalized construction work.

Investment properties are measured using valuation models classified as Level 3 of the measurement hierarchy in IFRS 13 “Fair Value Measurement.” The resulting valuation of € 1,734.8 million was recognized in full in the consolidated income statement. Measurement of properties reclassified as non-current assets held for sale on the basis of the notarized sales contracts resulted in a valuation of € 127.5 million, which was also recognized through profit or loss. Valuation gains are unrealized until the properties are sold on market terms.

Residential and Commercial Buildings

The following principles developed in the course of the periodic internal measurement were applied to the valuation of residential and commercial buildings:

Valuation on the basis of defined clusters:

- Calculation of annual rates of rental increase and target vacancy rates based on the location and physical characteristics of the property.
- Calculation of discount rates for the detailed planning phase.
- Calculation of capitalization rates in perpetuity.

Calculation of the valuation based on individual properties:

- Determination of the market rent as of the reporting date.
- Development of rent per m2 of lettable area based on market rent and in-place rent.
- Development of costs (maintenance, management, default risk and non-recoverable operating costs, ground rents (where relevant)).
- Determination of cash flows from annual proceeds and payments and the terminal value at the end of year 10, based on the recurring cash flow expected in year 11.
- Calculation of fair value for the management unit as of the measurement date.

The discount and capitalization rates were calculated on the basis of property-specific risk assessments.

Maintenance expenses are determined using typical and asset-specific approaches for each property. The asset-specific approaches are based on the condition of the property and experience-related data from regular maintenance work.

The measurement was reviewed by means of an independent third-party valuation as of the reporting date. The same valuation methods were used for the internal measurement and the third-party valuation. Undeveloped land was valued on the basis of the publicly registered land values and/or a discounted cash flow valuation by an external appraiser.

The following table summarizes the valuation parameters used for the individual clusters. All the sub-clusters in the main clusters Core+, Core and Non Core that collectively account for a minimum of 10% of the total property value are mentioned. Sub-clusters below this threshold are shown together. The valuation parameters shown for "Residential" relate to the ranges in each cluster and to the weighted average: Due to the merger with Vonovia SE and the resulting standardization of presentation, further parameters are reported below in addition to the material measurement parameters of market rent increase, discount rate and capitalization rate, as well as the associated sensitivities:

Dec. 31, 2021			Core+	Core	Non Core	Total
	Berlin	Other	Total	Total	Total	Total
Total fair value (€ million)	19,546.2	5,378.3	24,924.5	906.9	11.2	**25,842.6**
Management costs (in € per rental unit/year)	299	299	299	300	298	**299**
Maintenance costs (in €/m² per year)	13.48	13.55	13.50	13.30	16.50	**13.49**
Market rent (in €/m² per month)	9.46	9.41	9.45	7.25	7.11	**9.31**
Market rent increase (in %)	1.2	1.4	1.3	1.3	1.3	**1.3**
Stabilized vacancy rate (in %)	1.0	2.6	1.4	2.1	3.6	**1.4**
Total discount rate (in %)	3.8	4.6	4.0	5.0	6.1	**4.0**
Total capitalization rate (in %)	2.6	3.4	2.8	3.8	4.9	**2.8**

Dec. 31, 2020 [1]			Core+	Core	Non Core	Total
	Berlin	Other	Total	Total	Total	Total
Total fair value (€ million)	19,702.3	4,835.2	24,537.5	1,029.2	14.5	**25,581.3**
Management costs (in € per rental unit/year)	299	299	299	300	298	**299**
Maintenance costs (in €/m² per year)	13.66	13.55	13.64	13.31	15.46	**13.62**
Market rent (in €/m² per month)	9.10	9.05	9.09	7.30	6.86	**8.96**
Market rent increase (in %)	1.3	1.6	1.4	1.2	1.3	**1.3**
Stabilized vacancy rate (in %)	1.3	3.1	1.7	3.0	3.5	**1.8**
Total discount rate (in %)	3.8	5.1	4.1	5.7	6.8	**4.2**
Total capitalization rate (in %)	2.8	3.7	3.0	4.7	5.9	**3.0**

1 Previous year's figures adjusted due to standardized method of determining presentation.

The sensitivity analyses performed on Deutsche Wohnen's residential and commercial buildings show the impact of value drivers dependent upon market developments. Those influenced in particular are the market rents and their increase, the amount of recognized management and maintenance expenses, cost increases, the vacancy rate and interest rates. The effect of possible fluctuations in these parameters is shown separately in the following for each parameter.

Interactions between the parameters are possible but cannot be quantified owing to the complexity of the interrelationships. The vacancy and market rent parameters, for example, can influence each other. If rising demand for housing is not met by adequate supply developments, then this can result in lower vacancy rates and, at the same time, rising market rents. If, however, the rising demand is compensated for by a high vacancy reserve in the location in question, then the market rent level does not necessarily change.

Changes in the demand for housing can also impact the risk associated with the expected cash flows, which is then reflected in adjusted amounts recognized for discounting and capitalized interest rates. The effects do not, however, necessarily have to have a favorable impact on each other, for example, if the changes in the demand for residential real estate are overshadowed by macroeconomic developments.

In addition, factors other than demand can have an impact on these parameters. Examples include changes in the portfolio, in seller and buyer behavior, political decisions and developments on the capital market.

The table below shows the percentage impact on values in the event of a change in the valuation parameters as of the valuation date of December 31, 2021.
The absolute impact on values is calculated by multiplying the percentage impact by the carrying amount of the residential and commercial buildings. The causal relationship between the valuation parameters and the fair value, described above and quantified below, also applied to the fiscal year 2020 in terms of the respective trend.

Dec. 31, 2021				Core+	Core	Non Core	Total
		Berlin	Other	Total	Total	Total	
Management costs	-10%/+10%	0.6%/-0.6%	0.5%/-0.5%	0.6%/-0.6%	0.7%/-0.7%	0.9%/-0.9%	**0.6%/-0.6%**
Maintenance costs	-10%/+10%	1.3%/-1.3%	1.1%/-1.1%	1.2%/-1.2%	1.6%/-1.6%	2.2%/-2.2%	**1.3%/-1.3%**
Cost increase/ inflation	–0.5%/ +0.5% points	4.4%/-4.3%	2.9%/-2.9%	4.0%/-4.0%	3.8%/-3.8%	1.8%/-1.9%	**4.0%/-4.0%**
Market rent	-2%/+2%	-1.2%/1.2%	-1.6%/1.6%	-1.3%/1.3%	-1.6%/1.6%	-0.9%/0.9%	**-1.3%/1.3%**
Market rent increase	0.2%/ +0.2% points	-7.4%/8.6%	-6.0%/6.8%	-7.1%/8.2%	-5.8%/6.5%	-4.3%/4.5%	**-7.0%/8.2%**
Stabilized vacancy rate	-1%/ +1% points	1.1%/-1.6%	1.5%/-1.5%	1.2%/-1.6%	1.7%/1.7%	1.9%/-1.9%	**1.2%/-1.6%**
Discount and capitalization rate Total	-0.25%/ +0.25% points	10.9%/-9.0%	8.6%/-7.3%	10.4%/-8.6%	7.5%/-6.5%	5.7%/-5.1%	**10.3%/-8.5%**

Residential Project Properties

Residential project properties were valued by Jones Lang LaSalle SE using the residual value method. The key inputs for the valuation are net present value after completion and project development costs:

	Dec. 31, 2021	Dec. 31, 2020
Net present values after completion (€ million)	4,361	4,153
Project development costs (€ million)	3,278	3,108

Any adjustment of these material input factors (reduction in net present value after completion of 10%; increase in project development costs of 10%) results in the following non-cumulated value adjustments on the basis of the carrying amount of the project properties:

in %	Dec. 31, 2021	Dec. 31, 2020
Net present value after completion	-28.80	-30.84
Project development costs (€ million)	-21.16	-22.45

Care Facilities

Care facilities were valued by W&P Immobilienberatung GmbH. The key inputs for the valuation are average market rents, discount rates and maintenance expenses:

	Dec. 31, 2021	Dec. 31, 2020
Market rent (€/m^2)	9.04	8.16
Discount rate in %	4.45	4.67
Maintenance costs (€/m^2 p.a.)	11.60	11.14

Any adjustment of these material input factors (reduction in market rents of 5%; increase in the discount rate of 0.1%; increase in maintenance costs of 10%) will result in the following non-cumulated value adjustments on the basis of the carrying amount of the care facilities:

in %	Dec. 31, 2021	Dec. 31, 2020
Market rent	-5.0	-5.0
Discount rate	-2.0	-2.0
Maintenance costs	-1.0	-1.0

The investment properties serve to some extent as collateral for the loans. There are also agreements in place in individual cases pursuant to which the condition of the properties may not deteriorate or the average minimum investments have been determined on a per-square-meter basis.

2 Leases

The lease agreements between Deutsche Wohnen and its tenants generated rental income of € 843.6 million (previous year: € 837.6 million). The expenses directly associated with the investment properties amounted to € 479.4 million (previous year: € 482.6 million).

In 2022, Deutsche Wohnen will receive minimum lease payments totaling approximately € 198 million pursuant to operating lease agreements currently in place concluded with third parties (termination thereof subject to the statutory notice period of three months) and in connection with its current property portfolio for the Residential Property Management segment.

In the context of its Assisted Living and Nursing Operations, Deutsche Wohnen will receive additional minimum lease payments of approximately € 5.1 million in 2022 (average contractually stipulated period of notice for termination: one month). Deutsche Wohnen will achieve rental income of approximately € 29 million in the fiscal year 2022 from the care facilities under external management.

In addition to statutory restrictions, Deutsche Wohnen is sometimes restricted from increasing rents from certain priority tenants or in connection with subsidies in the form of loans at preferential interest rates or investment grants. Legal conditions also apply to the privatization of residential units.

The renting out of certain broadband cable networks was classified as a finance lease and resulted in lease receivables of € 26.4 million as of December 31, 2021 (previous year: € 28.7 million) and interest income of € 1.3 million (previous year: € 1.4 million). The term structure of the receivables was as follows:

in € million	Dec. 31, 2021	Dec. 31, 2020
Nominal value of outstanding lease payments	**31.9**	**35.6**
of which due within one year	3.7	3.7
of which due between one and two years	3.5	3.7
of which due between two and three years	3.6	3.5
of which due between three and four years	3.0	3.5
of which due between four and five years	3.0	3.1
of which due after more than five years	15.1	18.1
Plus non-guaranteed residual values	**0.2**	**0.2**
Less as yet unrealized financial income	**-5.8**	**-7.1**
Present value of outstanding lease payments	**26.4**	**28.7**

3 Property, Plant and Equipment

This item includes land and buildings, technical equipment and operating and office equipment accounted for in line with IAS 16. They developed as follows during the fiscal year:

Dec. 31, 2021

in € million	Properties used by the Group	Technical equipment, plant and machinery	Operating and office equipment	Total
Acquisition costs				
Opening balance	55.2	181.2	55.6	292.0
Additions	7.9	31.8	13.6	53.3
Additions by way of company acquisitions	0.0	0.0	0.0	0.0
Employees leaving the company	-6.8	-17.7	-5.5	-30.0
Reclassifications	-2.3	5.3	-3.4	-0.4
Closing balance	**54.0**	**200.6**	**60.3**	**314.9**
Cumulative depreciation and amortization				
Opening balance	10.1	58.4	26.5	95.0
Additions	4.3	23.2	7.2	34.7
Employees leaving the company	-2.8	-15.0	-3.8	-21.6
Closing balance	**11.6**	**66.6**	**29.9**	**108.1**
Residual carrying amounts	**42.4**	**134.0**	**30.4**	**206.8**

Dec. 31, 2020 in € million	Properties used by the Group	Technical equipment, plant and machinery	Operating and office equipment	Total
Acquisition costs				
Opening balance	47.2	164.6	47.6	259.4
Additions	9.0	28.3	12.4	49.7
Additions by way of company acquisitions	3.9	0.0	0.4	4.3
Employees leaving the company	-3.4	-17.8	-2.2	-23.4
Reclassifications	-1.5	6.1	-2.6	2.0
Closing balance	**55.2**	**181.2**	**55.6**	**292.0**
Cumulative depreciation and amortization				
Opening balance	7.3	40.1	20.5	67.9
Additions	2.8	21.8	7.6	32.2
Employees leaving the company	0.0	-3.5	-1.6	-5.1
Closing balance	**10.1**	**58.4**	**26.5**	**95.0**
Residual carrying amounts	**45.1**	**122.8**	**29.1**	**197.0**

The land and buildings included in property, plant and equipment (€ 25.0 million, previous year: € 23.8 million) are pledged as collateral.

Right-of-use assets from leased items of property, plant and equipment changed as follows in the reporting period:

Dec. 31, 2021 in € million	Heat contracting	Metering technology	Commercial office leases	Vehicle leases	Total
Acquisition costs					
Opening balance	97.9	34.4	16.2	1.8	150.3
Additions	4.6	17.8	3.3	0.3	26.0
Additions by way of company acquisitions	0.0	0.0	0.0	0.0	0.0
Employees leaving the company	-11.8	-3.8	-6.9	-0.5	-23.0
Reclassifications	0.0	0.0	0.0	0.0	0.0
Closing balance	**90.7**	**48.4**	**12.6**	**1.6**	**153.3**
Cumulative depreciation and amortization					
Opening balance	43.9	6.7	3.1	0.7	54.4
Additions	13.5	4.5	3.5	0.5	22.0
Employees leaving the company	-11.3	-2.0	-2.9	-0.3	-16.5
Closing balance	**46.1**	**9.2**	**3.7**	**0.9**	**59.9**
Residual carrying amounts	**44.6**	**39.2**	**8.9**	**0.7**	**93.4**

Dec. 31, 2020 in € million	Heat contracting	Metering technology	Commercial office leases	Vehicle leases	Total
Acquisition costs					
Opening balance	101.5	30.4	9.5	1.3	142.7
Additions	6.7	10.8	4.2	0.7	22.4
Additions by way of company acquisitions	0.0	0.0	3.9	0.0	3.9
Employees leaving the company	-10.3	-6.8	-1.4	-0.2	-18.7
Reclassifications	0.0	0.0	0.0	0.0	0.0
Closing balance	**97.9**	**34.4**	**16.2**	**1.8**	**150.3**
Cumulative depreciation and amortization					
Opening balance	31.8	3.7	1.1	0.4	37.0
Additions	14.3	4.3	2.0	0.6	21.2
Employees leaving the company	-2.2	-1.3	0.0	-0.3	-3.8
Closing balance	**43.9**	**6.7**	**3.1**	**0.7**	**54.4**
Residual carrying amounts	**54.0**	**27.7**	**13.1**	**1.1**	**95.9**

Leases recognized in the consolidated income statement using the exemption for low-value leases and leases with a term of less than 12 months came to € 0.7 million in the reporting year (previous year: € 0.9 million) and € 0.0 million (previous year: € 0.0 million). Revenues from the subletting of licenses for heat contracting and metering technology came to € 18.4 million (previous year: € 19.3 million). Expenses totaling € 0.5 million were incurred in connection with variable lease payments made in the fiscal year 2021 (previous year: € 0.3 million). These are not included in the accounting for the right-of-use assets.

4 Intangible Assets

The changes in intangible assets were as follows:

Dec. 31, 2021 in € million	Goodwill	Other	Total
Acquisition costs			
Opening balance	319.7	71.6	391.3
Additions	0.0	2.1	2.1
Additions by way of company acquisitions	0.0	0.0	0.0
Employees leaving the company	-171.6	-2.1	-173.7
Reclassifications	0.0	0.4	0.4
Closing balance	**148.1**	**72.0**	**220.1**
Cumulative depreciation and amortization			
Opening balance	0.0	33.6	33.6
Additions	171.5	7.7	179.2
Employees leaving the company	-171.5	-2.0	-173.5
Closing balance	**0.0**	**39.3**	**39.3**
Residual carrying amounts	**148.1**	**32.7**	**180.8**

Dec. 31, 2020

in € million	Goodwill	Other	Total
Acquisition costs			
Opening balance	148.1	66.7	214.8
Additions	0.0	2.5	2.5
Additions by way of company acquisitions	171.6	2.4	174.0
Employees leaving the company	0.0	-0.1	-0.1
Reclassifications	0.0	0.1	0.1
Closing balance	**319.7**	**71.6**	**391.3**
Cumulative depreciation and amortization			
Opening balance	0.0	25.9	25.9
Additions	0.0	7.8	7.8
Employees leaving the company	0.0	-0.1	-0.1
Closing balance	**0.0**	**33.6**	**33.6**
Residual carrying amounts	**319.7**	**38.0**	**357.7**

The disposal of € 171.6 million relates to goodwill from the purchase price allocation in connection with the acquisition of the Munich-based ISARIA Group in the fiscal year 2020. The goodwill was allocated in full to the Residential segment. This goodwill in the Residential segment decreased by € 0.1 million in the first quarter of 2021 due to the sale of Isaria München Projektentwicklungs GmbH to the QUARTERBACK Group and by € 171.5 million as of December 31, 2021 due to the annual impairment test.

The impairment test for goodwill of € 171.5 million in the Residential segment was based on the following planning assumptions and market-based parameters:

The projected cash inflows were calculated on the basis of experience-related data and take account of expected market growth in the specific business areas.

The cash flows after the 10-year detailed planning phase are extrapolated on the basis of a growth rate of 1.0% that does not exceed the average rate of growth in the market or the industry. The duration of the detailed planning phase is consistent with the detailed planning phase for the property valuation.

The discount rate is determined on the basis of the average weighted capital costs in the real estate sector. The present value is calculated using a discount rate based on the Group’s weighted capital cost rate of 4.4% before taxes (previous year: 3.0% before taxes). The impairment test results in a recoverable amount of the value in use of € 16,710.4 million. The increase in the capital costs and the appreciation of the real estate resulted in a full impairment of goodwill of € 171.5 million.

Goodwill of € 140.0 million is allocated to the Nursing Operations segment. The goodwill impairment test was based on the following planning assumptions and market-based parameters:

The projected cash inflows were calculated on the basis of experience-related data and take account of expected market growth in the specific business areas.

The cash flows after the 5-year detailed planning phase are extrapolated on the basis of a growth rate of 1.0% that does not exceed the average rate of growth in the market or the industry.

The discount rate is determined on the basis of the average weighted capital costs in the nursing and healthcare sector. The present value is calculated using a discount rate based on the Group's weighted capital cost rate of 5.49% before taxes.

Additional goodwill of € 8.1 million is allocated to the acquired SYNVIA Group. The goodwill impairment test was based on the following planning assumptions and market-based parameters:

The projected cash inflows were calculated on the basis of experience-related data and take account of expected market growth in the specific business areas.

The cash flows after the 15-year detailed planning phase are extrapolated on the basis of a growth rate of 1.2% that does not exceed the average rate of growth in the market or the industry. The duration of the detailed planning phase reflects the long project cycles in the business.

The discount rate is determined on the basis of the average weighted capital costs. The present value is calculated using a discount rate based on the Group's weighted capital cost rate of 8.29% before taxes.

