

HOWOGE

HOWOGE FY 2022 – Company Presentation



Agenda

Company Presentation

- 01 Overview and Highlights FY 2022
- 02 Market and Portfolio
- 03 Financials and Capital Structure
- 04 Appendix



01 Overview & Highlights



Overview

HOWOGE

HOWOGE is one of the biggest real estate companies in Germany

HOWOGE

Company highlights

Overview

- State-owned residential real estate company with focus on affordable housing
- Declared goal of being climate-neutral by 2045 and taking on a pioneering role in the German housing industry through our sustainability strategy
- Total portfolio value of EUR 13.4bn and ~75,400 residential units
- Efficient, fully integrated and scalable platform with strong local expertise
- Clear strategy and government support to expand its current portfolio by ~25,000 residential units through a mix of acquisitions and new developments
- The company is supporting the State of Berlin in its school construction initiative, making HOWOGE systemically highly relevant

Heritage

- Established in 1990 as a municipal real estate company
- In 1997, HOWOGE acquired the Wohnungsbaugesellschaft Lichtenberg (WBL), comprising a portfolio of ~26,000 residential units
- Foundation of HOWOGE-Servicegesellschaft (2001) and HOWOGE Wärme (2005) to ensure comprehensive facility management
- In January 2018, HOWOGE acquired 100% of the shares of Kramer + Kramer, a project management company
- In 2019, the Senate of Berlin contractually resolved that HOWOGE becomes vital part of the Berlin school building initiative
- In 2021, HOWOGE acquired c. 8k units and successfully entered capital markets issuing EUR 1.7 bn corporate bonds

Key financial highlights

Key metric	FY 2022
Total portfolio value ⁽¹⁾	EUR 13.4bn
Net LTV	28.3%
Residential rent (EUR per sqm) ⁽²⁾	6.41
Residential vacancy rate (by area)	1.6%
Adj. EBITDA	EUR 268.1m
FTE	957

1. Total portfolio value is the sum of developed and undeveloped land/ inheritable building rights granted as well as assets under construction and developments

2. As of 31.12.2022.

Attractive landlord

Our portfolio

HOWOGE

~75,400

Residential
units

EUR per sqm

6.41

Ø Net cold rent⁽¹⁾

1.6%

Vacancy
rate
(based on sqm)



149

Janitors

~1,100

Commercial
units



One of the largest
housing companies
in **Germany**

~17,000

Other units
(parking spaces,
garages etc.)



Highlights FY 2022

HOWOGE shows resilience despite challenging macro environment



1 Operational performance

- Occupancy consistently at >98%
- Successful integration of >8,000 residential units acquired in 2021

2 New construction

- New construction of 1,600 new apartments to add affordable housing supply
- Two largest projects provided 612 and 394 residential units

3 Sustainability reporting including EU taxonomy requirements

- 2022 Sustainability Report has been published on 27 April 2023
- HOWOGE is reporting in line with DNK guidelines since 2011



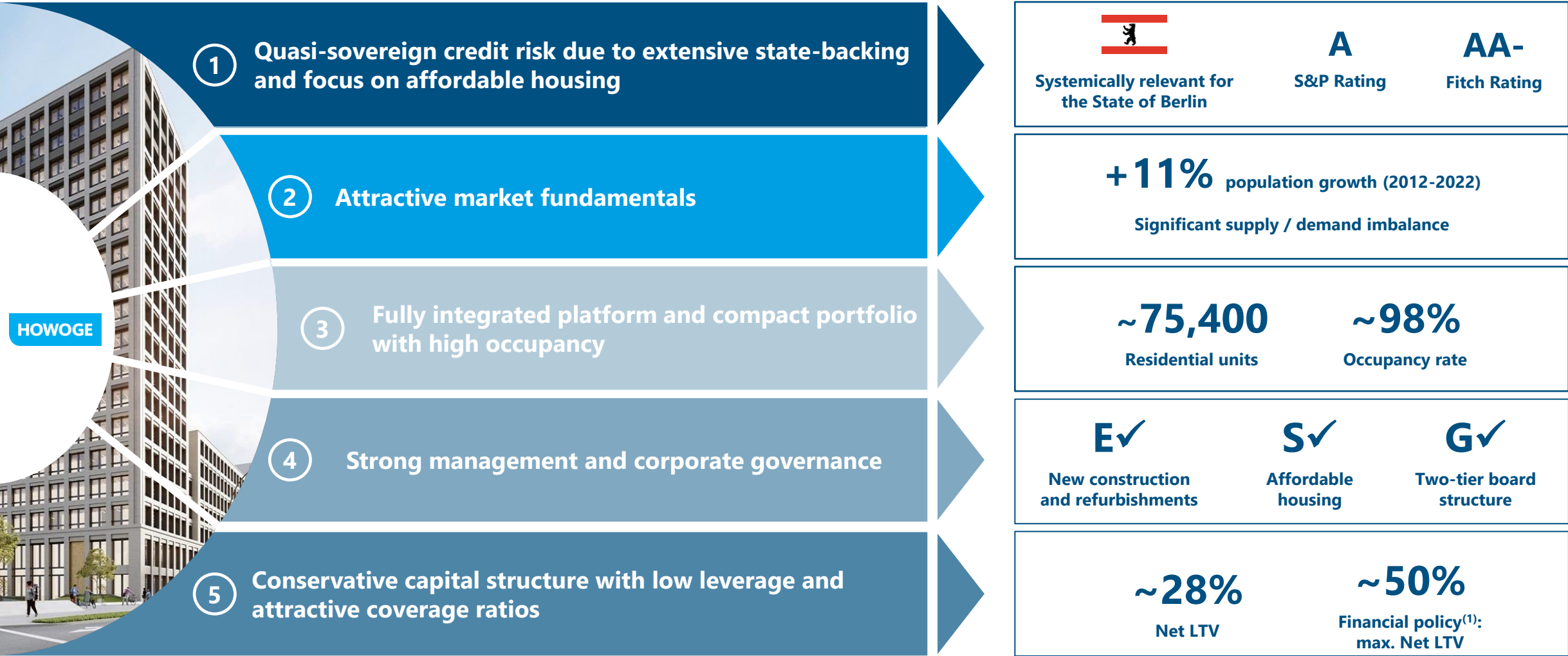
[Link
Sustainability
Report](#)

4 Solid financial results and conservative leverage in FY 2022

- FFO: EUR 213.6m (+18%)
- IFRS Earnings: EUR 82.2m
- Equity: EUR 8.1bn (58% of total balance sheet)
- Net LTV: 28.3% (27.4% excl. school construction)

Key Credit Highlights

HOWOGE is a company with excellent creditworthiness



1. Financial policy excludes school initiative
© Baumschlager Eberle Architekten

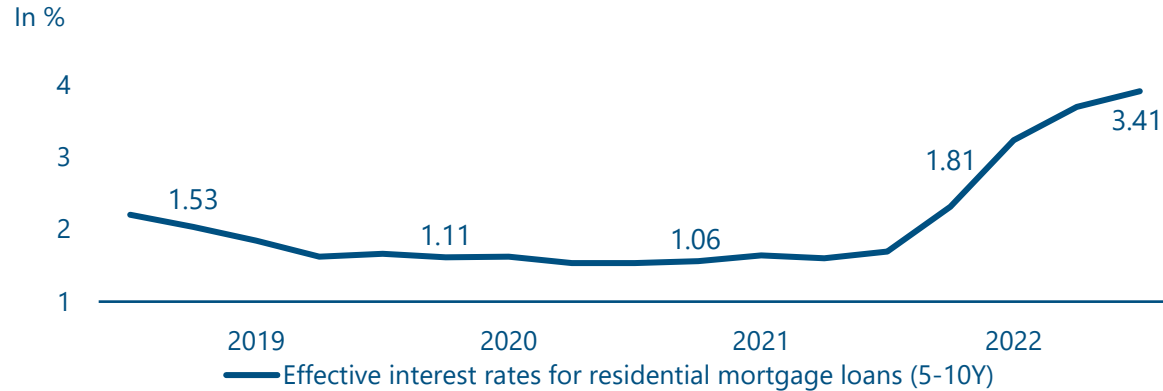
02 Market & Portfolio



Market Fundamentals I

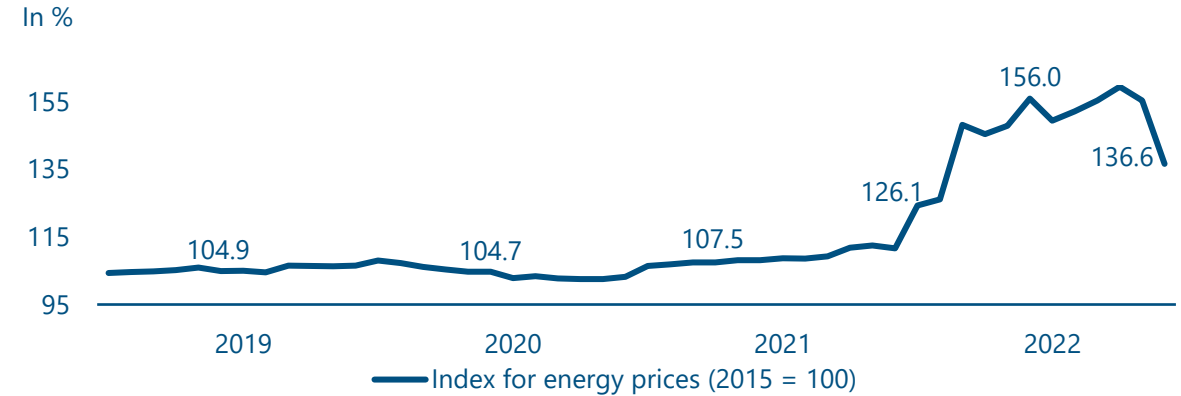
Challenging interest rate and inflationary environment

Interest rates for mortgage lending moved up by >200bs in 2022



Source: Deutsche Bundesbank

Steep increase in energy prices by almost 50%



Source: Statistical Office Berlin

Summary:

Interest rates & cost inflation:

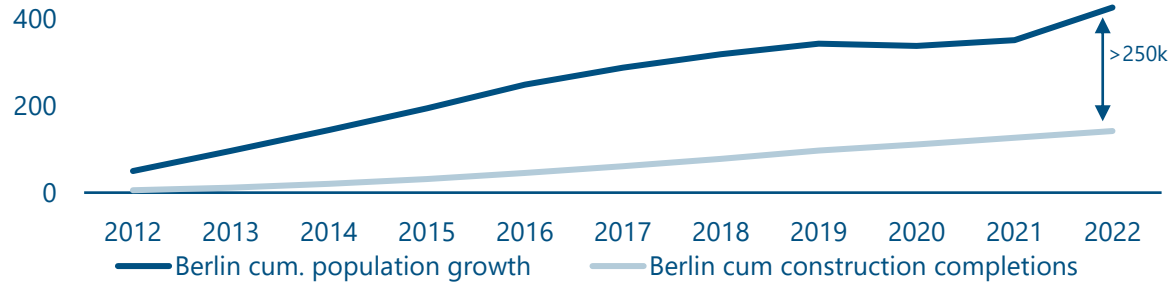
- in prior years german residential A locations offered a net rental yield of ~3% which was financed at ~1% mortgage rate
- At current interest levels which are above rental yields there is almost no transaction activity and pressure on asset valuations
- Given construction cost increases and higher rates, many developers put their activities in the german market on hold
- Significant increase in heating and energy costs puts pressure on tenants