5 Land and Buildings Held for Sale

The decrease in land and buildings held for sale is primarily due to reclassifications to investment property in the amount of € 265.2 million. In the fiscal year 2021, revenues of € 26.2 million (previous year: € 55.6 million) were generated. The proceeds were partly offset by carrying amounts of assets sold of € 16.9 million (previous year: € 27.1 million).

6 Trade Receivables

Trade receivables are made up as follows:

in € million	Dec. 31, 2021	Dec. 31, 2020
Receivables from property letting	29.2	18.2
Receivables from the sale of properties	62.0	0.8
Receivables from disposals (development)	12.0	7.0
Other trade receivables	13.0	9.9
	116.2	**35.9**

Receivables from property letting are non-interest-bearing and generally overdue. Loss allowances are recognized on an age distribution basis and depending on whether the tenants in question are current or former tenants. Loss allowances have been recognized for almost all overdue receivables.

In the fiscal year 2021, rent receivables in the amount of € 4.5 million (previous year: € 3.9 million) were depreciated and amortized or impaired. The allowance for debts as of December 31, 2021 amounted to € 21.9 million (previous year: € 20.1 million) and mainly resulted from further write-downs in the fiscal year.

Receivables from the sale of properties are non-interest-bearing and are generally due within between 1 and 90 days. Receivables from the sale of properties are not impaired and only overdue to a very minor extent.

Receivables from disposals (development) are non-interest-bearing, are not impaired and are not past due.

Other trade receivables are non-interest-bearing and are generally due between 1 and 90 days.

7 Derivative Financial Instruments

Deutsche Wohnen concluded several interest hedging transactions for a nominal amount of € 1.0 billion (previous year: € 1.1 billion).
The cash flows from the underlying transactions, which are hedged as cash flow hedges, will be realized in the years 2025 through 2030. The strike rates are between -0.35% and 1.49% (previous year: between 0.88% and 1.49%). The total fair value of these transactions (aggregate of both positive and negative amounts) amounted to € 20.8 million as at December 31, 2021 (previous year: € -54.7 million).

There are no material credit risks since interest rate hedges are only arranged with banks with good credit ratings. If the interest rate changes, the fair value changes accordingly. Income and expenses are recognized in equity for the effective part of a hedge, while the non-effective part is recognized within current earnings.

The fair values and nominal values of all the interest rate hedges are shown below by remaining term to maturity:

in € million	Fair Values		Nominal Values	
Due date	2021	2020	2021	2020
Up to 1 year	0.0	0.0	0.0	0.0
More than 1 year and up to 5 years	-8.4	-3.9	376.0	194.2
More than 5 years and up to 10 years	-12.4	-50.8	606.3	942.2
	-20.8	**-54.7**	**982.3**	**1,136.5**

The negative carrying amount of interest rate hedges presented in hedge accounting is € 11.8 million (previous year: € 24.8 million) and is shown under liabilities in the balance sheet item “Derivative instruments by maturity.” The cash flow hedge reserve developed as follows:

in € million	2021	2020
Opening balance as of Jan. 1	-17.2	-12.9
Plus: change in fair values of hedging instruments recognized in other comprehensive income	9.3	-6.1
Less: reclassified from other comprehensive income to interest expenses	3.3	0.2
Less: deferred taxes	-2.7	1.5
Closing balance as of Dec. 31	**-7.3**	**-17.2**

In the reporting year, € 0.2 million was reclassified to interest expenses owing to ineffectiveness. Nominal amounts and weighted average hedging rates from hedge accounting are shown below:

in € million	2021	2020
Nominal amount	210.5	248.8
Weighted average hedging rate in the fiscal year in %	0.93	0.93

8 Other Financial Assets

Other financial assets mainly comprises receivables from financial investments in associates and joint ventures. For further information, see Note B.3 “Disclosure on Interests in Other Companies.”

9 Cash and Cash Equivalents

The cash and cash equivalents of € 676.7 million (previous year: € 583.3 million) mainly consist of deposits at banking institutions and cash on hand. Deposits at banking institutions earn interest at variable rates callable on demand. Short-term deposits are made for varying periods of time, ranging from one day to three months, depending on the Group’s respective cash requirements.

10 Non-Current Assets Held for Sale

The increase in non-current assets held for sale relates primarily to the sale of around 10,700 residential and 200 commercial units to housing associations of the State of Berlin for around € 1.65 billion, which was notarized in September 2021. In addition to residential holdings sold as part of asset deals, three existing companies were also sold as part of share deals, with the transfer of benefits and encumbrances taking place almost exclusively in January 2022. In addition, non-current assets held for sale include further investment property for which notarized purchase agreements were in place as of the balance sheet date but transfer of ownership had not yet taken place.

11 Equity

For the development of the Group’s equity, please refer to the consolidated statement of changes in equity.

a) Subscribed Capital

As of December 31, 2021, the share capital of Deutsche Wohnen SE amounted to € 400,296,988.00 (previous year: € 359,843,541.00), divided into 400,296,988 no-par value bearer shares, each representing a notional share of the share capital of € 1.00 per share. The increase of 40,344,203 shares is mainly due to the issuance of shares in connection with the conversion of convertible bonds. The amount exceeding the share capital was transferred to capital reserves. Deutsche Wohnen SE issues bearer shares only. The shares are fully paid in.

All shares have the same rights and obligations. Each share entitles the holder to one vote at the Annual General Meeting and determines the shareholders’ shares in the profits of the company. The rights and obligations of the shareholders are outlined in detail in the provisions of the German Stock Corporation Act (AktG), in particular Sections 12, 53a et seqq., 118 et seqq. and 186; as a result, the company has no rights from its own shares in accordance with Section 71b 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 on voting rights or share transfers.

New shares from capital increases are issued as bearer shares.

Development of Authorized Capital

in € thousand	
Authorized Capital 2018/I	
Balance as of Jan. 1, 2021	107,383
Utilization	0
Balance as of Dec. 31, 2021	**107,383**

By resolution of the Annual General Meeting held on June 15, 2018, which was entered into the commercial register on August 16, 2018, the Management Board was authorized to increase the company’s share capital, with the consent of the Supervisory Board, by up to € 110 million once or several times during the period until June 14, 2023 by means of the issuance of up to 110 million new ordinary bearer shares against cash contributions and/or contributions in kind (Authorized Capital 2018/I). This authorization was partially utilized amounting to € 2,617,281.00 by issuance of 2,617,281 new shares. After partial utilization, the Authorized Capital 2018/I continues to exist in the amount of up to € 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 authorized 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.

Development of Contingent Capital

in € thousand	2014/II	2014/III	2015/I	2017/I	2018/I	Total
balance as of Jan. 1, 2021	**5,780**	**12,672**	**50,000**	**30,000**	**35,000**	**133,452**
Capital increase by issue of offer shares (GSW domination agreement) [1]	-61	–	–	–	–	-61
Capital increase by issue of own shares to settle the SOP 2014[1]	–	-49	–	–	–	-49
Capital increase by issue of shares to settle Convertible Bond 2017/2024 [1]	–	–	-18,000	-2,619	–	-20,619
Capital increase by issue of shares to settle Convertible Bond 2017/2026 [1]	–	–	–	-19,725	–	-19,725
Balance as of Dec. 31, 2021	**5,719**	**12,623**	**32,000**	**7,656**	**35,000**	**92,998**

1 The changes in capital were entered into the commercial register on February 18, 2022.

Contingent Capital 2014/II was reduced in fiscal year 2021 by the issuance of 60,650 shares to be offered in the context of the proposed settlement for the domination agreement with GSW Immobilien GmbH.

Contingent Capital 2014/III was reduced in fiscal year 2021 by the issuance of 48,594 shares to fulfill the 2017 tranche of the stock option program for the Management Board.

Contingent Capital 2015/I was reduced in fiscal year 2021 by the issuance of 18,000,000 shares in connection with the conversion of the convertible bond 2017/2024.

Contingent Capital 2017/I was reduced in the fiscal year 2021 by the issuance of 2,618,969 shares in connection with the conversion of the convertible bond 2017/2024 and by the issuance of 19,725,234 shares in connection with the conversion of the convertible bond 2017/2026.

The issued capital was contingently increased by up to € 93.0 million in total by means of the issuance of up to approximately 93.0 million new no-par value bearer shares with dividend rights generally from the start of the fiscal 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, Warrants or Convertible Bonds, Participating Rights or Participating Bonds

By resolution of the Annual General Meeting on June 15, 2018, the Management Board was authorized, with the consent of the Supervisory Board, to issue bearer convertible bonds, bonds with warrants, participating rights and/or participating bonds (or combinations of these instruments) with a nominal value of up to € 3.0 billion and to grant their creditors conversion or option rights to shares in the Company with a proportional amount of the share capital of up to € 35 million. Shares will only be issued 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 authorized capital or other benefits are not used to service the obligations.

Acquisition of Own Shares

The acquisition of own shares is authorized pursuant to Article 9 (1) (c) (ii) SE Regulation in conjunction with Section 71 et seqq. AktG and also, as at the balance sheet date, by the Annual General Meeting held on June 15, 2018. The Management Board is authorized, with the consent of the Supervisory Board and subject to compliance with the principle of equal treatment of shareholders pursuant to Article 9 (1) (c) (ii) SE Regulation in conjunction with Section 53a AktG to purchase and use the company's own shares until June 14, 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 authorization is used if this figure is lower. Shares acquired using this authorization together with other own shares the company has previously acquired and still holds or are attributable to it under Section 71a et seqq. AktG may not at any time exceed 10% of the company's share capital. The authorization may not be used for the purpose of trading in own shares.

Based on this authorization, Deutsche Wohnen SE acquired 16,070,566 shares in the period from November 15, 2019 through September 14, 2020. The shares bought back shall be used for purposes permitted by the authorization to acquire own shares by the Annual General Meeting of June 15, 2018. More detailed information pursuant to Article 5 (1) (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. In connection with the Business Combination Agreement between Deutsche Wohnen SE and Vonovia SE, Deutsche Wohnen sold 12,708,563 of its own shares to Vonovia SE at a price of € 52.00 per share.

As of December 31, 2021 the company held 3,362,003 own shares. A share capital of € 3,362,003.00 is attributable to these own shares.

b) Capital Reserves

Capital reserves were increased by € 648.1 million through the sale of own shares. Capital reserves were further reduced by € 0.2 million from the stock option program. Furthermore, capital reserves were increased by € 3.1 million as a result of the contribution in kind of GSW Immobilien AG shares in place since September 2014 within the scope of the share exchange resulting from the domination agreement. Capital reserves in the amount of € 2,094.4 million were formed as a result of the conversion of convertible bonds.

c) Group Equity Generated

Accumulated earnings consist of Deutsche Wohnen's retained earnings and cumulative earnings carryforward.

The statutory framework applies to German joint stock companies (*Aktiengesellschaften*). An amount equivalent to 5% of the net income for the financial year is to be retained pursuant to Section 150 (2) of the German Stock Corporation Act (*Aktiengesetz* — AktG). The amount of the statutory reserve is subject to a cap of 10% of the share capital. In accordance with Section 272 (2)(1)–(3) of the German Commercial Code (*Handelsgesetzbuch* — HGB), any existing capital reserves are to be taken into account and the provisions required for the statutory reserve reduced accordingly. This is measured on the basis of the subscribed capital that is in place and legally effective at the reporting date and that is to be reported in this amount on the respective annual balance sheet. The statutory reserve remains unchanged at € 1.0 million.

d) Non-Controlling Interests

The share of non-controlling interests largely relates to the shares of third parties in the earnings of the fully consolidated investees not wholly owned by Deutsche Wohnen. For further information, see Note B.3 "Disclosure on Interests in Other Companies."

12 Financial Liabilities

The company has taken out loans from banks, particularly to finance property and company transactions and to purchase properties.

Around 84.3% (previous year: 81.5%) of the financial liabilities are at a fixed rates or are subject to interest rate hedges. The average interest rate is approximately 1.4% (previous year: approximately 1.3%).

The loan renewal structure based on current outstanding liability is as follows:

in € million	Carrying amount	Nominal amount	2021	2022	2023	2024	2025	≥2026
Loan renewal structure 2021	5,946.1	5,961.4	–	62.6	701.4	160.5	957.9	4,079.0
Loan renewal structure 2020	6,525.1	6,551.8	12.7	37.7	747.7	222.7	1,069.0	4,461.9

Almost all the liabilities are secured by way of land charges.

13 Corporate Bonds and Convertible Bonds

Liabilities from corporate bonds increased by a total of € 673.7 million. Scheduled repayments of € 300.0 million and the exercising of special termination rights in the event of a change of control amounting to € 370.3 million in the context of the acquisition bid by Vonovia SE were offset by proceeds from issues amounting to € 1,350.2 million, which primarily consisted of the issuance of two long-term green bonds, each of € 500.0 million.

Liabilities from convertible bonds changed due to conversions, repayments and fluctuations in market value. As of
December 31, 2021, there are no more liabilities from convertible bonds. As a result of the change in control, convertible bonds with a nominal value of € 1,596.9 million were converted into shares in Deutsche Wohnen SE. The nominal amount of € 3.1 million remaining after the conversions was repaid.

In total, Deutsche Wohnen has the following bonds and debentures outstanding as of December 31, 2021:

Type	Issued	Term Ending Latest	Nominal in € million	Coupon % p.a.	Carrying Amount in € million	Conversion Price €/Share
Corporate bonds	2020–2021	2022–2041	1,987.0	0.0–1.5	1,970.4	–
Registered bonds	2017–2019	2026–2032	475.0	0.9–2.0	477.2	–
Bearer bonds	2018–2021	2022–2036	1,360.2	0.0–2.5	1,356.3	–

14 Pension Obligations

Company retirement benefits consist of defined benefit and defined contribution plans. The average term of the obligations is approximately 17.4 years (previous year: 17.7 years), payments under retirement benefit plans for 2022 are expected to come to € 4.1 million (less payments on plan assets) (previous year: € 4.1 million).

Pension provisions are determined using the projected unit credit method in accordance with IAS 19. This entails valuing future obligations by means of actuarial methods and estimating the relevant variables.

The amount of employee benefit liabilities (present vested right value of the pension commitment) was determined by an external actuary on the basis of the following assumptions:

in %	Dec. 31, 2021	Dec. 31, 2020
Discount rate	0.81	0.62
Salary trend	3.01	2.99
Pension trend	1.46	1.48
Increase in the contribution assessment base	1.84	1.91
Mortality tables	R 18G	R 18G

The salary trend represents expected future salary increases, which are estimated annually on the basis of inflation and length of service with the company, among other factors.

The employee benefit liabilities taken over in the scope of the BauBeCon acquisition are financed through the ufba — Unterstützungskasse zur Förderung der betrieblichen Altersversorgung e.V. (Assistance Fund for the Promotion of Company Pension Plans inc. soc.) — and recognized on the balance sheet as plan assets. The valuation used an interest rate of 0.75% (previous year: 0.55%).

The following summary shows the financing status of the Group's pension plans, which is at the same time equivalent to the balance sheet amount:

in € million	Dec. 31, 2021	Dec. 31, 2020
Present value of the pension obligation	112.3	117.3
Less fair value of plan assets	-7.5	-7.7
	104.8	**109.6**

The following table shows the change in the present value of defined benefit obligations and the fair value of plan assets:

in € million	2021	2020
Pension obligation, opening balance	117.3	115.0
Additions by way of company acquisitions	0.0	0.0
Pension payments	-3.4	-3.9
Interest expense	0.7	0.9
Service cost	1.5	2.0
Reclassification of other provisions	0.0	0.0
Actuarial gains/losses	-3.8	3.3
Pension obligation, closing balance	**112.3**	**117.3**
of which pension plans funded by plan assets	11.0	11.7
of which pension plans not funded by plan assets	101.3	105.6
Plan assets, opening balance	7.7	7.8
Interest income from plan assets	0.0	0.0
Pension payments from plan assets	-0.2	0.0
Actuarial gains/losses	0.0	-0.1
Plan assets, closing balance	**7.5**	**7.7**

Pension expenses are made up as follows:

in € million	2021	2020
Interest expense	-0.7	-0.9
Service cost	-1.5	-2.0
	-2.2	**-2.9**

Pension commitments consist of retirement, invalidity and surviving dependent benefits. They are based on the last fixed annual gross salary. Different benefit plans apply depending on the employee's position in the company.

Compound interest expenses are recognized in the consolidated income statement under "Interest expense" and current benefit payments, current service cost and adjustments to current benefits are recognized under "Personnel expenses."

Expenses for defined contribution plans totaled € 17.9 million (previous year: € 17.6 million). Therefore, total expenses for retirement provisions (defined benefit and defined contribution) amounted to € 20.1 million (previous year: € 20.5 million). For 2022, based on the current number of employees, the cost will total € 17.9 million.

A 0.25% drop in the interest rate would result in an increase in pension obligations of 4.09%; a 0.25% interest rate increase would result in a reduction of pension obligations of 3.84%. A 0.25% decline in the pension trend would result in a decrease in pension obligations of 2.97%; a 0.25% increase in the pension trend would result in an increase of 3.11% in pension obligations.

The sensitivity calculations are based on the average term of the pension liabilities determined as at December 31, 2021. They were carried out for each of the actuarial parameters classified as material with a view to demonstrating the effect on the present value of the employee benefit liabilities calculated as at December 31, 2021 on a separate basis. Given that the sensitivity analyses are based on the average term of the expected pension liabilities and consequently do not take account of the expected payment dates, they provide only approximate information or indications of future trends.

We do not currently consider realistic any further changes in the relevant actuarial parameters that could lead to a material adjustment of the carrying amounts of the pension provision within the next year.

Provisions of € 10 thousand have been recognized for invalidity benefit commitments to Management Board members (previous year: € 16 thousand), which are also shown in pension provisions.

15 Other Provisions

Other provisions are made up as follows:

in € million	Restructuring	Legal Risks	Other	Total
Opening balance	**2.9**	**21.5**	**33.0**	**57.4**
Additions by way of company acquisitions	0.0	0.0	0.0	0.0
Utilization	-2.2	-0.4	-0.5	-3.1
Reversal	0.0	-0.8	-2.0	-2.8
Additions	8.2	1.7	13.3	23.2
Closing balance	**8.9**	**22.0**	**43.8**	**74.7**
of which non-current	1.1	19.6	18.0	38.7
of which current	7.8	2.4	25.8	36.0

Other provisions (€ 43.8 million; previous year: € 33.0 million) relate to a large number of third-party liabilities.

The additions include accrued interest on non-current provisions in the amount of € 0.0 million.

16 Liabilities From Finance Leases

Deutsche Wohnen recognizes liabilities of € 140.3 million as of year-end (previous year: € 148.7 million) under leases for heat contracting, ground rent, commercial property and vehicles, which are presented by maturity in other financial liabilities. Interest expenses for lease liabilities came to € 2.2 million in 2021 (previous year: € 2.8 million).