Market Fundamentals II

However, Berlin residential market fundamentals remain attractive

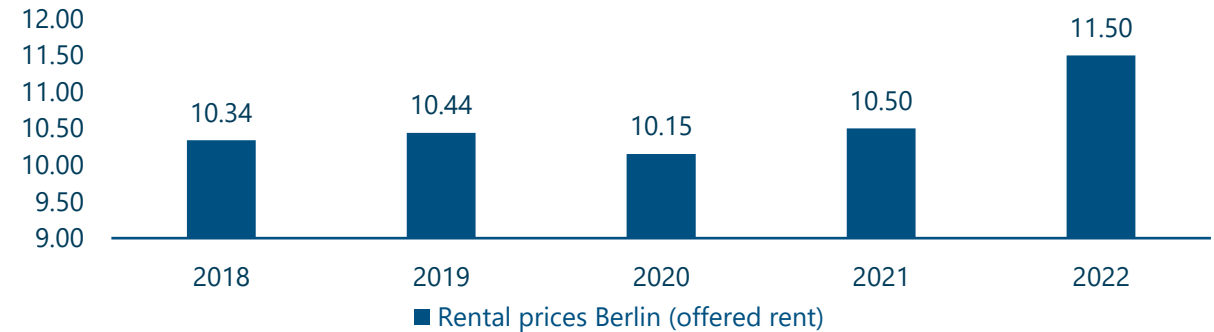
Strong population growth and low construction activity ...

In '000s



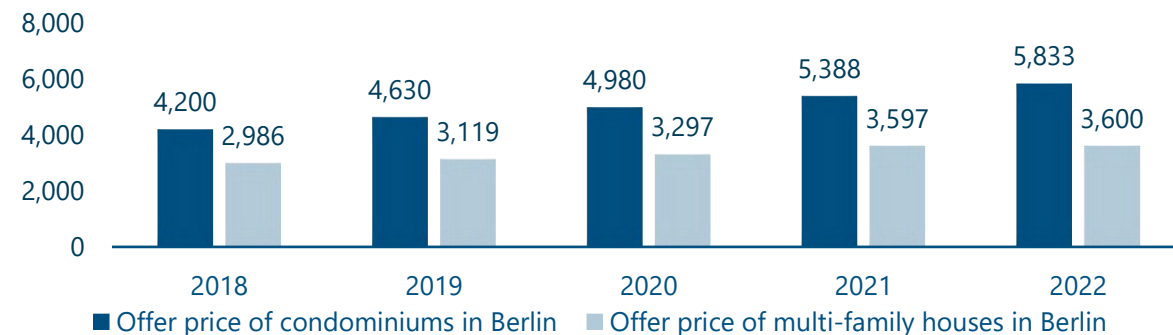
...lead to increasing market rent levels.

In EUR per sqm per month



House price increases have stagnated in 2022

In EUR per sqm



Summary:

- **Population grows faster than housing stock:** housing supply is not able to meet strongly increasing demand
- **Strong migration balance:** driven by the strong migration balance, the population has been growing steadily in the last years, while completions are not able to keep up the pace
- **Construction activity:** new construction has become more challenging given inflation and interest rate increase – leading to decreasing building permits and new construction activity
- **Rent levels:** supply / demand gap leads to increasing market rent levels
- **House prices:** rising interest rates resulted in stagnating house price levels in 2022 after a decade of strong price increases

HOWOGE owns a concentrated portfolio with regional focus

Portfolio and operations overview

The real estate portfolio is very efficiently managed due to its regional Berlin focus.
The units are organizationally divided into three different clusters (stock/construction/acquisition).
According to the actual circumstances, the units are distributed as follows (as of 31 December 2022):

- 75,419 residential units,
- 1,141 commercial units,
- several undeveloped properties / undeveloped land

EUR 12.9bn

Fair value only including
existing buildings

~75,400

Residential units

34.3x

In-place rent multiple

EUR 13.4bn

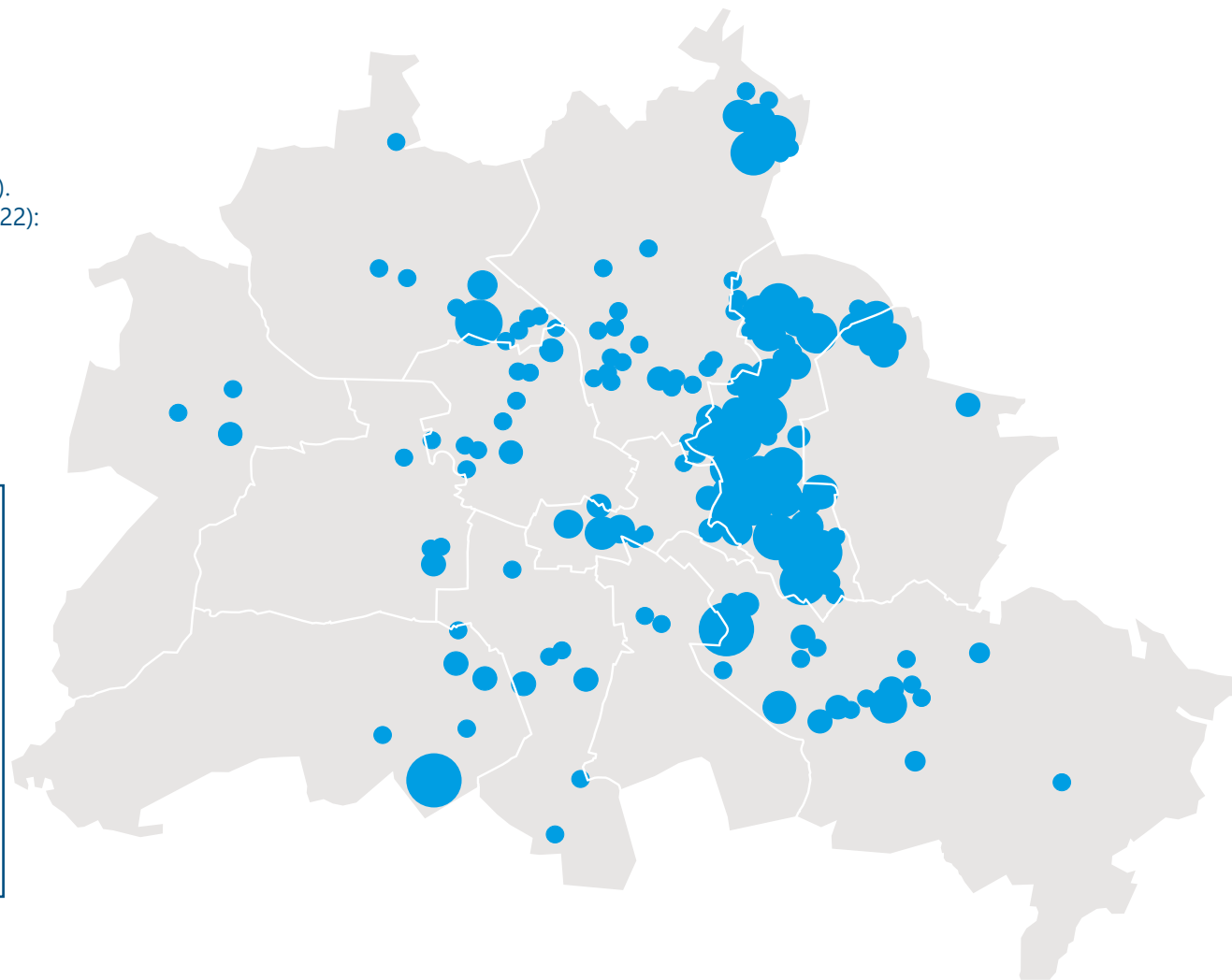
Total fair value⁽¹⁾

EUR 2,667

Fair value per sqm

28.3x

Market-rent multiple



As of 31 December 2022

1. Total portfolio value is the sum of developed land and undeveloped land/ inheritable building rights granted as well as assets under construction and developments.

Portfolio

Overview key figures

Type of use	Units	Rental area (k sqm)	In-place rent ⁽¹⁾ annualized (EUR m)	% of total in- place rent	Avg. Rent (EUR/sqm p.m.)	Vacancy (% in sqm)
Residential	75,419	4,656	357.9	92%	6.41	1.6%
Commercial	1,141	180	18.7	5%	8.66	9.1%
Sub-total	76,560	4,836	376.6	97%	6.49	1.9%
Other ⁽²⁾	17,115	303	10.7	3%	n/a	n/a
Total	93,675	5,140	387.4	100%	n/a	n/a

As of 31 December 2022

1. In place rent is defined as current gross rent per month as agreed in the corresponding rent agreement before deducting recoverable operating costs.

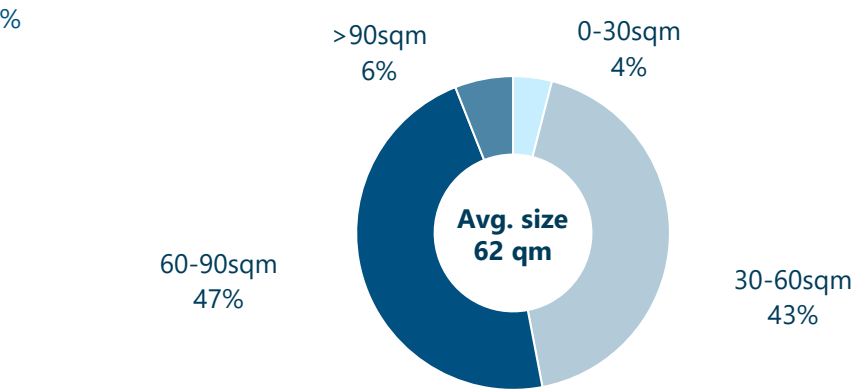
Residential in place rent is often referred to as "net cold rent"