Leases gave rise to the following liabilities:

in € million	Due Within 1 Year	Due in 1 to 5 Years	Due After 5 Years
Dec. 31, 2021			
Payments	20.8	62.7	104.1
Interest portion	-1.8	-5.6	-39.9
Repayment portion	19.0	57.1	64.2
Dec. 31, 2020			
Payments	23.7	66.4	111.9
Interest portion	-2.1	-6.6	-44.5
Repayment portion	21.6	59.8	67.4

17 Tax Liabilities

Tax liabilities (€ 126.2 million; previous year: € 60.5 million) consist mainly of provisions for current taxes and potential tax risks resulting from tax audits. Income tax receivables (€ 124.4 million; previous year: € 125.6 million) mainly comprise receivables from advance payments of income taxes.

18 Deferred Taxes

Deferred taxes are made up as follows:

in € million	Dec. 31, 2021	Change	Dec. 31, 2020
Deferred tax assets			
Real estate	11.2	5.5	5.7
Pensions	14.8	1.3	13.5
Accumulated losses brought forward	128.5	-143.1	271.6
Interest rate hedges	7.2	-6.0	13.2
Loans	0.7	-0.2	0.9
Convertible bonds	0.0	-23.0	23.0
Other	54.1	7.1	47.0
	216.5	**-158.4**	**374.9**
Offsetting	-216.4	158.5	-374.9
Carrying amount	0.1	0.1	0
Deferred tax liabilities			
Loans	-5.7	3.4	-9.1
Real estate	-5,318.2	-583.7	-4,734.5
Other	-49.0	-5.7	-43.3
	-5,372.9	**-586.0**	**-4,786.9**
Offsetting	216.4	-158.5	374.9
Carrying amount	-5,156.5	-744.5	-4,412.0
Net deferred taxes	**-5,156.4**	**-744.4**	**-4,412.0**

The changes in deferred taxes in 2021 and 2020 are as follows:

in € million	2021	2020
Company acquisitions	0.0	-69.4
Recognized directly in other comprehensive income	-0.6	-0.7
Recognized in the income statement	-743.8	-628.1
	-744.4	**-698.2**

Actuarial gains and losses on pension obligations, changes in the fair value of effective hedges and the counterparty risk of the convertible bonds are recognized in equity without effect on income. The resulting deferred taxes are also recognized directly in equity without effect on income and relate to actuarial gains and losses of € 0.1 million (previous year: € 0.2 million), changes in the fair value of effective hedging transactions of € -2.7 million (previous year: € 1.5 million), and the counterparty risk of convertible bonds of € 2.0 million (previous year: € -2.4 million).

The increase in the amount of the deferred tax liabilities for properties in the fiscal year 2021 was largely the result of the revaluation of the investment properties.

In the area of extended property curtailment, an adjustment of the underlying estimates resulted in a negative effect on earnings of € 54.8 million (previous year: € 11.7 million).

As a result of the change of control following the acquisition of a majority stake by Vonovia SE, deferred tax assets on accumulated losses carryforwards amounting to € 101.2 million were derecognized.

The Deutsche Wohnen Group has accumulated corporation tax loss carryforwards in the amount of € 556.7 million (previous year: € 1,483.3 million) and accumulated trade tax loss carryforwards in the amount of € 515.5 million (previous year: € 1,310.7 million). The amounts of accumulated corporate and trade tax loss carryforwards for which no deferred tax assets are recognized are € 145.7 million (previous year: € 563.2 million) and € 75.6 million (previous year: € 429.0 million). In principle, accumulated loss carryforwards do not expire. Furthermore, the Deutsche Wohnen Group did not recognize any deferred tax assets on the total interest carryforwards of € 11.7 million (previous year: € 90.3 million) as it is not expected that these can be utilized in the future due to the capital structure.

In the fiscal year 2021, no deferred tax assets were recognized for temporary differences amounting to € 20.8 million (previous year: € 171.3 million) as it is not probable that sufficient taxable income will be generated for these amounts in the near future.

No deferred tax liabilities were recognized for profits of € 11,750.2 million accumulated at subsidiaries, joint ventures and associates (previous year: € 10,432.2 million) as these profits are intended to be retained for an indefinite period or are not subject to taxation. If the profits were distributed or the subsidiaries and joint ventures sold, 5% of the distribution or the disposal gain would be subject to taxation, which would generally result in an additional tax obligation.

E Disclosures on the Consolidated Income Statement

The consolidated income statement is prepared using the total cost format.

1 Income from Residential Property Management

Income from Residential Property Management is made up as follows:

in € million	2021	2020
Target rents	862.3	859.5
Subsidies	0.9	1.0
Vacancy losses	-19.6	-22.9
Rent reductions	-5.8	-7.3
Operating costs	369.6	365.9
Other	2.4	1.6
	1,209.8	**1,197.8**

2 Income from Nursing Operations

Income from Nursing Operations is made up as follows:

in € million	2021	2020
Revenues from nursing services	171.9	167.0
Rental income from care facilities	61.1	59.1
	233.0	**226.1**

3 Earnings from Disposals

Earnings from Disposals include income from properties sold and the carrying amounts for investment properties and land and buildings held for sale.

4 Disclosures on Revenue Recognition in Accordance With IFRS 15 and IFRS 16

The Group enters into lease agreements that mainly cover the net cold rent and operating costs. The contractual component of net cold rent is a lease as defined in IFRS 16 "Leases," whereas income from operating costs falls within the scope of IFRS 15 "Revenue From Contracts With Customers." Income from operating costs consists of costs that are charged to tenants and do not include any margin. In addition, sales revenue is mainly generated from the disposal of property and the provision of nursing services. For the purposes of this disclosure, income from operating costs for which no services are provided is divided into rental income and other income from operating costs (land tax and property insurance of € 73.7 million in fiscal year 2021), weighted by the individual selling prices.

Disclosures for the Fiscal Year 2021 in Accordance With IFRS 15 and IFRS 16

in € million	Residential Property Management	Sale	Nursing Operations	Care Facilities	Other	Total
Revenue in accordance with IFRS 16						
Rents and leases	838.5	–	61.1	32.5	6.7	938.8
Operating costs	54.0	–	–	–	–	54.0
	892.5	**0.0**	**61.1**	**32.5**	**6.7**	**992.8**
Revenue in accordance with IAS 40						
Residential privatization	–	38.3	–	–	–	38.3
Institutional sales	–	715.7	–	–	–	715.7
	0.0	**754.0**	**0.0**	**0.0**	**0.0**	**754.0**
Revenue in accordance with IFRS 15						
Operating costs	315.6	–	–	1.3	–	316.9
Residential privatization	–	20.1	–	–	–	20.1
Institutional sales	–	6.1	–	–	–	6.1
Cost-to-cost sales revenue (development)	16.1	–	–	–	–	16.1
Nursing services	–	–	171.9	–	–	171.9
Other revenue from contracts with customers	1.7	–	–	–	18.7	20.4
	333.4	**26.2**	**171.9**	**1.3**	**18.7**	**551.5**
Timing of revenue recognition in accordance with IFRS 15						
Goods or services transferred at a point in time	–	26.2	–	–	15.0	41.2
Goods or services transferred over time	333.4	–	171.9	1.3	3.7	510.3
	333.4	**26.2**	**171.9**	**1.3**	**18.7**	**551.5**

Disclosures for the Fiscal Year 2020 in Accordance With IFRS 15 and IFRS 16

in € million	Residential Property Management	Sale	Nursing Operations	Care Facilities	Other	Total
Revenue in accordance with IFRS 16						
Rents and leases	830.6	–	59.1	37.0	6.3	933.0
Operating costs	54.5	–	–	–	–	54.5
	885.1	**0.0**	**59.1**	**37.0**	**6.3**	**987.5**
Revenue in accordance with IAS 40						
Residential privatization	–	38.3	–	–	–	38.3
Institutional sales	–	1,157.7	–	–	–	1,157.7
	0.0	**1,196.0**	**0.0**	**0.0**	**0.0**	**1,196.0**
Revenue in accordance with IFRS 15						
Operating costs	311.4	–	–	1.2	–	312.6
Residential privatization	–	12.9	–	–	–	12.9
Institutional sales	–	42.7	–	–	–	42.7
Cost-to-cost sales revenue (development)	6.8	–		–	–	6.8
Nursing services	–	–	167.0	–	–	167.0
Other revenue from contracts with customers	1.3	–	–	–	15.4	16.7
	319.5	**55.6**	**167.0**	**1.2**	**15.4**	**558.7**
Timing of revenue recognition in accordance with IFRS 15						
Goods or services transferred at a point in time	–	55.6	–	–	12.7	68.3
Goods or services transferred over time	319.5	–	167.0	1.2	2.7	490.4
	319.5	**55.6**	**167.0**	**1.2**	**15.4**	**558.7**

5 Cost of materials

The cost of materials is made up as follows:

in € million	2021	2020
Operating costs	-366.5	-362.6
Maintenance	-134.2	-133.1
Other	-46.3	-44.9
	-547.0	**-540.6**

6 Personnel expenses

Personnel expenses are made up as follows:

in € million	2021	2020
Wages and salaries	-220.2	-194.1
Social security, pensions and other employee benefits	-39.4	-37.7
	-259.6	**-231.8**

The increase in wages and salaries is mainly due to the redemption of originally long-term remuneration components in the amount of around € 6.6 million, as well as severance payments and leaves of absence in the amount of € 16.8 million. The Deutsche Wohnen Group had an average of 1,313 employees in the fiscal year (previous year: 1,339 employees), who are allocated to the Residential segment. There was also an average of 3,813 employees in the Nursing Operations segment (previous year: 3,984 employees).

7 Other Operating Expenses

Other operating expenses are made up as follows:

in € million	2021	2020
Operating and corporate expenses		
IT costs	-14.6	-12.9
Legal, consultants' and auditors' fees	-13.1	-12.6
Communication costs	-10.2	-7.4
Other staff costs	-4.7	-5.1
Cost of premises	-5.1	-4.7
Other operating and corporate expenses	-8.3	-6.9
Miscellaneous other operating expenses	-87.2	-54.4
	-143.2	**-104.0**

Miscellaneous other operating expenses in the fiscal year 2021 mainly included expenses in connection with the acquisition bid by Vonovia SE and related in particular to consulting expenses of around € 48.1 million. The amount of miscellaneous other operating expenses in the fiscal year 2020, at € 22.0 million, related primarily to real estate transfer taxes incurred as transaction costs in connection with the acquisition of ISARIA, accounted for in accordance with IFRS 3.

8 Other Operating Income

Other operating income increased to € 79.8 million (previous year: € 56.3 million). It consisted primarily of insurance payouts in Residential Property Management and capitalized internal expenses for construction project management. The fiscal year 2021 also included gains of € 10.2 million from the sale of shares in Isaria München Projektentwicklungs GmbH and reimbursements of € 15.5 million (previous year: € 9.5 million) from nursing care funds for loss of income and additional expenses as a result of the coronavirus pandemic.

9 Share-Based Remuneration

Restricted Share Units

Certain Management Board members receive phantom stocks, known as restricted share units (RSU). The RSU are allocated in four annual tranches on April 1 of each fiscal year. The number of RSU to be allocated in each fiscal year is defined in advance in the employment contracts for Management Board members. The agreed value of each RSU corresponds to the reference price of the Deutsche Wohnen SE share on the allocation date, plus a notional dividend. The amount of the corresponding annual gross company dividend per share must be added to each RSU in the year of its allocation and every year thereafter. Allocations end if the Management Board member entitled to allocations leaves the company for whatever reason.

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

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

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

In the fiscal year 2020, 8,125 Restricted Share Units with a fair value of € 35.47 each were granted and the equivalent value of these was paid out to the respective Management Board members in the reporting year 2021. The Deutsche Wohnen Group incurred expenses of € 0.5 million from the RSU program in the current fiscal year (previous year: € 0.3 million). RSUs are no longer in place as instruments of remuneration and were no longer a component of the 2021 remuneration system.

Share Units

In the fiscal year 2020, individual Management Board members were granted subscription rights to share units (SUs) under certain conditions as part of a compensation agreement. This is classified as stock-based remuneration. Settlement of 40% in cash and 60% in own shares was agreed. The agreed value of each SU corresponds to the reference price of the Deutsche Wohnen SE share on the settlement date, plus a notional dividend. The subscription conditions are met if the Berlin rent cap is determined to be unconstitutional by the Federal Constitutional Court and the closing price of the Company’s shares reaches or exceeds € 35.56 on at least one trading day on XETRA of Deutsche Börse AG between the date of the decision by the Federal Constitutional Court and the settlement date, or, if the Federal Constitutional Court decides that the Berlin rent cap is constitutional and the performance of the Company’s shares between January 1, 2019 and the settlement date is at least equal to the performance of the EPRA/NAREIT Germany Index in this period. The settlement of the SUs is equivalent to 60% of the total number of SUs in shares of the company. The difference between the value of the shares transferred and the value of the SUs as a whole is paid as a cash payment, including the notional dividend. An expense of € 0.5 million from this agreement was recorded in the financial year 2021 (previous year: € 0.3 million). Following the decision by the Federal Constitutional Court on the invalidity of the Berlin law on the capping and reduction of apartment rents in Berlin (“Berlin rent cap”), the SUs were fully settled in the fiscal year 2021.

Stock Option Plan

The stock option plan set up in 2014 provides for a maximum of 12,879,752 subscription rights to be issued to members of the Management Board of Deutsche Wohnen SE and selected managers in the Deutsche Wohnen Group, subject to the following terms:

Subscription rights are issued to beneficiaries in annual tranches for up to four years after the contingent capital is entered in the commercial register, but at least until 16 weeks after the close of the Annual General Meeting in 2018. The amount of the annual tranches is determined by dividing the target variable remuneration for each beneficiary by a reference value. The reference value is the arithmetic mean closing price of the Deutsche Wohnen share on the 30 days before the respective stock options are issued.

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

Subscription rights can only be exercised if the following conditions are met:

- The employment contract concluded with the beneficiary is not terminated during the waiting period on grounds for which the latter is responsible (Section 626(1) of the German Civil Code (*Bürgerliches Gesetzbuch* — BGB)), and
- The performance targets "NAV (adjusted) per share" (40% weighting), "FFO I (excluding disposals) per share" (40% weighting) and "stock price" (20% weighting) have been attained.

The performance targets for each individual tranche of the stock options relate to the development of the (i) "NAV (adjusted) per share," (ii) "FFO I (excluding disposals) per share" and (iii) "stock price," as compared to the adjusted EPRA/ NAREIT Germany Index, calculated in accordance with the following provisions.

Within each of the above performance targets there is a minimum target that must be achieved for half the stock options for this performance target to be exercised, and a maximum target which allows all the stock options for this performance target to be exercised. The minimum is set at a performance of 75% and the maximum at 150% across all individual targets. The respective minimum and maximum targets are set by the company based on its four-year planning before the annual tranche of share options is issued. Subject to special rules if the beneficiary's service or employment contract ends before the close of the waiting period, the number of share options that can be exercised per tranche is equal to the total number of stock options in that tranche multiplied by the total percentage of achievement of one or more performance targets as defined above and weighted by performance target as defined above in order to compensate for any different achievement of performance targets in favor of the beneficiaries.

At the end of the waiting period, the number of the subscription rights eligible for allocation to each beneficiary is calculated on the basis of the degree of attainment of the performance targets. The beneficiary must pay € 1 per share to purchase the shares (exercise the allocated subscription rights). The shares purchased by exercising the option have full voting and dividend rights.

In the fiscal year, no subscription rights were issued from SOP 2014 (previous year: no subscription rights issued) and the final tranche was exercised in full. At the end of 2021, there were therefore no more subscription rights (previous year: 64,857) and the SOP was closed accordingly. The impact of the SOP on the Group's financial performance in both periods was immaterial.

10 Financial Expenses

Financial expenses are made up as follows:

in € million	2021	2020
Current interest	-142.5	-145.8
Accrued interest on liabilities and pensions	-27.2	-30.7
Capitalized interest expenses	15.3	8.8
Non-recurring expenses in connection with financing	-27.8	-4.0
	-182.2	**-171.7**

The non-recurring financial expenses of € 27.8 million were primarily incurred in connection with the acquisition bid by Vonovia SE. The average interest rate for capitalized interest expenses was 1.3% (previous year: 1.4%).

11 Result From Fair Value Adjustments of Financial Instruments

The result from fair value adjustments includes negative fair value adjustments of convertible bonds amounting to € 368.1 million (previous year: € 96.2 million negative adjustments) resulting from the conversion due to the change of control and offsetting of fair value fluctuations due to the positive share price performance of Deutsche Wohnen. In addition, the result from fair value adjustments includes positive value adjustments of derivative financial instruments of € 11.6 million (previous year: € 15.6 million negative adjustments) and negative adjustments of financial investments classified as financial instruments of € 0.1 million (previous year: € 4.9 million positive adjustments).

12 Result From Investments Accounted for Using the Equity Method

Earnings from investments accounted for using the equity method came to € -3.3 million (previous year adjusted: € 17.4 million). The decrease is principally due to the at-equity adjustment for the interests held in the QUARTERBACK Group. For further information, see Note B.3 "Disclosure on Interests in Other Companies."

13 Income Taxes

Companies domiciled in Germany in the legal form of a corporation (*Kapitalgesellschaft*) are subject to corporation tax at a rate of 15% and a solidarity surcharge of 5.5% of the corporation tax due. In addition, these companies are subject to trade tax, the amount of which is determined on the basis of municipality-specific assessment rates. Companies structured as limited partnerships (*Personengesellschaft*) are subject to trade tax only. The profit less trade tax is attributed to the limited partner for corporation tax purposes. Limited use of corporation and trade tax loss carryforwards is to be taken into account from the assessment period 2004 onward. As a result, a positive tax assessment basis up to € 1 million may be reduced by an existing loss carryforward without limitation; amounts in excess thereof may at most be reduced to 60% by an existing loss carryforward.

The income tax rate expected for 2021 for the Group parent company Deutsche Wohnen SE will amount to a nominal 30.18% (previous year: 30.18%).

The income tax expense/benefit are made up as follows:

in € million	2021	2020
Current tax expense	**-113.6**	**-71.0**
Tax expense resulting from capital increase-related costs	**0.0**	**0.0**
Deferred tax expense		
Real estate	-578.2	-605.9
Accumulated losses brought forward	-143.1	-46.8
Loans	3.3	4.1
Convertible bonds	-23.0	14.0
Interest rate hedges	-3.4	-0.4
Pensions	0.9	-1.3
Other	-0.3	8.1
	-743.8	**-628.2**
	-857.4	**-699.2**

A reconciliation of tax expense/benefit is shown in the following table:

in € million	2021	2020
Net income before taxes	1,776.4	2,243.7
Applicable tax rate	30.18%	30.18%
Expected tax expense	-536.0	-677.0
Permanent effects of non-deductible expenses, trade tax corrections and tax-free income	45.7	31.2
Change in unrecognized deferred tax assets on loss carryforwards and temporary differences	-72.5	-25.6
Income taxes from other periods	-24.0	-0.8
Other effects	-270.6	-27.0
	-857.4	**-699.2**

The amount of current income taxes for the fiscal year 2021 includes income from other periods of € -24.2 million (previous year: € -0.8 million). Of the € -72.5 million (previous year: € -25.6 million) change in unrecognized deferred taxes on loss carryforwards and accrued temporary differences, € 0.0 million reduced current tax expenses (previous year: € 0.1 million). The increase in other effects predominantly comprises the derecognition of goodwill in the Residential segment and the derecognition of the convertible bond liabilities.