2. Other mainly includes parking spaces and garages

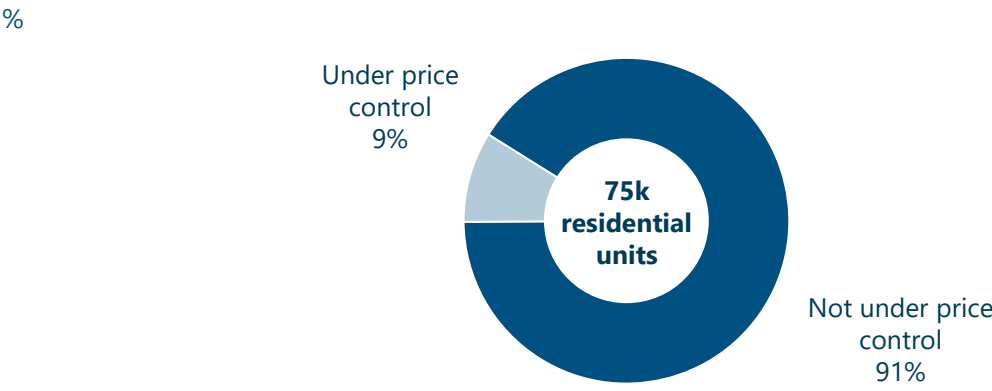
Portfolio statistics

Low in-place rents and relatively young asset base

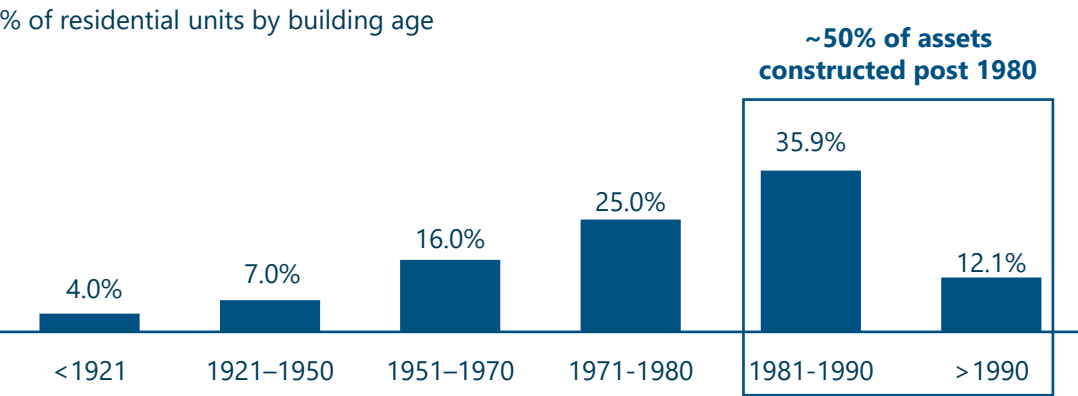
Apartment size



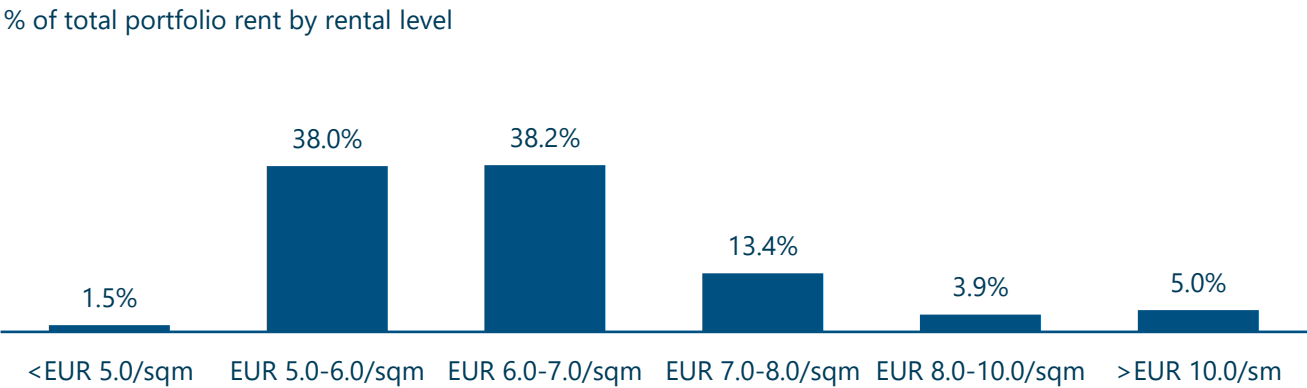
Rental restrictions⁽¹⁾



Building age⁽²⁾



Rent distribution



1. Rental restrictions refers to "Preisgebundene Wohnungen". HOWOGE is committed to further rental restrictions due to the Cooperation Agreement with the city of Berlin.
2. Building age refers to initial building age of property not considering any refurbishments.