F Segment Reporting

Deutsche Wohnen reports by business segments on the basis of the information provided to the decision-makers of the Deutsche Wohnen Group.

Deutsche Wohnen concentrates its business activities on the following four main areas:

Residential Property Management

The main commercial activity of Deutsche Wohnen is the active management of a portfolio of residential properties. Portfolio management comprises the modernization and maintenance of Deutsche Wohnen's property portfolio, the management of lease agreements, tenant support and the marketing of apartments. The focus of property management is on the optimization of rental income. Therefore, as part of building maintenance, possible measures with rent increase potential are continuously examined, tenant changes are used for value increases, and utility services are purchased in accordance with the greatest possible savings and passed on to the tenants. The Residential Property Management segment also includes new construction activities, mainly project development for the Group's own portfolio.

Disposals

The Disposals segment is the other pillar of the Deutsche Wohnen Group's operating business. Privatization can take the form of either an individual privatization transaction, i.e. the sale of an individual apartment (for example, to a tenant), or block sales.

The Disposals segment covers all aspects of preparing and closing sales of residential units from the Group's own assets in the course of optimizing and streamlining the portfolio.

Apartments may also be privatized in connection with the future purchase of portfolios, in order to streamline them and for financing purposes.

Certain residential units, particularly in Rhineland-Palatinate, and individual holdings of the GEHAG Group as well as the BauBeCon Group are subject to privatization restrictions due to the acquisition agreements. In light of these obligations, the Group is bound by certain rules in some cases (for example, sales to tenants, general social conditions) when making privatization decisions. In some cases these restrictions also stipulate that none of the assets concerned may be sold for a certain period.

Nursing Operations

The Nursing Operations segment comprises the investments in KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG. The services offered by the Nursing Operations consist of marketing and managing care and assisted living facilities for senior citizens and support services provided to the senior citizens living in the facilities.

Care Facilities

Earnings contributions from leases with internal and external operators of care facilities are presented in the Care Facilities segment.

Internal transactions mainly consist of management contracts and leases for care facilities operated by the Group on standard market terms.

The segment reporting is attached to the notes to the consolidated financial statements as Appendix 2.

The segment earnings correspond to the respective sub-totals in the consolidated income statement. The following table shows the reconciliation of the segment earnings with the net income for the period shown in the consolidated income statement:

2021

in € million	Group	Residential Property Management	Disposals	Nursing Operations	Care Facilities	Other
Income from Residential Property Management	1,209.8	1,209.8	0.0	0.0	0.0	0.0
Income from Nursing Operations	233.0	0.0	0.0	233.0	0.0	0.0
Lease income from Nursing Homes	33.8	0.0	0.0	0.0	33.8	0.0
Other income	25.4	0.0	0.0	0.0	0.0	25.4
Income from the sale of properties	780.2	0.0	780.2	0.0	0.0	0.0
Carrying amount of properties sold	-771.0	0.0	-771.0	0.0	0.0	0.0
Income from the sale of properties (development)	16.1	16.1	0.0	0.0	0.0	0.0
Carrying amount of properties sold (development)	-16.3	-16.3	0.0	0.0	0.0	0.0
Earnings from Disposals	9.0	-0.2	9.2	0.0	0.0	0.0
Cost of materials	-547.0	-481.9	-5.5	-46.8	-3.4	-9.4
Personnel expenses	-259.6	-15.4	-1.7	-141.8	0.0	-100.7
Other operating expenses	-143.2	-5.5	0.0	-15.0	0.0	-122.7
Other operating income	79.8	32.0	0.0	22.6	3.4	21.8
	641.0	**738.8**	**2.0**	**52.0**	**33.8**	**-185.6**
Depreciation, amortization and impairment	-213.9	0.0	0.0	0.0	0.0	-213.9
Gains/losses from the fair value adjustment of investment properties	1,862.3	0.0	0.0	0.0	0.0	1,862.3
Impairment losses on financial assets	-6.4	-5.8	0.0	0.1	-0.2	-0.5
Earnings before interest and taxes (EBIT)/segment results	**2,283.0**	**733.0**	**2.0**	**52.1**	**33.6**	**1,462.3**
Financial income	35.5					
Financial expenses	-182.2					
Net income from fair value adjustment to financial instruments	-356.6					
Result from investments accounted for using the equity method	-3.3					
Earnings before taxes (EBT)	**1,776.4**					
Income taxes	-857.4					
Profit/loss for the period	**919.0**					

2020

in € million	Group	Residential Property Management	Disposals	Nursing Operations	Care Facilities	Other
Income from Residential Property Management	1,197.8	1,197.7	0.0	0.0	0.0	0.1
Income from Nursing Operations	226.1	0.0	0.0	226.1	0.0	0.0
Lease income from Nursing Homes	38.2	0.0	0.0	0.0	38.2	0.0
Other income	21.7	0.1	0.0	0.0	0.0	21.6
Income from the sale of properties	1,251.6	0.0	1,251.6	0.0	0.0	0.0
Carrying amount of properties sold	-1,221.0	0.0	-1,221.0	0.0	0.0	0.0
Income from the sale of properties (development)	6.8	6.8	0.0	0.0	0.0	0.0
Carrying amount of properties sold (development)	-7.3	-7.3	0.0	0.0	0.0	0.0
Earnings from Disposals	30.1	-0.5	30.6	0.0	0.0	0.0
Cost of materials	-540.6	-477.9	-8.9	-40.8	-3.0	-10.0
Personnel expenses	-231.8	-16.7	-1.3	-140.1	0.0	-73.7
Other operating expenses	-104.0	-6.1	0.0	-11.5	0.0	-86.4
Other operating income	56.3	30.1	0.0	13.8	0.1	12.3
	693.8	**726.7**	**20.4**	**47.5**	**35.3**	**-136.1**
Depreciation, amortization and impairment	-40.0	0.0	0.0	0.0	0.0	-40.0
Gains/losses from the fair value adjustment of investment properties	1,856.4	0.0	0.0	0.0	0.0	1,856.4
Impairment losses on financial assets	-7.1	-6.3	0.0	-0.6	-0.2	0.0
Earnings before interest and taxes (EBIT)/ segment earnings	**2,503.1**	**720.4**	**20.4**	**46.9**	**35.1**	**1,680.3**
Financial income	10.3					
Financial expenses	-171.7					
Net income from fair value adjustment to financial instruments	-106.9					
Result from investments accounted for using the equity method	17.4 [1]					
Earnings before taxes (EBT)	**2,252.2** [1]					
Income taxes	-699.1					
Profit/loss for the period	**1,553.1** [1]					

1 Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.

G Disclosures on the Consolidated Statement of Cash Flows

The consolidated statement of cash flows shows how the Group's cash position changed during the financial year due to the inflow and outflow of funds. In accordance with IAS 7 ("Statements of Cash Flows"), a distinction is made between cash flows from operating activities and cash flows from investing and financing activities.

Other non-cash expenses and income (2021: € 5.0 million; previous year: € 4.4 million) mainly include carrying profits from disposals and other provisions. In total, Deutsche Wohnen received € 661.9 million (previous year: € 1,321.6 million) from the sale of real estate. Payments for property investments include payments for modernization work and the acquisition of investment properties and land and buildings held for sale.

The Group has funds amounting to € 448.2 million (previous year: € 430.3 million) at its disposal from existing financing commitments that have not been utilized as at the reporting date.

Cash flows from investing and financing activities are determined when payments are made. Cash flow from operating activities, on the other hand, is derived indirectly from the consolidated net profit for the year.

The changes in liabilities from financing operations during the fiscal year 2021 were as follows:

in € million			Non-Cash Changes				
	Opening balance sheet balance	Cash changes	Change in the scope of consolidation	Changes in fair value	Accrued and deferred interest	Conversion	Closing balance sheet balance
Financial liabilities	6,525.1	-589.9	0.0	0.0	10.9	0.0	5,946.1
Convertible Bonds	1,768.7	-3.1	0.0	374.6	-5.8	-2,134.4	0.0
Corporate Bonds	3,129.6	679.9	0.0	0.0	-5.7	0.0	3,803.8
Total	**11,423.4**	**86.9**	**0.0**	**374.6**	**-0.6**	**2,134.4**	**9,749.9**

H Earnings per Share

In order to calculate the basic earnings per share, the consolidated earnings are divided by the weighted number of shares outstanding in the financial year.

The basic and undiluted earnings amount to:

in € million	2021	2020
Group profit/loss for calculating basic earnings	877.2	1,511.2[1]
Correction: Interest from convertible bond (after taxes)	0.0	5.2
Correction: Valuation effect from convertible bond (after taxes)	0.0	67.2
Adjusted group profit/loss for calculating basic earnings	**877.2**	**1,583.61**

1 Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.

The average number of shares issued (basic and undiluted) is as follows:

Thousand Units	2021	2020
Shares issued, beginning of period	343,773	357,087
Addition of issued and acquisition of own shares in the respective financial year	53,162	-13,314
Shares issued, end of period	396,935	347,773
Average number of shares issued, basic	**358,498**	**347,851**
Dilutive number of shares due to conversion right and stock option program	0	33,189
Average number of shares issued, diluted	**358,498**	**381,040**

Earnings per share amounts to:

€	2021	2020
Earnings per Share		
Basic	2.45	4.34[1]
Diluted	2.45	4.16[1]

1 Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.

In 2021, a dividend of € 354.1 million or € 1.03 per share was distributed for the fiscal year 2020. No dividend is planned for 2021.

I Other Disclosures

1 Disclosures on Financial Instruments

Financial Risk Management

The management of financial risks is an integral part of the risk management system and, as such, is a tool for achieving the company's primary objective of ensuring the profitability of Deutsche Wohnen — which is mainly focused on the management and development of its own portfolio — on a long-term basis. For a detailed description of the general risk management system, please refer to the report on risks and opportunities in the Group management report.

The measures relating to financial risk management are described below:

The main financial instruments used by the Group — apart from derivative financial instruments and equity instruments — are bank loans, convertible bonds, corporate bonds, registered bonds, bearer bonds, and cash and cash equivalents. The primary purpose of these financial instruments is to finance the Group's business activities. The Group has various other financial assets and liabilities, such as trade receivables and trade payables that result directly from its commercial activities.

The Group also carries out derivative transactions in the form of interest rate swaps and floors. The purpose of these derivative financial instruments is to manage interest rate risks that result from the Group's business activities and its sources of finance. No trading of interest rate swaps took place, nor will any trading in this area take place in future.

The tables below show the categorization of financial instruments into the corresponding classes as per IFRS 7.6 and the allocation to measurement categories as defined in IFRS 9:

Dec. 31, 2021 in € million	Measurement Category per IFRS 9	Measured at Amortized Cost		Measured at Fair Value	Balance Sheet Carrying Amount per IFRS 16/IAS 28	Total Balance Sheet Items
		Carrying Amount	Fair Value	Carrying Amount	Carrying Amount	Carrying Amount
Trade receivables	AC	116.2	116.2	0.0	–	116.2
Other assets						
Equity instruments	FVOCI	–	–	0.0	–	0.0
Equity instruments	FVtPL	–	–	33.9	–	33.9
Shares in associates and joint ventures	N/A			–	373.3	373.3
Loans	AC	0.7	0.7	–	–	0.7
Lease receivables	N/A	–	–	–	26.3	26.3
Other financial assets	AC	911.6	911.6	–	–	911.6
Derivative financial instruments						
Interest rate hedging instruments (excluding hedge accounting)	FVtPL	–	–	3.0	–	3.0
Cash flow hedges (interest rate swaps)	N/A	–	–	–	–	–
Cash and cash equivalents	AC	676.7	676.7	–	–	676.7
Total financial assets		**1,705.2**	**1,705.2**	**36.9**	**399.6**	**2,141.7**
Financial liabilities	AC	5,946.1	6,106.4	–	–	5,946.1
Convertible bonds	FVtPL	–	–	–	–	0.0
Corporate bonds	AC	3,803.8	3,989.2	–	–	3,803.8
Trade payables	AC	375.4	375.4	–	–	375.4
Other liabilities						
Lease liabilities	N/A	–	–	–	140.3	140.3
Other financial liabilities	AC	263.1	263.1	–	–	263.1
Derivative Financial Instruments						
Interest rate hedging instruments (excluding hedge accounting)	FVtPL	–	–	12.0	–	12.0
Cash flow hedges (interest rate swaps)	N/A	–	–	11.8	–	11.8
Total financial liabilities		**10,388.4**	**10,734.1**	**23.8**	**140.3**	**10,552.5**

AC — Financial assets and financial liabilities valued at amortized costs.
FVtPL — Measured at fair value through profit and loss.
FVOCI — Measured at fair value through other comprehensive income.

Dec. 31, 2020

in € million	Measurement Category per IFRS 9	Measured at Amortized Cost		Measured at Fair Value	Balance Sheet Carrying Amount per IFRS 16/IAS 28	Total Balance Sheet Items
		Carrying Amount	Fair Value	Carrying Amount	Carrying Amount	Carrying Amount
Trade receivables	AC	35.9	35.9	–	–	35.9
Other assets						
Equity instruments	FVOCI	–	–	0.5	–	0.5
Equity instruments	FVtPL	–	–	22.6	–	22.6
Shares in associates and joint ventures	N/A	–	–	–	374.3 [1]	374.3 [1]
Loans	AC	0.8	0.8	–	–	0.8
Lease receivables	N/A	–	–	–	28.7	28.7
Other financial assets	AC	350.2	350.2	–	–	350.2
Derivative financial instruments						
Interest rate hedging instruments (excluding hedge accounting)	FVtPL	–	–	2.6	–	2.6
Cash flow hedges (interest rate swaps)	N/A	–	–	–	–	–
Cash and cash equivalents	AC	583.3	583.3	–	–	583.3
Total financial assets		**970.2**	**970.2**	**25.7**	**403.0 [1]**	**1,398.9 [1]**
Financial liabilities	AC	6,525.1	6,798.7	–	–	6,525.1
Convertible bonds	FVtPL	–	–	1,768.7	–	1,768.7
Corporate bonds	AC	3,129.6	3,486.5	–	–	3,129.6
Trade payables	AC	429.9	429.9	–	–	429.9
Other liabilities						
Lease liabilities	N/A	–	–	–	148.7	148.7
Other financial liabilities	AC	249.9	249.9	–	–	249.9
Derivative Financial Instruments						
Interest rate hedging instruments (excluding hedge accounting)	FVtPL	–	–	32.5	–	32.5
Cash flow hedges (interest rate swaps)	N/A	–	–	24.8	–	24.8
Total financial liabilities		**10,334.5**	**10,965.0**	**1,826.0**	**148.7**	**12,309.2**

1 Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.

AC — Financial assets and financial liabilities valued at amortized costs.
FVtPL — Measured at fair value through profit and loss.
FVOCI — Measured at fair value through other comprehensive income.

The fair values of financial assets and liabilities for the purpose of measurement or explanatory notes — with the exception of liabilities for put options of co-shareholders and equity instruments (Level 3) — were determined on the basis of Level 2 of the fair value hierarchy.

For the derivatives, the DCF valuation method was applied using observable market parameters, in particular market interest rates. The fair value of the convertible bonds is determined using the market quotes for the securities. Liabilities for put options represent discounted, contractually agreed purchase prices, which can be derived from predictable future cash flows.

The following table shows the contractual, undiscounted payments:

Dec. 31, 2021

in € million	Carrying Amount				Residual Term
		2022	2023	2024	>2025
Non-derivative financial liabilities					
Financial liabilities	5,946.1	184.1	821.0	264.6	5,148.1
Corporate bonds	3,803.8	300.2	50.2	50.2	3,911.6
Trade payables	375.4	356.0	1.0	16.6	1.8
Other liabilities					
Liabilities from finance leases	140.3	20.8	18.8	17.6	130.4
Other financial liabilities	263.1	64.1	0.0	0.0	199.0
Derivative financial liabilities	23.8	7.8	5.4	3.9	7.2
Total	**10,552.5**	**933.0**	**896.5**	**352.9**	**9,398.2**

Dec. 31, 2020

in € million	Carrying Amount				Residual Term
		2021	2022	2023	>2024
Non-derivative financial liabilities					
Financial liabilities	6,525.1	140.1	169.4	872.4	5,900.1
Convertible bonds	1,768.7	7.4	7.4	7.4	1,617.0
Corporate bonds	3,129.6	244.5	44.5	44.5	3,271.7
Trade payables	429.9	362.0	48.7	1.0	18.2
Other liabilities					
Liabilities from finance leases	148.7	23.7	19.5	18.6	140.1
Other financial liabilities	249.9	87.1	0.0	0.0	162.8
Derivative financial liabilities	57.3	8.9	9.7	9.3	28.3
Total	**12,309.2**	**873.8**	**299.3**	**953.3**	**11,138.2**

Gains and losses on financial assets and liabilities are as follows:

Dec. 31, 2021									
in € million	Measurement Category per IFRS 9	From Interest	From Dividends	From Subsequent Measurements			From Disposals	From Other Earnings Component	Net Result
				At Fair Value	Write-Down	Reversal			
Financial assets and liabilities measured at amortized cost	AC	-124.3	-12.1	0.0	-2.1	1.5	-4.9	-31.9	-173.8
At fair value through profit or loss	FVtPL	-13.7	0.0	-354.6	0.0	0.0	0.0	0.0	-368.3
At fair value through other comprehensive income	FVOCI	0.0	0.0	-6.5	-3.5	0.0	-3.4	0.0	-13.4
Total		**-138.0**	**-12.1**	**-361.1**	**-5.6**	**1.5**	**-8.3**	**-31.9**	**-555.4**

Dec. 31, 2020									
in € million	Measurement Category per IFRS 9	From Interest	From Dividends	From Subsequent Measurements			From Disposals	From Other Earnings Component	Net Result
				At Fair Value	Write-Down	Reversal			
Financial assets and liabilities measured at amortized cost	AC	-139.7	-2.0	0.0	-2.6	1.3	-3.5	-5.0	-151.5
At fair value through profit or loss	FVtPL	-27.7	0.0	-107.1	0.0	0.0	0.0	0.0	-134.8
At fair value through other comprehensive income	FVOCI	0.0	0.0	10.3	-3.5	0.0	0.0	0.0	6.8
Total		**-167.5**	**-2.0**	**-96.8**	**-6.0**	**1.3**	**-3.5**	**-5.0**	**-279.5**

AC — Financial assets and financial liabilities valued at amortized costs.
FVtPL — Measured at fair value through profit and loss.
FVOCI — Measured at fair value through other comprehensive income.

Changes in the fair value of the convertible bonds still in existence in the fiscal year 2021 resulting from counterparty risk were recognized directly in other comprehensive income.