03 Financials and Capital Structure

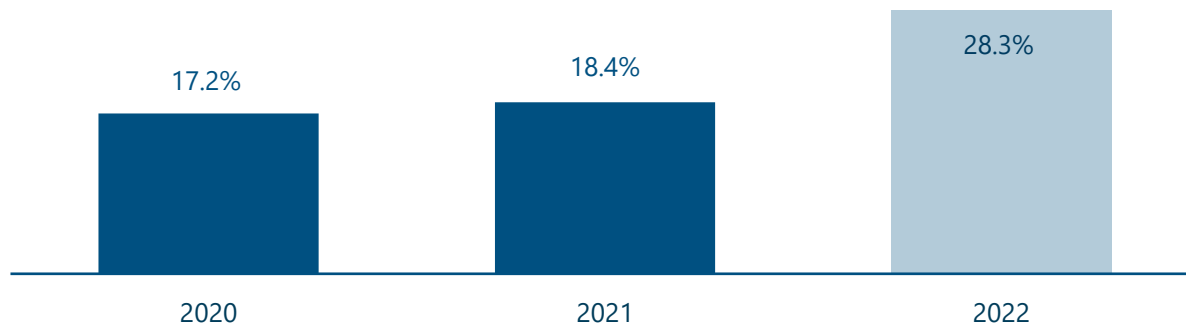


Conservative capital Structure

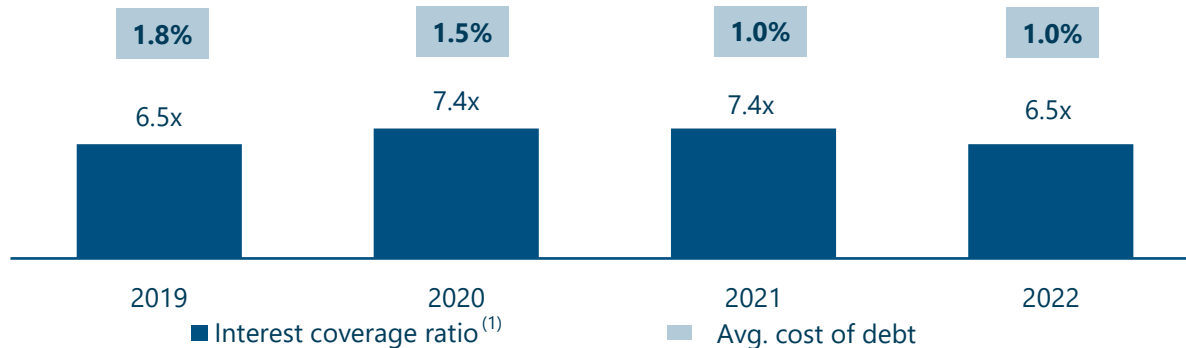
Low leverage and diversified debt structure

Current leverage offers headroom

Net LTV-ratio (%)



Strong coverage ratios and low cost of debt



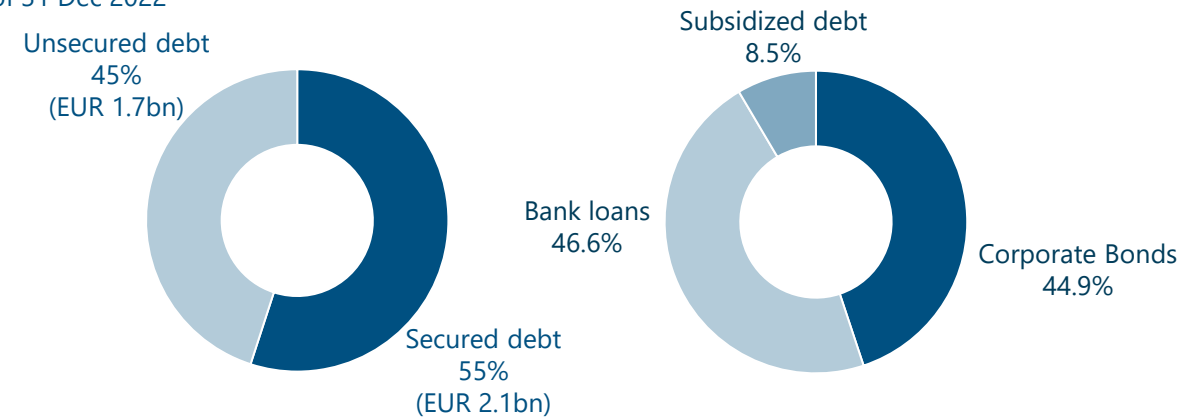
1. ICR defined as Adj. EBITDA / cash interest expenses

2. Excl. acquisitions

3. Maturity profile is based on end of fixed-rate interest period excl. debt from school construction

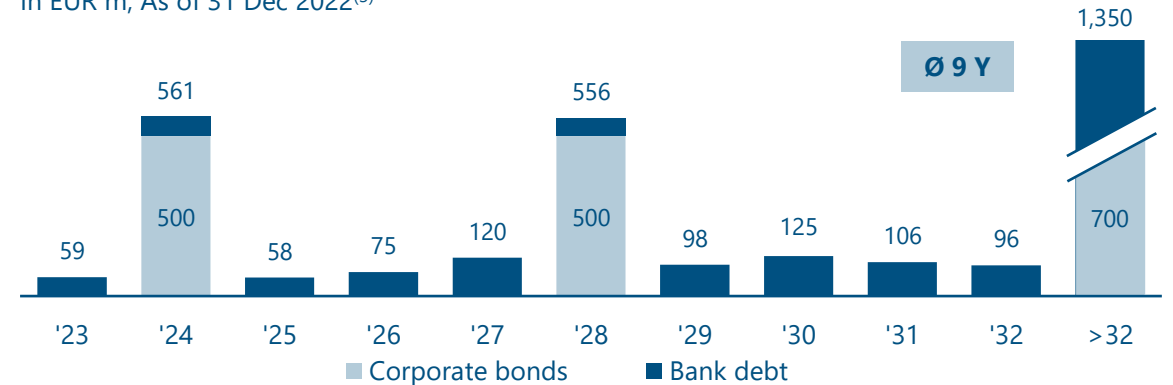
Funding and asset mix of EUR 3.8bn total debt

As of 31 Dec 2022



Long-dated maturity profile with no material maturities in 2023

In EUR m; As of 31 Dec 2022⁽³⁾



Rating and Corporate Bonds

Issue size	Issue date	Maturity date	Coupon p.a.	Issue price	ISIN
EUR 500m	01/Nov/2021	01/Nov/2024	0.000%	99.808%	DE000A3H3GE7
EUR 500m	01/Nov/2021	01/Nov/2028	0.625%	99.829%	DE000A3H3GF4
EUR 700m	01/Nov/2021	01/Nov/2033	1.125%	99.755%	DE000A3H3GG2