The material risks to the Group from financial instruments consist of interest rate-related cash flow, liquidity, default and market risks. Company management draws up and reviews risk management guidelines for each of these risks, which are described below:

Default Risk

Default risk, or the risk that a counterparty does not meet their payment obligations, is addressed by means of credit lines and monitoring procedures. The company obtains collateral where appropriate. The expected credit losses for the loans granted to the QUARTERBACK Group totaling € 805.6 million were calculated based on the general approach under IFRS 9. These credit losses were not recognized in the balance sheet as they are not considered to be material. The loans generally include a risk concentration. As there was no significant increase in credit risk as of the reporting date, the calculations were performed on the basis of a 12-month probability of default in accordance with IFRS 7.35M. As a result, these loans are recognized at their face value as of the reporting date.

Furthermore, for Deutsche Wohnen, there is no significant concentration of default risk, either in the case of an individual contractual partner or a group of contractual partners with similar characteristics. The maximum default risk is the recognized carrying amounts of the financial assets.

Liquidity Risk

The Group monitors the risk of a liquidity shortfall on a daily basis using a liquidity planning tool. This tool takes into account the inflows and outflows of cash from operating activities and payments relating to financial liabilities.

Deutsche Wohnen seeks to ensure that sufficient liquidity is available to meet future obligations at all times. Deutsche Wohnen currently has a debt ratio of approximately 48% (previous year: 55%) and a loan-to-value ratio of 28.6% (previous year: 37.0%).

Interest Rate-Related Cash Flow Risks

The interest rate risk to which the Group is exposed is mainly derived from non-current financial liabilities with variable interest rates.

The Group's interest expenses are managed by a combination of fixed- and variable-rate debt. In order to structure this combination in a cost-efficient manner, the Group enters into interest rate swaps under which the Group exchanges with the counterparty, at specified intervals, the difference between fixed- and variable-rate amounts determined by reference to an agreed notional amount. These interest rate swaps are used to hedge the underlying debt. Accordingly, interest rate risk only exists for variable-rate financial liabilities that are not hedged by interest rate swaps. Applied to the financial liabilities, an increase/reduction of 0.5% in the interest rate on the balance sheet date would have resulted in an increase/a reduction in the interest expenses of € 3.8 million/€ 1.3 million (previous year: € 4.8 million/€ 1.8 million). Applied to the derivative financial instruments, an increase/reduction of 0.5% in the interest rate on the balance sheet date would have resulted in an increase/a reduction in the interest expenses of € 9.9 million/ € -11.1 million (previous year: € 15.3 million/€ -17.4 million). Applied to other comprehensive income, an interest adjustment in the same amount would have resulted in an increase/a reduction of € 6.7 million/€ -7.0 million (previous year: € 9.5 million/€ -9.9 million).

Market Risks

Deutsche Wohnen's financial instruments not carried at fair value primarily include cash and cash equivalents, trade receivables, lease receivables, other current assets, financial liabilities, trade payables and other liabilities.

The carrying amount of cash and cash equivalents is very close to its fair value due to the short maturity of these financial instruments. The carrying amount of receivables and liabilities on normal commercial credit terms is based on historical cost, which is also very close to their fair value.

Fair value risks may arise for fixed interest rate and hedged loans if the market interest rate falls below the interest rates agreed for the Group's loans. In this case, Deutsche Wohnen regularly negotiates with the banks, and adjusts and refinances loans to avoid any detrimental interest rates.

Offsetting of Financial Assets and Financial Liabilities Financial assets and liabilities will only be offset pursuant to global netting agreements where an enforceable legal offset right exists on the balance sheet date and settlement on a net basis is planned. Where a claim for offsetting is not enforceable in the ordinary course of business, the global netting agreement will only give rise to a conditional offset right. In this case, the financial assets and liabilities are shown in the balance sheet at their gross amounts on the reporting date.

Deutsche Wohnen enters into financial futures transactions as a means of hedging against cash flow risks. These derivatives are based on standardized netting agreements with the banks, which may give rise to a contingent offset right, leading to the presentation of futures transactions on a gross basis on the reporting date.

In the balance sheet for fiscal year 2021, receivables from operating costs not yet invoiced of € 362.8 million (previous year: € 342.3 million) were offset against advance payments received from operating cost prepayments of € 357.4 million (previous year: € 355.7 million). There are no contingent rights to offset derivatives against liabilities from derivatives.

2 Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a good credit rating and a good equity ratio in order to support its business activities and maximize shareholder value.

Management of the capital structure takes liabilities to banks and other lenders, as well as cash and cash equivalents, into account.

The key figures relating to capital management are:

- Equity/debt ratio and debt-to-equity ratio

The Group aims to achieve an equity ratio of 40%. Future investments are therefore also made on the basis of a balanced financing structure. The equity ratio on the reporting date was 52% (previous year: 45%).

- Loan-to-value ratio

The loan-to-value ratio is the ratio of financial liabilities to the value of the investment properties.

in € million	Dec. 31, 2021	Dec. 31, 2020
Financial liabilities	5,946.1	6,525.1
Convertible bonds	0.0	1,768.7
Corporate bonds	3,803.8	3,129.6
	9,749.9	**11,423.4**
Cash and cash equivalents	-676.7	-583.3
Net financial liabilities	**9,073.2**	**10,840.1**
Investment properties	28,730.5	28,069.5
less right-of-use assets from leases held as investment properties	-45.4	-51.6
Non-current assets held for sale	1,633.3	163.6
Land and buildings held for sale	189.0	472.2
Investments in property and land companies	376.0	370.4 [1]
Loans to property and land companies	806.5	252.3
	31,689.9	**29,276.41**
Loan-to-value ratio in %	**28.6**	**37.0**

1 Prior-year figures changed based on finalization of purchase price allocation of the QUARTERBACK transaction.

3 Events After the Reporting Date

In the third quarter of 2021, Deutsche Wohnen had notarized the sale of around 10,700 residential units and around 200 commercial units to housing associations of the State of Berlin for a purchase price of approximately € 1.65 billion. The transfer of benefits and encumbrances was fully completed by January 2022.

On January 4, 2022, Deutsche Wohnen SE, as the lender, entered into a loan agreement with Vonovia SE, as the borrower, for the granting of an unsecured loan with a term of three years for up to € 2.0 billion in total and an interest rate of 0.6% p.a. above the 1-month EURIBOR (including EURIBOR floor of 0.0%). Deutsche Wohnen SE may demand repayment of the amounts disbursed at any time, subject to a 14-day notice period. On January 4, 2022, € 1.45 billion was disbursed to Vonovia SE under this loan agreement.

We are not aware of any other significant events after the reporting date.

4 Other Financial Obligations and Contingent Liabilities

Other financial obligations totaling € 31.4 million result from management contracts for IT services (previous year: € 32.8 million).

In addition, there are current obligations of € 868.1 million (previous year: € 414.8 million) resulting from the acquisition of a number of real estate portfolios. Order commitments and investment obligations resulted in financial obligations of € 536.3 million (previous year: € 265.2 million) and € 921.9 million (previous year: € 656.7 million).

One Group company (Rhein-Pfalz Wohnen GmbH) has been certified as a refurbishment and development agency (Sections 158 and 167 of the German Federal Building Code (*Baugesetzbuch* — BauGB)). Rhein-Pfalz Wohnen GmbH performs the duties incumbent upon it as the trustee of the local authorities.

In the GSW subgroup, there are land charges in connection with building obligations for a total of € 10.6 million (previous year: € 10.6 million).

Employees of F&W Fördern & Wohnen AöR — formerly pflegen & wohnen AöR — who started their employment before July 31, 2001 have received or will receive additional benefit entitlements under the Hamburg Supplementary Pensions Act (*Hamburgisches Zusatzversorgungsgesetz* — HmbZVG). After the spin-off of PFLEGEN & WOHNEN HAMBURG GmbH on November 1, 2005 and its subsequent privatization, F&W and the buyers of the shares in PFLEGEN & WOHNEN HAMBURG GmbH agreed to divide the entitlements to company retirement benefits. All entitlements acquired up to December 31, 2005 are to be borne by F&W or the Free and Hanseatic City of Hamburg. Entitlements acquired after this date are covered by PFLEGEN & WOHNEN HAMBURG GmbH, Hamburg. PFLEGEN & WOHNEN HAMBURG GmbH, Hamburg, recognizes retirement benefit provisions for this latter share. F&W and PFLEGEN & WOHNEN HAMBURG GmbH have taken on joint assumption of debt, meaning that each company is also liable for the entitlements not to be borne in each case. In the event that F&W becomes insolvent, PFLEGEN & WOHNEN HAMBURG GmbH has a contractual right to claim the entitlements covered by F&W from the Free and Hanseatic City of Hamburg, so there is no economic risk that PFLEGEN & WOHNEN HAMBURG GmbH will have to stand in for these entitlements. The entitlements to be borne by F&W amount to € 21.7 million as of December 31, 2021 (previous year: € 21.4 million).

Under the change-of-control agreement for the premature departure of Philip Grosse from the Management Board of Deutsche Wohnen SE and his appointment as the Chief Financial Officer of Vonovia SE, Philip Grosse has a contingent severance payment entitlement if his position on the Management Board of Vonovia SE ends within the first year as a result of circumstances that occur contrary to the agreement and for which he is not responsible.

5 Services Provided by the Auditor

The auditor of Deutsche Wohnen SE and the Group is KPMG AG Wirtschaftsprüfungsgesellschaft. The following net expenses were incurred in the reporting year:

In € thousand	2021	2020
Audit services	2,815	1,561
Other confirmation services	211	87
Other services	0	202
	3,026	**1,850**

6 Related Party Disclosures

A related party is a person or entity that is able to exercise control over the Deutsche Wohnen Group or has a significant influence over its financial and commercial policies. The existing control relationships were taken into account when determining the significant influence that related parties and entities of the Deutsche Wohnen Group have over its financial and commercial policies.

Related Entities

Vonovia SE, Bochum, has held a majority interest in Deutsche Wohnen SE since September 30, 2021. There were no material business transactions between the Vonovia Group and the Deutsche Wohnen Group between September 30, 2021 and December 31, 2021.

In addition, the affiliates, joint ventures and associates included in the consolidated financial statements are to be regarded as related entities.

Transactions With Related Entities

For an overview of transactions between related entities and the Deutsche Wohnen Group, please refer to B.3 "Disclosure on Interests in Other Companies."

Related Persons

Related persons are the members of the Management Board and of the Supervisory Board and their close family members.

Members of the Management Board of Deutsche Wohnen SE

The Management Board members are as follows:

Name	Positon	Memberships on Supervisory Boards and Other Supervisory Committees Within the Meaning of Section 125 (1) (5) AktG
Konstantina Kanellopoulos Co-Chief Executive Officer since Jan. 1, 2022	Co-Chief Executive Officer (Co-CEO) Chief Representative, Vonovia SE, Bochum	None
Lars Urbansky Co-Chief Executive Officer	Co-Chief Executive Officer (Co-CEO)	• GEHAG GmbH [1], Berlin (Chair of the Supervisory Board) • GEHAG Vierte Beteiligung SE [1], Berlin (Member of the Supervisory Board) • Eisenbahn-Siedlungs-Gesellschaft Berlin mbH [1], Berlin (Member of the Supervisory Board until April 23, 2021)
Philip Grosse	Chief Financial Officer (CFO)	• GSW Immobilien AG [1, 2], Berlin (Chair of the Supervisory Board) • Eisenbahn-Siedlungs-Gesellschaft Berlin mbH [1], Berlin (Chair of the Supervisory Board) • QUARTERBACK Immobilien AG [3], Leipzig (Member of the Supervisory Board) • GEHAG GmbH [1], Berlin (Deputy Chair of the Supervisory Board until July 31, 2021)
Olaf Weber Management Board member since Jan. 1, 2022	Chief Financial Officer Designate (CFO Des.)	• Vonovia Finance B.V. [4], Amsterdam, the Netherlands (Member of the Supervisory Board)
Former Management Board Members		
Michael Zahn Chair of the Management Board until Dec. 31, 2021	Chief Executive Officer (CEO)	• DIC Asset AG [2], Frankfurt am Main (Deputy Chair of the Supervisory Board) • IOLITE IQ GmbH [3], Berlin (Member of the Supervisory Board) • PFLEGEN & WOHNEN HAMBURG GmbH [1], Hamburg (Chair and Member of the Supervisory Board until March 15, 2022) • QUARTERBACK Immobilien AG [3], Leipzig (Member of the Supervisory Board, Deputy Chair of the Supervisory Board until April 22, 2021) • G+D Gesellschaft für Energiemanagement GmbH [3], Magdeburg (Chair of the Advisory Board until Jan. 23, 2022) • Funk Schadensmanagement GmbH [3], Berlin (Member of the Advisory Board) • DZ Bank AG, Frankfurt am Main (Member of the Advisory Board until Nov. 30, 2021) • Füchse Berlin Handball GmbH, Berlin (Member of the Advisory Board) • GETEC Wärme & Effizienz GmbH, Magdeburg (Member of the Real Estate Advisory Board)
Henrik Thomsen Management Board Member until Dec. 31, 2021	Chief Development Officer (CDO)	None

1 Company within the Deutsche Wohnen Group.
2 Listed company.
3 Related entity of the Deutsche Wohnen Group.
4 Company within the Vonovia Group.

Members of the Supervisory Board of Deutsche Wohnen SE

The Supervisory Board members are as follows:

Name	Position	Memberships on Supervisory Boards and Other Supervisory Committees Within the Meaning of Section 125 (1) (5) AktG
Helene von Roeder Member since Jan. 1, 2022 Chair since Jan. 2, 2022	Chief Innovation and Digitalization Officer Vonovia SE, Bochum	• AVW Versicherungsmakler GmbH, Hamburg (Member of the Supervisory Board) • E. Merck KG*, Darmstadt (Member of the Council of Shareholders) • Merck KGaA*, Darmstadt (Member of the Supervisory Board) • Vonovia Finance B.V. [1], Amsterdam, the Netherlands (Member of the Supervisory Board)
Dr. Florian Stetter Deputy Chair since Jan. 2, 2022	Chair of the Management Board, Rockhedge Asset Management AG, Krefeld	• C&P Immobilien AG, Graz, Austria (Member of the Supervisory Board) • Noratis AG, Eschborn (Deputy Chair of the Supervisory Board) • Historie & Wert Aktiengesellschaft, Wuppertal (Chair of the Supervisory Board) • Intelliway Services AD, Sofia, Bulgaria (Member of the Management Board)
Dr. Fabian Heß Member since Jan. 1, 2022	General Counsel, Vonovia SE, Bochum	• Wohnungsgesellschaft Ruhr-Niederrhein mbH [1], Essen (Chair of the Supervisory Board) • Eisenbahn-Wohnungsbaugesellschaft Köln mbH [1], Cologne (Chair of the Supervisory Board) • BWG Frankfurt am Main Bundesbahn-Wohnungsgesellschaft mbH [1], Frankfurt am Main (Chair of the Supervisory Board) • Eisenbahn-Wohnungsbau-Gesellschaft Karlsruhe GmbH [1], Karlsruhe (Chair of the Supervisory Board) • Bundesbahn-Wohnungsbaugesellschaft Kassel GmbH [1], Kassel (Chair of the Supervisory Board) • “Siege” Siedlungsgesellschaft für das Verkehrspersonal mbH [1], Mainz (Chair of the Supervisory Board) • Eisenbahn Siedlungsgesellschaft Augsburg mbH [1], Siegau (Chair of the Supervisory Board) • Baugesellschaft Bayern mbH [1], Munich (Chair of the Supervisory Board) • Eisenbahn-Wohnungsbaugesellschaft Nürnberg GmbH [1], Nuremberg (Chair of the Supervisory Board) • Bundesbahn-Wohnungsbaugesellschaft Regensburg mbH [1], Regensburg (Chair of the Supervisory Board) • GAGFAH GmbH [1], Bochum (Chair of the Supervisory Board) • GAGFAH M Immobilien-Management GmbH [1], Essen (Chair of the Supervisory Board) • Wohnungsgesellschaft Norden mbH [1], Hanover (Chair of the Supervisory Board) • Wohnungsbau Niedersachsen Gesellschaft mit beschränkter Haftung [1], Hanover (Chair of the Supervisory Board) • WOBA DRESDEN GMBH [1], Dresden (Chair of the Supervisory Board) • Eisenbahn-Siedlungsgesellschaft Stuttgart gGmbH [1], Stuttgart (Chair of the Supervisory Board) • BUWOG Holding GmbH [1], Vienna, Austria (Chair of the Supervisory Board) • Vonovia Finance B.V. [1)], Amsterdam, the Netherlands (Member of the Supervisory Board)
Peter Hohlbein Member since Jan. 1, 2022	Managing Partner, Hohlbein & Cie. Consulting, Berlin	None
Christoph Schauerte Member since Jan. 1, 2022	Head of Accounting, Vonovia SE [1], Bochum	• BUWOG Holding GmbH [1], Vienna, Austria (Member of the Supervisory Board)
Simone Schumacher Member since Jan. 1, 2022	Head of Accounting, BMW Finance N.V., Rijswijk, the Netherlands	• Vonovia Finance B.V. [1], Amsterdam, the Netherlands (Member of the Supervisory Board)
Former Members of the Supervisory Board		

+, *, #: Companies each belong to a group of companies.
1 Company within the Vonovia Group (Group mandate).

Matthias Hünlein Member and Chair until Dec. 31, 2021	Managing Director of Tishman Speyer Properties Deutschland GmbH+, Frankfurt am Main	• Tishman Speyer Investment Management GmbH+, Frankfurt am Main (Deputy Chair of the Supervisory Board)
Jürgen Fenk Member and Deputy Chair until Dec. 31, 2021	CEO Primonial REIM SAS, Paris, France	• Alfons & alfreda AG, Düsseldorf (Deputy Chair of the Supervisory Board since Nov. 9, 2021) • SIGNA Development Selection AG#, Innsbruck, Austria (Member of the Supervisory Board) • GALERIA Karstadt Kaufhof GmbH#, Essen (Member of the Supervisory Board until Feb. 26, 2021)
Arwed Fischer Member until Dec. 31, 2021	Member of various supervisory boards	• 6B47 Real Estate Investors AG, Vienna, Austria (Chair of the Supervisory Board) • SUMMIQ AG, Munich (Chair of the Supervisory Board until Nov. 4, 2021) • Five Quarters Real Estate AG, Hamburg (Member of the Supervisory Board)
Kerstin Günther Member until Dec. 31, 2021	Managing Director of Helmholtz Zentrum München Deutsches Forschungszentrum für Gesundheit und Umwelt (GmbH), Munich	None
Tina Kleingarn Member until Dec. 31, 2021	Partner, Westend Corporate Finance, Frankfurt am Main	• Kommunalkredit Austria AG, Vienna, Austria (Member of the Supervisory Board since Oct. 1, 2021)

+, *, #: Companies each belong to a group of companies.
1 Company within the Vonovia Group (Group mandate).

Transactions With Related Parties

There were no transactions with related parties in the fiscal year 2021.

7 Remuneration for the Management Board and Supervisory Board

The contractual compensation granted to the Management Board and Supervisory Board was as follows:

in € million	2021	2020
Management Board Remuneration		
Non-performance-related remuneration	2.5	2.3
Performance-related remuneration	12.2	3.4
Special payments	10.5	0.0
Total	**25.2**	**5.7**
Remuneration of the Supervisory Board		
Fixed remuneration components	0.8	0.8
Total	**0.8**	**0.8**

The non-performance-related components of the Management Board remuneration include a fixed salary and a company car. The performance-based components comprise both short-term incentives, which are structured on a short-term and long-term basis, and long-term incentives. The special payments primarily include severance payments.

Supervisory Board members receive fixed remuneration only.

There are no provisions for pensions to active or former members of the Management Board or Supervisory Board.

For further information, please refer to the Remuneration Report, which is available at www.deutsche-wohnen.com.

8 Corporate Governance

The Management Boards and the Supervisory Boards of Deutsche Wohnen SE and GSW Immobilien AG 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 made it permanently available to the shareholders online at www.deutsche-wohnen.com and www.gsw.de.

Berlin, March 18, 2022

Konstantina Kanellopoulos Co-Chair of the Management Board	Lars Urbansky Co-Chair of the Management Board	Philip Grosse Management Board Member	Olaf Weber Management Board Member

Appendix 1 to the Notes to the Consolidated Financial Statements

SHAREHOLDINGS [3]

as of December 31, 2021

Company and registered headquarters	Share of capital in %	Equity in € thousand	Income in € thousand	Reporting date
Subsidiaries, fully consolidated				
AGG Auguste-Viktoria-Allee Grundstücks GmbH, Berlin	100.00[1]	25.0	0.0	Dec. 31, 2020
Algarobo Holding B.V., Baarn, the Netherlands	100.00	23,663.4	-7.0	Dec. 31, 2020
Alpha Asset Invest GmbH, Berlin (formerly: Alpha Asset Invest GmbH & Co. KG, Berlin)	100.00	753.8	250.9	Dec. 31, 2020
Amber Dritte VV GmbH, Berlin	94.90 [1]	-7,295.6	21.2	Dec. 31, 2020
Amber Erste VV GmbH, Berlin	94.90 [1]	-11,050.4	0.0	Dec. 31, 2020
Amber Zweite VV GmbH, Berlin	94.90 [1]	-11,830.2	283.3	Dec. 31, 2020
Aragon 13. VV GmbH, Berlin	94.90 [1]	-6,228.2	432.1	Dec. 31, 2020
Aragon 14. VV GmbH, Berlin	94.90 [1]	-10,598.0	694.9	Dec. 31, 2020
Aragon 15. VV GmbH, Berlin	94.90 [1]	-6,259.8	293.5	Dec. 31, 2020
Aragon 16. VV GmbH, Berlin	94.90 [1]	-9,637.6	0.0	Dec. 31, 2020
Aufbau-Gesellschaft der GEHAG mit beschränkter Haftung, Berlin	100.00	8,596.0	561.9	Dec. 31, 2020
BauBeCon BIO GmbH, Berlin	100.00[1]	8,626.5	0.0	Dec. 31, 2020
BauBeCon Immobilien GmbH, Berlin	100.00[1]	686,438.3	208,404.6	Dec. 31, 2020
BauBeCon Wohnwert GmbH, Berlin	100.00[1]	26,710.2	0.0	Dec. 31, 2020
Beragon VV GmbH, Berlin	94.90 [1]	-10,242.4	539.0	Dec. 31, 2020
Berlinovo Wohnquartier GmbH, Berlin (formerly: GGR Wohnparks Alte Hellersdorfer Straße GmbH, Berlin)	100.00[1]	9,576.8	1,855.8	Dec. 31, 2020
C. A. & Co. Catering KG, Wolkenstein	100.00	0.2	21.0	Dec. 31, 2020
Ceragon VV GmbH, Berlin	94.90 [1]	-7,835.3	253.0	Dec. 31, 2020
Communication Concept Gesellschaft für Kommunikationstechnik mbH, Leipzig	100.00	2,174.3	0.0	Dec. 31, 2020
degewo Haackzeile GmbH, Berlin (formerly: Deutsche Wohnen Berlin XI GmbH, Berlin)	94.80 [1]	7,504.6	0.0	Dec. 31, 2020
DELTA VIVUM Berlin I GmbH, Berlin	94.90 [1]	12,443.1	1,681.5	Dec. 31, 2020
DELTA VIVUM Berlin II GmbH, Berlin	94.90 [1]	-1,530.4	364.3	Dec. 31, 2020
Deutsche Wohnen Asset Immobilien GmbH, Frankfurt am Main	100.00[1]	25.0	0.0	Dec. 31, 2020
Deutsche Wohnen Berlin 5 GmbH, Berlin	94.90 [1]	3,415.6	0.0	Dec. 31, 2020
Deutsche Wohnen Berlin 6 GmbH, Berlin	94.90 [1]	506.9	0.0	Dec. 31, 2020
Deutsche Wohnen Berlin 7 GmbH, Berlin	94.90 [1]	2,738.0	0.0	Dec. 31, 2020
Deutsche Wohnen Berlin I GmbH, Berlin	94.00 [1]	1,488.1	0.0	Dec. 31, 2020
Deutsche Wohnen Berlin II GmbH, Berlin	94.90 [1]	4,809.5	0.0	Dec. 31, 2020
Deutsche Wohnen Berlin III GmbH, Berlin	94.90 [1]	24,705.1	0.0	Dec. 31, 2020
Deutsche Wohnen Berlin X GmbH, Berlin	94.80 [1]	7,691.7	0.0	Dec. 31, 2020
Deutsche Wohnen Berlin XII GmbH, Berlin	94.80 [1]	1,761.1	0.0	Dec. 31, 2020
Deutsche Wohnen Berlin XIII GmbH, Berlin	94.80 [1]	6,858.4	0.0	Dec. 31, 2020
Deutsche Wohnen Berlin XV GmbH, Berlin	94.80 [1]	12,102.0	0.0	Dec. 31, 2020

1 Utilization of exemption provisions pursuant to Section 264 (3) HGB due to inclusion in these consolidated financial statements.
2 Utilization of exemption provisions pursuant to Section 264b HGB due to inclusion in these consolidated financial statements.
3 In addition, there is an indirect interest in a joint venture.

Company and registered headquarters	Share of capital in %	Equity in € thousand	Income in € thousand	Reporting date
Deutsche Wohnen Berlin XVI GmbH, Berlin	94.80 [1]	6,596.9	0.0	Dec. 31, 2020
Deutsche Wohnen Berlin XVII GmbH, Berlin	94.80 [1]	5,914.2	0.0	Dec. 31, 2020
Deutsche Wohnen Berlin XVIII GmbH, Berlin	94.80 [1]	3,256.7	0.0	Dec. 31, 2020
Deutsche Wohnen Beteiligungen Immobilien GmbH, Frankfurt am Main	100.00[1]	1,025.0	0.0	Dec. 31, 2020
Deutsche Wohnen Beteiligungsverwaltungs GmbH & Co. KG, Berlin	100.00[2]	1,020.0	150.9	Dec. 31, 2020
Deutsche Wohnen Care SE, Berlin (formerly: Youco B21-D425 Vorrats SE, Berlin)	100.00	Not specified	Not specified	Not specified
Deutsche Wohnen Construction and Facilities GmbH, Berlin	100.00[1]	275.0	0.0	Dec. 31, 2020
Deutsche Wohnen Corporate Real Estate GmbH, Berlin	100.00[1]	25.0	0.0	Dec. 31, 2020
Deutsche Wohnen Direkt Immobilien GmbH, Frankfurt am Main	100.00	1,956,626.9	-23.9	Dec. 31, 2020
Deutsche Wohnen Dresden I GmbH, Berlin	100.00[1]	5,087.3	0.0	Dec. 31, 2020
Deutsche Wohnen Dresden II GmbH, Berlin	100.00[1]	3,762.4	0.0	Dec. 31, 2020
Deutsche Wohnen Fondsbeteiligungs GmbH, Berlin	100.00[1]	17,825.0	0.0	Dec. 31, 2020
Deutsche Wohnen Immobilien Management GmbH, Berlin	100.00[1]	1,610.0	0.0	Dec. 31, 2020
Deutsche Wohnen Kundenservice GmbH, Berlin	100.00[1]	25.7	0.0	Dec. 31, 2020
Deutsche Wohnen Management GmbH, Berlin	100.00[1]	325.0	0.0	Dec. 31, 2020
Deutsche Wohnen Management- und Servicegesellschaft mbH, Frankfurt am Main	100.00[1]	325.6	0.0	Dec. 31, 2020
Deutsche Wohnen Multimedia Netz GmbH, Berlin	100.00[1]	638.0	0.0	Dec. 31, 2020
Deutsche Wohnen Reisholz GmbH, Berlin	100.00[1]	3,563.5	0.0	Dec. 31, 2020
Deutsche Wohnen Technology GmbH, Berlin	100.00[1]	25.0	0.0	Dec. 31, 2020
Deutsche Wohnen Zweite Fondsbeteiligungs GmbH, Berlin	100.00[1]	64,025.2	0.0	Dec. 31, 2020
DW Pflegeheim Dresden Grundstücks GmbH, Munich	100.00[1]	3,035.7	214.9	Dec. 31, 2020
DW Pflegeheim Eschweiler Grundstücks GmbH, Munich	100.00[1]	4,507.3	94.3	Dec. 31, 2020
DW Pflegeheim Frankfurt am Main Grundstücks GmbH, Munich	100.00[1]	6,083.9	0.0	Dec. 31, 2020
DW Pflegeheim Friesenheim Grundstücks GmbH, Munich	100.00[1]	2,621.2	0.0	Dec. 31, 2020
DW Pflegeheim Glienicke Grundstücks GmbH, Munich	100.00[1]	4,565.4	0.0	Dec. 31, 2020
DW Pflegeheim Konz Grundstücks GmbH, Munich	100.00[1]	10,337.6	0.0	Dec. 31, 2020
DW Pflegeheim Meckenheim Grundstücks GmbH, Munich	100.00[1]	3,658.7	132.2	Dec. 31, 2020
DW Pflegeheim Potsdam Grundstücks GmbH, Munich	100.00	2,626.2	290.8	Dec. 31, 2020
DW Pflegeheim Siegen Grundstücks GmbH, Munich	100.00[1]	2,824.6	0.0	Dec. 31, 2020
DW Pflegeheim Weiden Grundstücks GmbH, Munich	100.00[1]	4,456.4	0.0	Dec. 31, 2020
DW Pflegeheim Würselen Grundstücks GmbH, Munich	100.00[1]	3,790.3	0.0	Dec. 31, 2020
DW Pflegeresidenzen Grundstücks GmbH, Munich	100.00	27,707.1	-551.5	Dec. 31, 2020
DW Property Invest GmbH, Berlin	100.00[1]	328.5	0.0	Dec. 31, 2020
DWRE Alpha GmbH, Berlin	100.00[1]	343.8	0.0	Dec. 31, 2020
DWRE Braunschweig GmbH, Berlin	100.00[1]	16,325.2	0.0	Dec. 31, 2020
DWRE Dresden GmbH, Berlin	100.00[1]	25.0	0.0	Dec. 31, 2020
DWRE Halle GmbH, Berlin	100.00[1]	25.0	0.0	Dec. 31, 2020

1 Utilization of exemption provisions pursuant to Section 264 (3) HGB due to inclusion in these consolidated financial statements.
2 Utilization of exemption provisions pursuant to Section 264b HGB due to inclusion in these consolidated financial statements.
3 In addition, there is an indirect interest in a joint venture.

Company and registered headquarters	Share of capital in %	Equity in € thousand	Income in € thousand	Reporting date
DWRE Hennigsdorf GmbH, Berlin	100.00[1]	1,085.3	0.0	Dec. 31, 2020
DWRE Leipzig GmbH, Berlin	100.00[1]	25.0	0.0	Dec. 31, 2020
Eisenbahn-Siedlungs-Gesellschaft Berlin mit beschränkter Haftung, Berlin	94.90	11,889.8	0.0	Dec. 31, 2020
EMD Energie Management Deutschland GmbH, Berlin	100.00[1]	30,022.8	0.0	Dec. 31, 2020
Eragon VV GmbH, Berlin	94.90 [1]	-9,170.2	0.0	Dec. 31, 2020
FACILITA Berlin GmbH, Berlin	100.00	5,740.7	497.0	Dec. 31, 2020
Faragon V V GmbH, Berlin	94.90 [1]	-7,319.0	301.7	Dec. 31, 2020
Fortimo GmbH, Berlin	100.001	6,127.2	0.0	Dec. 31, 2020
Gehag Acquisition Co. GmbH, Berlin	100.00	1,557,217.2	1,436.3	Dec. 31, 2020
GEHAG Beteiligungs GmbH & Co. KG, Berlin	100.00[2]	21,912.1	271.7	Dec. 31, 2020
GEHAG Dritte Beteiligungs GmbH, Berlin	100.00[1]	378.8	0.0	Dec. 31, 2020
GEHAG Erste Beteiligungs GmbH, Berlin	100.00[1]	45.0	0.0	Dec. 31, 2020
GEHAG Erwerbs GmbH & Co. KG, Berlin	99.99[2]	45,904.8	1,137.0	Dec. 31, 2020
GEHAG GmbH, Berlin	100.00	2,522,634.0	52,820.3	Dec. 31, 2020
GEHAG Grundbesitz I GmbH, Berlin	100.00[1]	26.0	0.0	Dec. 31, 2020
GEHAG Grundbesitz II GmbH, Berlin	100.00[1]	25.0	0.0	Dec. 31, 2020
GEHAG Grundbesitz III GmbH, Berlin	100.00[1]	25.0	0.0	Dec. 31, 2020
GEHAG Vierte Beteiligung SE, Berlin	100.00[1]	20,220.5	0.0	Dec. 31, 2020
GEHAG Zweite Beteiligungs GmbH, Berlin	100.00[1]	16,625.0	0.0	Dec. 31, 2020
Geragon VV GmbH, Berlin	94.90 [1]	-8,232.6	261.9	Dec. 31, 2020
GGR Wohnparks Kastanienallee GmbH, Berlin	100.00[1]	44,153.0	5,207.7	Dec. 31, 2020
GGR Wohnparks Nord Leipziger Tor GmbH, Berlin	100.00[1]	6,680.3	0.0	Dec. 31, 2020
GGR Wohnparks Süd Leipziger Tor GmbH, Berlin	100.00[1]	3,390.2	0.0	Dec. 31, 2020
Grundstücksgesellschaft Karower Damm mbH, Berlin	100.00[1]	1,099.3	0.0	Dec. 31, 2020
GSW Acquisition 3 GmbH, Berlin	100.00[1]	91,798.9	11,357.7	Dec. 31, 2020
GSW Corona GmbH, Berlin	100.00[1]	3,777.3	0.0	Dec. 31, 2020
GSW-Fonds Weinmeisterhornweg 170 – 178 GbR, Berlin	78.19	-5,183.5	91.9	Dec. 31, 2020
GSW Gesellschaft für Stadterneuerung mbH, Berlin	100.00	2,808.5	1,359.3	Dec. 31, 2020
GSW Grundvermögens- und Vertriebsgesellschaft mbH, Berlin	100.00[1]	15,255.7	0.0	Dec. 31, 2020
GSW Immobilien AG, Berlin	94.02	1,317,268.7	221,247.6	Dec. 31, 2020
GSW Immobilien GmbH & Co. Leonberger Ring KG, Berlin	94.00 [2]	454.5	22.3	Dec. 31, 2020
GSW Pegasus GmbH, Berlin	100.00[1]	30,702.3	0.0	Dec. 31, 2020
Hamburger Ambulante Pflege- und Physiotherapie "HAPP" GmbH, Hamburg	100.00	-1,126.9	-469.4	Dec. 31, 2020
Hamburger Senioren Domizile GmbH, Hamburg	100.00	2,496.3	373.0	Dec. 31, 2020
Haragon VV GmbH, Berlin	94.90 [1]	-5,441.7	177.8	Dec. 31, 2020
Haus und Heim Wohnungsbau-GmbH, Berlin	100.00[1]	2,798.7	0.0	Dec. 31, 2020
HESIONE Vermögensverwaltungsgesellschaft mbH, Frankfurt am Main	100.00	147.9	16.9	Dec. 31, 2020
Holzmindener Straße/Tempelhofer Weg Grundstücks GmbH, Berlin	100.00[1]	25.0	0.0	Dec. 31, 2020
HOWOGE Landsberger Allee GmbH, Berlin (formerly: Deutsche Wohnen Berlin XIV GmbH, Berlin)	94.80 [1]	10,666.3	0.0	Dec. 31, 2020

1 Utilization of exemption provisions pursuant to Section 264 (3) HGB due to inclusion in these consolidated financial statements.
2 Utilization of exemption provisions pursuant to Section 264b HGB due to inclusion in these consolidated financial statements.
3 In addition, there is an indirect interest in a joint venture.

Company and registered headquarters	Share of capital in %	Equity in € thousand	Income in € thousand	Reporting date
HSI Hamburger Senioren Immobilien GmbH, Hamburg (formerly: HSI Hamburger Senioren Immobilien GmbH & Co. KG, Hamburg)	100.00	7,076.0	4,562.5	Dec. 31, 2020
HSI Hamburger Senioren Immobilien Management GmbH, Hamburg	100.00	2,344.7	-0.7	Dec. 31, 2020
Iragon VV GmbH, Berlin	94.90 [1]	-6,250.5	486.9	Dec. 31, 2020
ISABELL GmbH, Berlin	100.00	135,965.3	-96,059.7	Dec. 31, 2020
ISARIA Dachau Entwicklungsgesellschaft GmbH, Munich	100.00	13,325.7	-849.9	Dec. 31, 2020
ISARIA Hegeneck 5 GmbH, Munich	100.00	393.7	79.1	Dec. 31, 2020
ISARIA Objekt Achter de Weiden GmbH, Munich	100.00	322.8	81.4	Dec. 31, 2020
Isaria Objekt Erminoldstraße GmbH, Munich (formerly: Blitz 20-700 GmbH, Munich)	100.00	11.3	-1.2	Dec. 31, 2020
ISARIA Objekt Garching GmbH, Munich	100.00	30.7	7.8	Dec. 31, 2020
ISARIA Objekt Hoferstraße GmbH, Munich	100.00	-798.7	-12.4	Dec. 31, 2020
ISARIA Objekt Norderneyer Strasse GmbH, Munich	100.00	17.9	-7.1	Dec. 31, 2020
ISARIA Objekt Preußenstraße GmbH, Munich	100.00	-412.3	-717.3	Dec. 31, 2020
ISARIA Objekt Schwedler Trio GmbH, Munich	100.00	-19,211.6	-18,792.9	Dec. 31, 2020
ISARIA Stuttgart GmbH, Munich	100.00	539.4	4.0	Dec. 31, 2020
IWA GmbH Immobilien Wert Anlagen, Munich	100.00	376.8	274.9	Dec. 31, 2020
Karagon VV GmbH, Berlin	94.90 [1]	-5,639.0	127.2	Dec. 31, 2020
KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin	100.00	12,976.5	5,420.1	Dec. 31, 2020
KATHARINENHOF Service GmbH, Berlin	100.00	25.0	0.0	Dec. 31, 2020
Laragon VV GmbH, Berlin	94.90 [1]	-10,089.9	0.0	Dec. 31, 2020
Larry I Targetco (Berlin) GmbH, Berlin	100.00[1]	193,057.2	0.0	Dec. 31, 2020
Larry II Targetco (Berlin) GmbH, Berlin	100.00[1]	520,878.6	0.0	Dec. 31, 2020
LebensWerk GmbH, Berlin	100.00	457.1	0.0	Dec. 31, 2020
Long Islands Investments S.A., Luxembourg	100.00	1,705.5	-405.1	Dec. 31, 2020
Main-Taunus Wohnen GmbH, Eschborn (formerly: Main-Taunus Wohnen GmbH & Co. KG, Eschborn)	99.99	9,893.4	5,547.3	Dec. 31, 2020
Maragon VV GmbH, Berlin	94.90 [1]	-2,528.3	0.0	Dec. 31, 2020
Objekt Gustav-Heinemann-Ring GmbH, Munich	100.00	-1,538.4	-865.1	Dec. 31, 2020
Olympisches Dorf Berlin GmbH, Berlin	100.00	21.2	-1.9	Dec. 31, 2020
Omega Asset Invest GmbH, Berlin	100.00	48.7	11.0	Dec. 31, 2020
PFLEGEN & WOHNEN HAMBURG GmbH, Hamburg	100.00	8,359.1	0.0	Dec. 31, 2020
PFLEGEN & WOHNEN Service GmbH, Hamburg	100.00	307.3	119.4	Dec. 31, 2020
PFLEGEN & WOHNEN Textil GmbH, Hamburg	100.00	467.8	114.9	Dec. 31, 2020
PUW AcquiCo GmbH, Hamburg	100.00	51,705.5	-508.3	Dec. 31, 2020
PUW OpCo GmbH, Hamburg	100.00	-1,157.0	-417.9	Dec. 31, 2020
PUW PFLEGENUNDWOHNEN Beteiligungs GmbH, Hamburg	100.00	68,138.4	3,733.9	Dec. 31, 2020
Rhein-Main Wohnen GmbH, Frankfurt am Main	100.00[1]	1,922,249.3	129,161.7	Dec. 31, 2020
Rhein-Mosel Wohnen GmbH, Mainz	100.00[1]	1,006,189.5	75,248.1	Dec. 31, 2020
Rhein-Pfalz Wohnen GmbH, Mainz	100.00[1]	1,392,054.4	10,136.0	Dec. 31, 2020

1 Utilization of exemption provisions pursuant to Section 264 (3) HGB due to inclusion in these consolidated financial statements.
2 Utilization of exemption provisions pursuant to Section 264b HGB due to inclusion in these consolidated financial statements.
3 In addition, there is an indirect interest in a joint venture.

Company and registered headquarters	Share of capital in %	Equity in € thousand	Income in € thousand	Reporting date
RMW Projekt GmbH, Frankfurt am Main	100.00[1]	16,238.3	0.0	Dec. 31, 2020
RPW Immobilien GmbH & Co. KG, Berlin	94.00 [2]	59,889.1	32,155.1	Dec. 31, 2020
Seniorenresidenz “Am Lunapark” GmbH, Leipzig	100.00	102.3	0.0	Dec. 31, 2020
SGG Scharnweberstraße Grundstücks GmbH, Berlin	100.00[1]	25.0	0.0	Dec. 31, 2020
Sophienstraße Aachen Vermögensverwaltungsgesellschaft mbH, Berlin	100.00[1]	2,193.0	0.0	Dec. 31, 2020
Stadtentwicklungsgesellschaft Buch mbH, Berlin	100.00	3,917.2	-69.2	Dec. 31, 2020
SYNVIA energy GmbH, Magdeburg	74.90	79.1	-20.9	Dec. 31, 2020
SYNVIA media GmbH, Magdeburg	100.00	2,338.9	585.4	Dec. 31, 2020
SYNVIA mobility GmbH, Magdeburg	74.90	-130.5	-155.5	Dec. 31, 2020
SYNVIA technology GmbH, Magdeburg	100.00	Not specified	Not specified	Not specified
TELE AG, Leipzig	100.00	904.4	684.4	Dec. 31, 2020
WIK Wohnen in Krampnitz GmbH, Berlin	100.00[1]	2,263.5	0.0	Dec. 31, 2020
Wohnanlage Leonberger Ring GmbH, Berlin	100.00[1]	850.9	0.0	Dec. 31, 2020
Zisa Grundstücksbeteiligungs GmbH & Co. KG, Berlin	94.90 [2]	1.0	344.2	Dec. 31, 2020
Zisa Verwaltungs GmbH, Berlin	100.00	68.4	-21.6	Dec. 31, 2020
Zweite GSW Verwaltungs- und Betriebsgesellschaft mbH, Berlin	100.00	69.7	-22.8	Dec. 31, 2020
Joint ventures, consolidated at-equity				
B & O Service Berlin GmbH, Berlin	24.94	5,626.2	0.0	June 30, 2021
Casa Nova 2 GmbH, Grünwald	50.00	-1,163.3	-367.6	Dec. 31, 2020
Casa Nova 3 GmbH, Grünwald	50.00	-2,215.0	-516.5	Dec. 31, 2020
Casa Nova GmbH, Grünwald	50.00	-164.6	-79.9	Dec. 31, 2020
Deutsche KIWI.KI GmbH, Berlin	49.00	-73.5	-621.1	Dec. 31, 2020
DWA Beteiligungsgesellschaft mbH, Berlin	50.00	-32.3	-57.3	Dec. 31, 2020
Funk Schadensmanagement GmbH, Berlin	49.00	205.1	105.1	Dec. 31, 2020
G+D Gesellschaft für Energiemanagement mbH, Magdeburg	49.00	29,044.4	5,738.4	Dec. 31, 2020
GSZ Gebäudeservice und Sicherheitszentrale GmbH, Berlin	33.33	399.7	154.9	Dec. 31, 2020
IOLITE IQ GmbH, Berlin	33.33	-212.8	-63.4	Dec. 31, 2020
LE Property 2 GmbH & Co. KG, Leipzig	49.00	-1,589.7	-733.3	Dec. 31, 2020
LE Quartier 1 GmbH & Co. KG, Leipzig	46.50	-1,375.4	-1,564.1	Dec. 31, 2020
LE Quartier 1.1 GmbH & Co. KG, Leipzig	49.00	-303.9	-204.8	Dec. 31, 2020
LE Quartier 1.4 GmbH, Leipzig	50.00	-430.8	-96.8	Dec. 31, 2020
LE Quartier 1.5 GmbH, Leipzig	44.00	16.7	-1.0	Dec. 31, 2020
LE Quartier 1.6 GmbH, Leipzig	50.00	-168.0	-131.9	Dec. 31, 2020
LE Quartier 5 GmbH & Co. KG, Leipzig	44.00	-5,897.3	-1,696.5	Dec. 31, 2020
OLYDO Projektentwicklungsgesellschaft mbH, Berlin	50.00	Not specified	Not specified	Not specified
Projektgesellschaft Jugendstilpark München mbH, Leipzig	50.00	-9,659.3	-9,825.8	Dec. 31, 2020
Siwoge 1992 Siedlungsplanung und Wohnbauten Gesellschaft mbH, Berlin	50.00	10,023.6	460.3	Dec. 31, 2020
Telekabel Riesa GmbH, Riesa	26.00	308.8	139.7	Dec. 31, 2020
WB Wärme Berlin GmbH, Schönefeld	49.00	15.5	-5.1	Dec. 31, 2020

1 Utilization of exemption provisions pursuant to Section 264 (3) HGB due to inclusion in these consolidated financial statements.
2 Utilization of exemption provisions pursuant to Section 264b HGB due to inclusion in these consolidated financial statements.
3 In addition, there is an indirect interest in a joint venture.

Company and registered headquarters	Share of capital in %	Equity in € thousand	Income in € thousand	Reporting date
Associates, consolidated at-equity				
Comgy GmbH, Berlin	10.47	325.9	-12,665.0	Dec. 31, 2020
KIWI.KI GmbH, Berlin	21.11	5,782.8	-3,343.6	Dec. 31, 2020
Krampnitz Energie GmbH, Potsdam	25.10	482.5	-15.0	Dec. 31, 2020
QUARTERBACK Immobilien AG, Leipzig	40.00	112,749.2	-5,827.3	Dec. 31, 2020
Zisa Beteiligungs GmbH, Berlin	49.00	15.9	-6.9	Dec. 31, 2020
Investments, non-consolidated				
AVUS Immobilien-Treuhand GmbH & Co. KG, Hamburg	85.00	292.3	-28.3	Dec. 31, 2020
BAU-KULT.GmbH, Wachsenburg office	6.00	1,019.7	-1,982.5	Dec. 31, 2020
Deutsche Netzmarketing GmbH, Cologne	3.03	3,038.6	421.7	Dec. 31, 2020
Entwicklungsgesellschaft Erfurt-Süd Am Steiger mbH, Schwarzatal	11.00	-114.8	-109.7	Dec. 31, 2020
Erste JVS Real Estate Verwaltungs GmbH, Berlin	11.00	-143.3	-39.9	Dec. 31, 2020
Füchse Berlin Handball GmbH, Berlin	18.60	282.9	-182.0	June 30, 2020
GbR Fernheizung Gropiusstadt, Berlin	46.10	612.4	-43.3	Dec. 31, 2020
GETEC mobility solutions GmbH, Hanover	10.00	-130.6	-169.1	Dec. 31, 2020
GLB Projekt 7 S.à r.l., Luxembourg	11.00	1,126.8	-385.2	Dec. 31, 2020
Implementum II GmbH, Grevenbroich	11.00	-307.2	-152.3	Dec. 31, 2020
Jägerpark Projektentwicklungsgesellschaft mbH, Berlin	6.00	-4.4	-4.2	Dec. 31, 2020
LE Campus GmbH, Leipzig	6.00	18.6	297.8	Dec. 31, 2020
LE Central Office GmbH, Leipzig	11.00	63.5	-20.0	Dec. 31, 2020
LE Quartier 100 GmbH, Frankfurt am Main	6.00	18.6	-2.4	Dec. 31, 2020
LE Quartier 101 GmbH, Frankfurt am Main	6.00	18.6	-0.7	Dec. 31, 2020
LE Quartier 102 GmbH, Frankfurt am Main	6.00	78.9	35.2	Dec. 31, 2020
LE Quartier Spinnerei Straße GmbH, Frankfurt am Main	6.00	23.1	-0.3	Dec. 31, 2020
LE Quartier Torgauer Straße GmbH, Frankfurt am Main	6.00	17.4	-2.9	Dec. 31, 2020
Marcolini Grundbesitz GmbH, Dresden	6.00	-1,221.2	-17.9	Dec. 31, 2020
Projekt Bikini Leipzig GmbH, Leipzig	6.00	1,323.1	106.9	Dec. 31, 2020
Projektgesellschaft Erfurt Nr. 8 GmbH, Leipzig	6.00	1,226.5	-176.6	Dec. 31, 2020
QUARTERBACK Premium 1 GmbH, Berlin (formerly: MCG blueorange Projekt 1 GmbH, Berlin)	11.00	-76.2	-219.2	Dec. 31, 2020
QUARTERBACK Premium 4 GmbH, Leipzig (formerly: LEB Bestand 5 GmbH, Leipzig)	11.00	13.3	-8.1	Dec. 31, 2020
QUARTERBACK Premium 10 GmbH, Frankfurt am Main (formerly: SQUADRA Erste Immobiliengesellschaft mbH, Frankfurt am Main)	11.00	-7,350.7	-3,051.9	Dec. 31, 2020
Quartier 315 GmbH, Leipzig	15.00	5,013.5	-22.2	Dec. 31, 2020
Sea View Projekt GmbH, Leipzig	11.00	5,580.6	350.7	Dec. 31, 2020
Seniorenwohnen Heinersdorf GmbH, Berlin	10.10	13.1	-8.6	Dec. 31, 2019
SIAAME Development GmbH, Berlin	20.00	-118.7	-37.7	Dec. 31, 2020
STRABAG Residential Property Services GmbH, Berlin	0.49	246.7	0.0	Dec. 31, 2020
VRnow GmbH, Berlin	10.00	78.0	-186.1	Dec. 31, 2017
WasE-2 GmbH, Offenbach	11.00	-842.7	234.8	Dec. 31, 2020
Westside Living GmbH, Leipzig	11.00	-352.5	-3.0	Dec. 31, 2020
WirMag GmbH, Grünstadt	14.85	1,239.0	-645.7	Dec. 31, 2019
Zuckerle Quartier Investment S.à r.l., Luxembourg	11.00	-14.3	-19.9	Dec. 31, 2020

Appendix 2 to the Notes to the Consolidated Financial Statements

CONSOLIDATED SEGMENT REPORTING

for the fiscal year 2021

in € million	External Revenue		Internal Revenue		Total Revenue		Result	
	2021	2020	2021	2020	2021	2020	2021	2020
Segments								
Residential Property Management	1,212.4	1,203.0	4.6	4.2	1,217.0	1,207.2	733.0	720.4
Disposals	780.2	1,251.6	7.6	10.8	787.8	1,262.4	2.0	20.4
Nursing Operations	253.1	238.1	0.0	0.0	253.1	238.1	52.1	46.9
Care Facilities	37.2	38.3	29.7	26.9	66.9	65.2	33.6	35.1
Reconciled consolidated financial statements								
Central function and other operating activities	0.8	0.2	114.2	127.1	115.0	127.3	-186.1	-136.1
Consolidations and other reconciliations	0.1	0.0	-156.1	-169.0	-156.0	-169.0	0.0	0.0
	2,283.8	**2,731.2**	**0.0**	**0.0**	**2,283.8**	**2,731.2**	**634.6**	**686.7**

INDEPENDENT AUDITOR'S REPORT

To Deutsche Wohnen SE, Berlin

Report on the Audit of the Consolidated Financial Statements and the Group Management Report

Audit Opinion

We have audited the consolidated financial statements of Deutsche Wohnen SE, Berlin, and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2021, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the fiscal year from January to December 31, 2021, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report (hereinafter referred to as the Group management report) of Deutsche Wohnen SE and the Group for the fiscal year from January 1 to December 31, 2021. In accordance with German legal requirements, we have not audited the content of the components of the Group management report referred to in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) of the German Commercial Code (*Handelsgesetzbuch* — HGB) and, in compliance with these requirements, give a true and fair view of the financial position of the Group as of December 31, 2021 and of its financial performance for the fiscal year from January to December 31, 2021, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the content of the components of the Group management report referred to in the section "Other Information."

Pursuant to Section 322 (3)(1) HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for the Audit Opinion

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Section 317 HGB and the EU Statutory Audit Directive (No. 537/2014; hereinafter referred to as the “EU Statutory Audit Directive”) in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the Group company in accordance with European law and German commercial and professional law and we have fulfilled our other Germany-specific professional obligations in accordance with these requirements. In addition, pursuant to Article 10 (2)(f) of the EU Statutory Audit Directive, we declare that we have not provided any prohibited non-audit services pursuant to Article 5 (1) of the EU Statutory Audit Directive.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group management report.

Key Audit Matters — Consolidated Financial Statements

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and when forming our opinion thereon; we do not provide a separate opinion on these matters.

Valuation of Investment Property — Residential and Commercial Buildings, Care Facilities and Project Developments

For information on the valuation of investment property, please refer to sections A.4, C.1, C.2 and D.1 of the notes to the consolidated financial statements.

RISK TO THE FINANCIAL STATEMENTS

The consolidated financial statements of Deutsche Wohnen as of December 31, 2021 include investment property (primarily residential and commercial buildings, care facilities and project developments) in the amount of € 28.7 billion. Deutsche Wohnen measures investment property at fair value. In the past fiscal year, income from positive changes in fair value amounting to € 1.73 billion was recognized in the consolidated income statement.

Deutsche Wohnen calculates the fair values of its investment property portfolio of residential and commercial buildings internally using a discounted cash flow model. In addition, a valuation report is prepared by Jones Lang LaSalle SE (hereinafter “JLL”), which is used by Deutsche Wohnen to confirm the internal valuation results for the residential and commercial buildings. Deutsche Wohnen uses residual value calculations from JLL as a starting point for the valuation of residential and commercial development projects. Care facilities are valued by W&P Immobilienberatung GmbH (hereinafter “W&P”) using a discounted cash flow model.

The internal valuation and the valuations by JLL and W&P were performed as of the measurement date of December 31, 2021.

The valuation of investment property is calculated using numerous assumptions relevant to the valuation, which are subject to considerable estimation uncertainties and discretion. Even minor changes to the assumptions relevant to valuation can lead to significant changes in the resulting fair values.

The material valuation assumptions for the valuation of the existing residential and commercial properties were, as of the measurement date, the annual rent growth and the discount and capitalization rates.

The material valuation assumptions from the residual value calculation for the project developments of residential and commercial buildings were, as of the measurement date, the net capital values after completion and the outstanding project development costs, including financing costs and developer profit.

The material valuation assumptions used to value care facilities were, as of the measurement date, market rents, discount rates and maintenance expenses.

There is a risk for the financial statements that the valuation of investment property is not appropriate due to existing estimation uncertainties and the involvement of discretionary judgment.

In addition, there is a risk for the financial statements that the disclosure information required under IAS 40 and IFRS 13 for investment property is not complete and appropriate.

OUR AUDIT PROCEDURE

Our audit procedures with respect to the existing residential and commercial properties included, in particular, the assessment of the internal valuation process with regard to compliance with IAS 40 in conjunction with IFRS 13, the accuracy and completeness of the property portfolio data used, the appropriateness of the material valuation assumptions used — such as annual rent growth — and the discount and capitalization rates applied. In doing so, we involved our valuation specialists in the audit.

We assessed the internal valuation procedure for appropriateness of the valuation model and arithmetical and financial-mathematical correctness and satisfied ourselves that the assumptions and data relevant for the valuation was collected appropriately for the measurement date.

We compared the target rents processed in the internal valuation model with the target rents stored in the ERP system. We have previously satisfied ourselves as to the adequacy and effectiveness of the controls implemented in the leasing process to ensure that the target rents stored in the ERP system are consistent with the contract rents.

We then assessed the appropriateness of the selected valuation assumptions based on a representative selection of properties, supplemented by elements deliberately selected on a risk-oriented basis. For this purpose, we assessed the appropriateness of the assumptions used in determining the property-specific annual rent growth and the discount and capitalization rates, taking into account the type and location of the selected properties by comparing them with market- and industry-specific benchmarks. We also conducted on-site inspections for deliberately selected properties in order to convince ourselves of the condition of each of the properties.

We have satisfied ourselves of the competence, ability and objectivity of JLL, which was engaged by Deutsche Wohnen for the valuation of the residential and commercial buildings, assessed the valuation methodology applied in its appraisal with regard to conformity with IAS 40 in conjunction with IFRS 13, and compared the results with the valuation results of the internal valuation.

In addition, we compared the fair values of the existing residential and commercial properties determined by Deutsche Wohnen with observable reproduced factors provided by recognized external providers.

Our audit procedures with respect to the project developments of residential and commercial buildings included in particular:

- The assessment of the competence, ability and objectivity of JLL, which was engaged by Deutsche Wohnen for the valuation of project developments of residential and commercial buildings.
- The assessment of the valuation methodology applied in the valuation, taking into account the specific valuation assumptions with regard to conformity with IAS 40 in conjunction with IFRS 13.
- The assessment of the accuracy and completeness of the data used.
- The assessment of the appropriateness of the key valuation assumptions used, such as net present values after completion and outstanding project development costs, including financing costs and developer profit.

In doing so, we involved our valuation specialists in the audit.

We assessed the appropriateness of the selected valuation assumptions based on a selection of project developments, deliberately selected on a risk-oriented basis. To this end, we also conducted on-site inspections for deliberately selected project developments in order to convince ourselves of each of the project developments.

For care facilities, we convinced ourselves of the competence, ability and objectivity of W&P and assessed the valuation methodology applied and evaluated the completeness and accuracy of the numerical data. We assessed the appraisal report in relation to the material valuation assumptions based on a selection of properties, deliberately selected on a risk-oriented basis. In doing so, we involved our valuation specialists in the audit.

We also assessed the completeness and appropriateness of the disclosures required for investment property under IAS 40 and IFRS 13 in the notes to the consolidated financial statements.

OUR CONCLUSIONS

The assumptions and data used for the valuation of the investment property portfolio of residential and commercial buildings, care facilities and project developments are appropriate.

The disclosures for investment property made in accordance with IAS 40 and IFRS 13 in the notes to the consolidated financial statements are complete and appropriate.

Appropriate Inclusion of the QUARTERBACK Group and QUARTERBACK Property Companies At-Equity in the Consolidated Financial Statements of Deutsche Wohnen

For information on the inclusion of the QUARTERBACK Group and QUARTERBACK property companies in the consolidated financial statements of Deutsche Wohnen, please refer to the comments in Section B.3 of the notes to the consolidated financial statements

RISK TO THE FINANCIAL STATEMENTS

Deutsche Wohnen holds a 40% stake in QUARTERBACK Immobilien AG, Leipzig, the parent company of the QUARTERBACK Group. In addition, Deutsche Wohnen holds a further eleven 44% to 50% stakes in QUARTERBACK property companies, of which the QUARTERBACK Group is the other major shareholder. In Deutsche Wohnen's consolidated financial statements as of December 31, 2021, the QUARTERBACK Group and the QUARTERBACK property companies are accounted for using the equity method. The amortized equity carrying amount for the QUARTERBACK Group and the QUARTERBACK property companies totaled € 337.5 million as of the balance sheet date, and in the fiscal year a result from equity accounting for the QUARTERBACK Group and the QUARTERBACK property companies totaling € -5.4 million was recognized in the consolidated income statement.

In the fiscal year 2021, Deutsche Wohnen placed its current and future project activities under the management of the QUARTERBACK Group.

In particular, the following business transactions with the QUARTERBACK Group and individual QUARTERBACK property companies took place during the fiscal year:
- Granting of shareholder loans by Deutsche Wohnen.
- Sale of a project management company to the QUARTERBACK Group.
- Conclusion of contracts for future acquisitions of project properties by Deutsche Wohnen.
- Conclusion of property management contracts.

In addition, there were personnel changes from Deutsche Wohnen to the QUARTERBACK Group.

The decision as to whether it is appropriate to include the QUARTERBACK Group and the QUARTERBACK property companies using the equity method is made in particular on the basis of the regulations under IAS 28, IFRS 11 and IFRS 10.

There is a risk for the financial statements that, due to the complexity of the matter, the inclusion of QUARTERBACK Group and the QUARTERBACK property companies in the consolidated financial statements of Deutsche Wohnen using the equity method is not appropriate.

OUR AUDIT PROCEDURE

As part of our audit of the appropriateness of the inclusion of the QUARTERBACK Group and the QUARTERBACK property companies in the consolidated financial statements of Deutsche Wohnen using the equity method, we performed the following audit procedures in particular on a risk-oriented basis:

- Obtaining an understanding of the preparation of consolidated financial statements and assessing the establishment and design of internal controls identified, in particular with regard to the accuracy and completeness of the information on which the decision to include the QUARTERBACK Group and the QUARTERBACK property companies is based.
- Interviewing members of the management of Deutsche Wohnen and QUARTERBACK Immobilien AG, the auditor of QUARTERBACK Immobilien AG and other relevant contacts.
- Analyzing the concluded contracts, including with regard to their economic content and the extent to which their conditions are customary for the market.
- Assessing the impact of personnel changes on potential changes in influence.
- Reviewing the overall analysis prepared by Deutsche Wohnen on the equity inclusion of the QUARTERBACK Group and the QUARTERBACK property companies with regard to the proper assessment and complete consideration of all relevant facts.

OUR CONCLUSIONS

The inclusion of the QUARTERBACK Group and QUARTERBACK Property companies at-equity in the consolidated financial statements of Deutsche Wohnen is appropriate.

Other Information

The legal representatives or the Supervisory Board are responsible for other information. This comprises the following components of the Group management report that have not been audited as to their content:

- The non-financial Group statement included in Section 9 of the Group management report.
- The Corporate Governance Statement of the Company and the Group, reference to which is made in Section 7 of the Group management report.

Other information also includes the other parts of the Annual Report, but does not include the consolidated financial statements, the disclosures to the group management report audited in terms of content, or our audit opinion thereon.

Our audit opinions on the consolidated financial statements and the Group management report do not cover the other information and, accordingly, we do not express an opinion or any other form of conclusion in relation to these.

In connection with our audit, we have a responsibility to read the other information referred to above and, when doing so, to assess whether the other information:

- Contains material inconsistencies in relation to the consolidated financial statements, the group management report disclosures audited in terms of content, or knowledge we obtained during the audit, or
- Otherwise appear to be materially misrepresented.

In accordance with our engagement, we conducted a separate assurance engagement of the consolidated non-financial statement. With regard to the nature, scope and results of this assurance engagement, please refer to our audit opinion dated March 29, 2022.

Responsibility of the Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The legal representatives are responsible for the preparation of consolidated financial statements that comply, in all material respects, with the IFRS as adopted by the EU and the supplementary applicable legal requirements pursuant to Section 315e (1) HGB, and for ensuring that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. Furthermore, the legal representatives are responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misrepresentations, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for accounting on a going concern basis, unless there is an intention to liquidate the Group or to cease business operations or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process when preparing the consolidated financial statements and the Group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Statutory Audit Directive in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial

statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in accordance with the IFRS as adopted in the EU and the supplementary applicable German legal requirements pursuant to Section 315e (1) HGB.
- Gather sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the Group in order to express opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the legal representatives in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives 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 declare to those charged with governance that we have complied with the relevant requirements for independence and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence and the safeguards that have been put in place to address them.

From the matters we communicated to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We provide a description of these matters in the auditor's report, unless a public disclosure of the matter is prohibited by law or by other legal provisions.

Other Statutory Requirements

Report on the Audit of the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for the Purposes of Disclosure Pursuant to Section 317 (3a) HGB

In accordance with Section 317 (3a) HGB, we have performed an audit with reasonable assurance in order to determine whether the data contained in the file provided ("deutschewohnense-2021-12-31-de.zip"; SHA256 hash value: 521f6a5370ee406050468b9c175f43b4b9ca5726cd69ffcb7c657bc28557c1d7), which is available for the issuer in the protected client portal, and the reproductions of the consolidated financial statements and the Group management report prepared for the purposes of disclosure (hereinafter also referred to as the "ESEF documents") comply with the requirements of Section 328 (1) HGB regarding the electronic reporting format ("ESEF format") in all material respects. In accordance with German legal requirements, this audit extends only to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format and therefore extends neither to the data contained in these reproductions nor to any other information contained in the above-mentioned file.

It is our opinion that the reproductions of the consolidated financial statements and the Group management report contained in the aforementioned file and prepared for the purposes of disclosure comply in all material respects with the electronic reporting format requirements pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying Group management report for the fiscal year from January 1 to December 31, 2021 that are included in the preceding "Report on the Audit of the Consolidated Financial Statements and the Group Management Report," we do not express any audit opinion on the information contained in these reproductions or on the other information included in the aforementioned file.

We conducted our audit of the reproductions of the consolidated financial statements and the Group management report contained in the aforementioned file in accordance with Section 317 (3a) HGB in compliance with the audit standard promulgated by the IDW “Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for the Purpose of Disclosure in Accordance with Section 317 (3a) of the German Commercial Code (HGB) (IDW PS 410 (10/2021))”. Our responsibility thereafter is further described below. The requirements of the quality assurance system as set out in the IDW quality assurance standard “Quality Assurance Requirements in Audit Practice (IDW QS 1)” have been applied to our audit approach.

The Company’s legal representatives are responsible for the preparation of the ESEF documents containing the electronic reproductions of the consolidated financial statements and the Group management report in accordance with Section 328 (1) (4) No. 1 HGB and for the marking up the consolidated financial statements in accordance with Section 328 (1) (4) No. 2 HGB.

Furthermore, the legal representatives are responsible for such internal control as they deem necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB regarding the electronic reporting format.

The Supervisory Board is responsible for overseeing the Group’s process for preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB and design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit of ESEF documents 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 those controls.
- Assess the technical validity of the ESEF documents, i.e. whether the file provided to us containing the ESEF documentation complies with the requirements of Delegated Regulation (EU) 2019/815 as amended as of the reporting date regarding the technical specification for this file.
- Assess whether the ESEF documents provide a consistent XHTML reproduction of the audited consolidated financial statements and the audited Group management report.
- Assess whether the markup of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815 provides an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

Other Disclosures According to Article 10 of the EU Statutory Audit Directive

We were elected to be the auditors of the consolidated financial statements by the Annual General Meeting on June 1, 2021. We were engaged by the Supervisory Board on December 16, 2021. We have served as auditors of the consolidated financial statements of Deutsche Wohnen SE without interruption since the fiscal year 2016.

We declare that the audit opinions contained in this auditor’s report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Statutory Audit Directive (audit report).

In addition to the audit of the financial statements of the Group companies, we performed the following services, which were not disclosed in the consolidated financial statements or the Group management report:

Assurance engagement of the consolidated non-financial statement, comfort letter, audit review of interim financial statements and other contractually agreed confirmation services.

Other Matters — Use of the Auditor’s Report

Our auditor’s report should always be read in conjunction with the audited consolidated financial statements and the audited Group management report, as well as the audited ESEF documents. The consolidated financial statements and the Group management report converted into XHTML format — including the versions to be published in the Federal Gazette — are merely electronic reproductions of the audited consolidated financial statements and the audited Group management report and do not replace these. In particular, the ESEF report and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

Responsible Wirtschaftsprüfer (German Public Auditor)

The Wirtschaftsprüfer (German Public Auditor) responsible for the audit is René Drotleff.

Berlin, March 29, 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

signed Dr. Hasenburg
Wirtschaftsprüfer (German Public Auditor)

gez. Drotleff
Wirtschaftsprüfer (German Public Auditor)

Responsibility Statement

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the Group’s net assets, financial position and results of operations, and the combined management report includes a fair review of the business development and position of the Group, including the results, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remainder of the fiscal year.”

Berlin, March 18, 2022
Deutsche Wohnen SE

Konstantina Kanellopoulos
Co-Chair of the Management Board

Lars Urbansky
Co-Chair of the Management Board

Philip Grosse
Management Board Member

Olaf Weber
Management Board Member

GLOSSARY

Core+, Core, Non Core

Clustering of real estate markets in order to assess attractiveness and future prospects from Deutsche Wohnen's perspective. Core+ locations (metropolises) are characterized as particularly dynamic and high-growth. Core locations show stable growth. Non Core locations tend to be assessed as having weak growth and tend to be adjusted.

Cost Ratio

Personnel and non-personnel operating costs (management costs) in relation to contract rent. The personnel and non-personnel operating costs (management costs) from disposals are not taken into account in the calculation.

EBIT

Earnings before interest and taxes.

EBITDA

Earnings before interest, taxes, depreciation and amortization. EBITDA is calculated by subtracting management costs and other expenses and income from the total of the segment results from Residential Management, Disposals, Nursing Operations and Care Facilities.

EBITDA (Adjusted)

EBITDA plus non-recurring expenses and less non-recurring income incurred in connection with non-recurring projects, e.g. restructuring or acquisitions.

EBITDAR

EBITDAR is used in the description of the segment result for Nursing Operations and Care Facilities. EBITDAR is EBITDA from the operation of care facilities before internal rental and lease expenses for properties. In accordance with IFRS 16 Leases, external rental and lease expenses are not included in the EBITDA calculation and are therefore not eliminated in EBITDAR.

EBT

Earnings before taxes. The Group also calculates this figure as adjusted earnings before taxes (adjusted EBT). EBT (as reported) is adjusted by the result from the fair value adjustment of investment property, the result from the fair value adjustment of financial instruments, and other one-time effects.

Vacancy Losses

Vacancy losses correspond to the sum of the most recent contractually agreed net cold rent payments for the space of the respective properties under review that was not rented during the period under review or as of the reporting date under review is able to be rented.

Fair Value

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

FFO

Funds from Operations: From the company's point of view, FFO is a key liquidity-oriented indicator for real estate companies. It is derived from the consolidated income statement and forms the basis for the dividend distribution. Based on EBITDA (adjusted), adjustments are made for any one-time effects, non-cash financial expenses/income and non-cash tax expenses/income. FFO I (excluding disposals) is adjusted by the result from disposals. FFO II (including disposals) includes the sales result and incorporates personnel and non-personnel operating costs (management costs) for the Disposals segment.

Financial Covenants

Financial covenants are agreements contained in some financing contracts in which the borrower undertakes to maintain certain financial ratios specified in the ancillary agreement for the term of the loan agreement.

Hedging Ratio

The ratio of fixed-interest-rate or interest-rate-secured financial liabilities, convertible bonds and corporate bonds to the total nominal value of financial liabilities, convertible bonds and corporate bonds.

Maintenance

Maintenance expenses describe measures to maintain the functional condition of the property. This includes, for example, repairs and the replacement of components. Larger and complex maintenance measures are reported under refurbishment.

Institutional Sales

Disposal of buildings (block sales).

Vacancy Rate
The vacancy rate describes the ratio of vacancy losses to target rent, as of the reporting date under consideration in each case.

Like-for-Like Rent Growth
Like-for-like rent growth describes the operating rent growth of the portfolio that was continuously managed within the comparison period. Unless otherwise indicated, the calculation compares the net cold residential rent per square meter at the beginning of the comparison period with the corresponding value at the end of the period. Changes in rents resulting from acquisitions and disposals in the comparative period are adjusted accordingly.

LTV Ratio
Loan-to-value ratio. This describes the ratio of total net financial liabilities to the value of investment property plus non-current assets held for sale and land and buildings held for sale.

Rent Potential
Difference between market rent and contract rent.

Market Rent Multiplier
The market rent multiplier is calculated by dividing the fair value by the annualized market rent at the respective measurement date. The market rent used for this purpose is the new contract rents achieved in the current year.

Contract Rent Multiplier
The contract rent multiplier is calculated by dividing the fair value by the annualized contract rent at the respective measurement date.

NAV
Net asset value indicates the net asset value or intrinsic value of a real estate company. The value is calculated on the basis of the Group’s equity (before minority interests) adjusted for effects from the exercising of options, convertible bonds and other rights to equity and for the fair values of derivative financial instruments and deferred taxes, i.e. adjusted for items that have no influence on the long-term development of the Group. NAV is determined in accordance with the definition of EPRA Net Tangible Assets (NTA).

New Rental Income

Deutsche Wohnen calculates the new rental income from the average agreed monthly net cold rental payments per square meter based on the newly concluded lease agreements in the price-free portfolio for the respective properties under review during the respective fiscal year. New rental income is used as the market rent for the valuation of the property portfolio.

NOI

Net operating income is the operating result from residential property management less the personnel and non-personnel operating costs (management costs) incurred in this context. It is equivalent to net rental income or EBITDA from rentals.

Refurbishment

Refurbishment refers to all measures for the sustainable improvement of the technical condition of the real estate and bringing the condition up to modern standards. This includes complex modernization and maintenance work and apartment renovations upon a change of tenant. Typical renovation work includes the implementation of energy-saving measures, such as the installation of insulating glass windows or heat insulation measures, the replacement of ropes and windows and the renovation of bathrooms. Only part of the refurbishment costs are considered modernization work within the meaning of Section 555b of the German Civil Code (*Bundesgesetzbuch* — BGB) that justify a corresponding rent increase in accordance with
Section 559 BGB.

Target Rent

Target rent is the sum of contract rent and vacancy losses.

Contract Rent

Contract rent is the sum of the contractually agreed net cold rent payments for the space of the respective properties rented during the period under review or as of the reporting date under review.

Contract Rent per Square Meter

Contract rent per square meter is the net cold rent due under the contract for the rented apartments divided by the rentable area.

Residential Privatization

Sale of condominiums.

CONTACT

Andrea Frese
Head of Investor Relations

Telephone: +49 30 89786-5413
Fax: +49 30 89786-5419

Deutsche Wohnen SE
Mecklenburgische Straße 57
14197 Berlin

Telephone: +49 30 89786-0
Fax: +49 30 89786-1000

info@deutsche-wohnen.com www.deutsche-wohnen.com

IMPRINT

Publisher
Deutsche Wohnen SE, Berlin

Concept, Design and Realization

Silvester Group, Hamburg www.silvestergroup.com/en
metagate GmbH metagate.com

Image Credits
Andreas Pohlmann, Munich (page U9)
beyonity Germany GmbH, Berlin (page U13)
Georgios Anastasiades, Berlin (page U8)
GRAND VISIONS, Berlin (pages U5/U6, U14, U18, U20, U23, U24, U31)
Mikghost, Momento Design, Victor via Getty Images (page U27)
Murat Aslan, Berlin (page U29)
Olga Ubirailo via Getty Images (page U6, page U28)
Philipp Kirschner, Leipzig (Pages U16/U17, U19)
Tanja Häring, Berlin (page U30)
Tetiana Garkusha via Getty Images (title page)

Supervisory Board and Management Board
Andreas Pohlmann, Munich (Lars Urbansky, Philip Grosse)
Vonovia/Catrin Moritz
(Helene von Roeder, Konstantina Kanellopoulos) Vonovia/Simon Bierwald (Olaf Weber)

This Annual Report is available in German. This version can be downloaded at
berichterstattung.deutsche-wohnen.com