HOWOGE has achieved a Long-Term Issuer Rating by Fitch and Standard & Poor's:

Fitch:	AA-	outlook stable	last update: 05/Jul/2022
S&P:	A	outlook stable	last update: 01/Aug/2022

Bond covenants

Current levels offer significant headroom

Bond covenant	Required level	Current level 31/Dec/2022
Consolidated LTV Total debt/ total assets	<60%	27.4%
Consolidated secured LTV Total secured debt/ total assets	<45%	14.8%
Interest coverage ratio Adjusted EBITDA/ cash interest	> 1.8x	5.8x
Unencumbered asset ratio Unencumbered assets/ unsecured debt	≥ 125%	308.2%

Consolidated Balance Sheet

EUR m	31/12/2022	31/12/2021
Investment property	13,281.1	11,666.6
Other non-current assets	230.4	256.8
Non-current assets	13,511.4	11,923.4
Inventories property and other inventories	111.1	21.4
Receivables and other assets	136.9	72.4
Cash and cash equivalents	158.3	1,511.2
Assets held for sale	10.8	0.0
Current assets	417.1	1,605.1
Total assets	13,928.5	13,528.4

EUR m	31/12/2022	31/12/2021
Equity	8,116.7	8,033.2
Non-current financial liabilities	3,913.8	3,608.9
Other non-current liabilities	1,652.3	1,694.3
Non-current liabilities	5,566.1	5,303.3
Current financial liabilities	4.7	75.3
Other current liabilities	241.1	116.7
Current liabilities	245.8	192.0
Total equity and liabilities	13,928.5	13,528.4

- Investment property increased by ~14% since FY 2021 and represents ~95% of total assets
- Cash position of ~EUR 1.5bn at FY 2021 has been used for financing of portfolio acquisition with transfer of ownership in Q1 2022
- Assets held for sale consists of one commercial property scheduled for disposal in 2023
- Equity ratio remains stable at ~58%

Adjusted EBITDA up by 24%

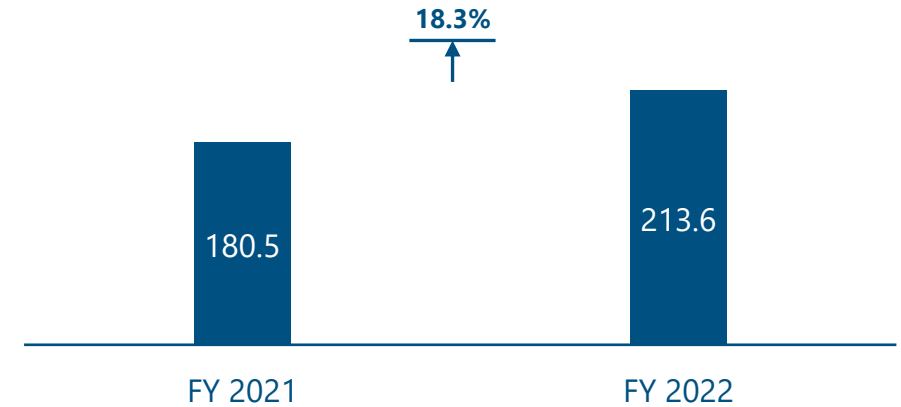
EUR m	FY 2022	FY 2021
Total revenues	515.3	397.6
Change in inventories for real estate and other	89.7	2.0
Own work capitalized	3.8	2.9
Cost of materials	(239.9)	(102.0)
Personnel expenses	(54.6)	(50.0)
Other operating income	12.9	3.7
Impairment of financial assets	(3.9)	(0.7)
Other operating expenses	(30.9)	(39.3)
Financial income	5.1	4.9
Other taxes	(16.4)	(13.4)
One-offs	(13.0)	10.4
Adjusted EBITDA	268.1	216.1

- Total revenues increased mainly due to larger asset base (acquisitions and new constructions) and rent adjustments
- Higher Cost of materials in 2022 driven by larger asset base from acquisitions and significant increase in energy prices (heating etc.)
- One-offs include extraordinary change in inventory stemming from school construction (one time effect)

Funds from Operations

Proving strong operational cashflow

EUR m	FY 2022	FY 2021
Adjusted EBITDA	268.1	216.1
Cash income tax expenses	(10.5)	(8.7)
Cash interest expenses	(41.5)	(29.2)
Expenses insurance policies	(2.7)	2.4
Sale of assets	0.2	(0.1)
FFO	213.6	180.5



Outlook:

→ FFO of ~EUR 180-200m expected for FY 2023

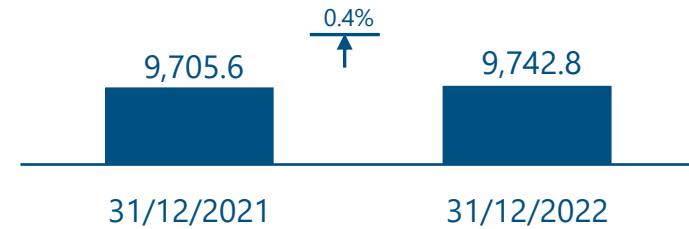
NAV and Net LTV

Compelling balance sheet KPIs

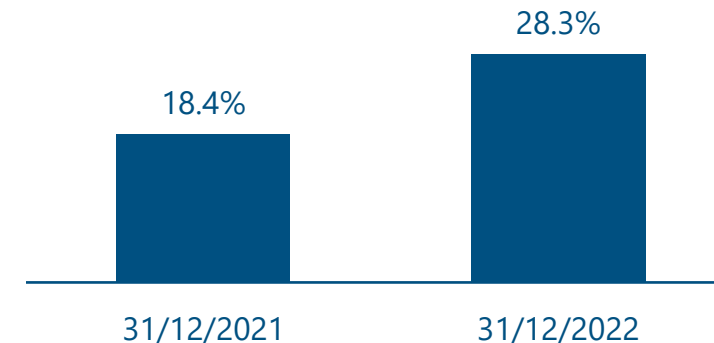
EUR m	31/12/2022	31/12/2021
Total equity	8,116.7	8,033.2
Deferred tax liability on investment properties	1,626.1	1,672.4
NAV	9,742.8	9,705.6

EUR m	31/12/2022	31/12/2021
Financial liabilities	3,918.5	3,684.2
Cash and cash equivalents	(158.3)	(1,511.2)
Net financial liabilities	3,760.2	2,173.0
Fair value of investment property	13,281.1	11,666.6
Prepayments on investment property	62.6	120.6
Net LTV ratio	28.3%	18.4%
LTV ratio excl. school construction	27.4%	18.2%

NAV



LTV remains well below 50% comfort hurdle



04 Appendix



Management Board

Experienced team with over 20 years of expertise

Katharina Greis

Managing Director (commercial)

- Managing director since 2023
- Responsibilities:
 - Financing and Controlling
 - Accounting
 - Human Resources
 - Legal and Procurement
- >20 years of professional experience



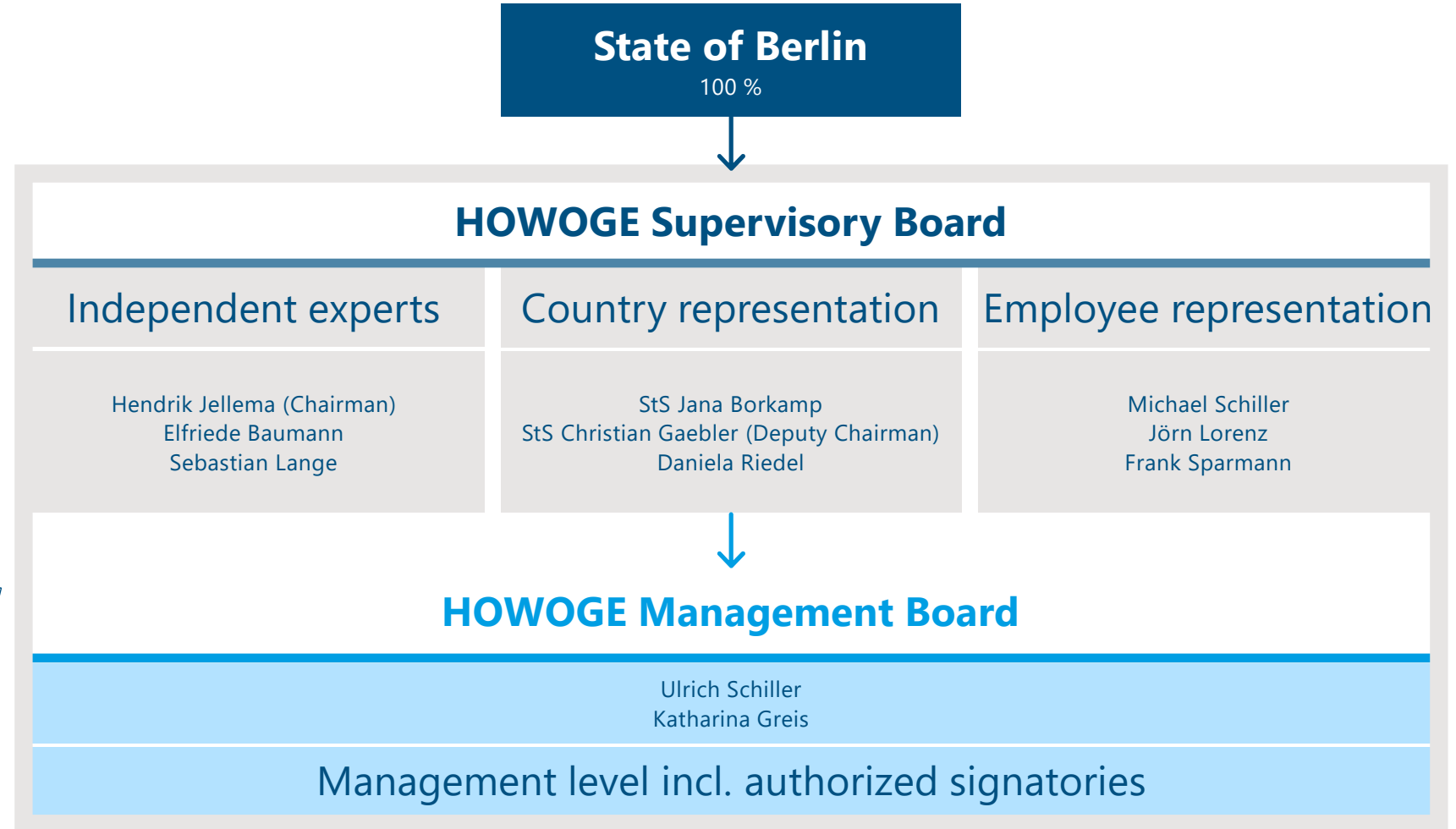
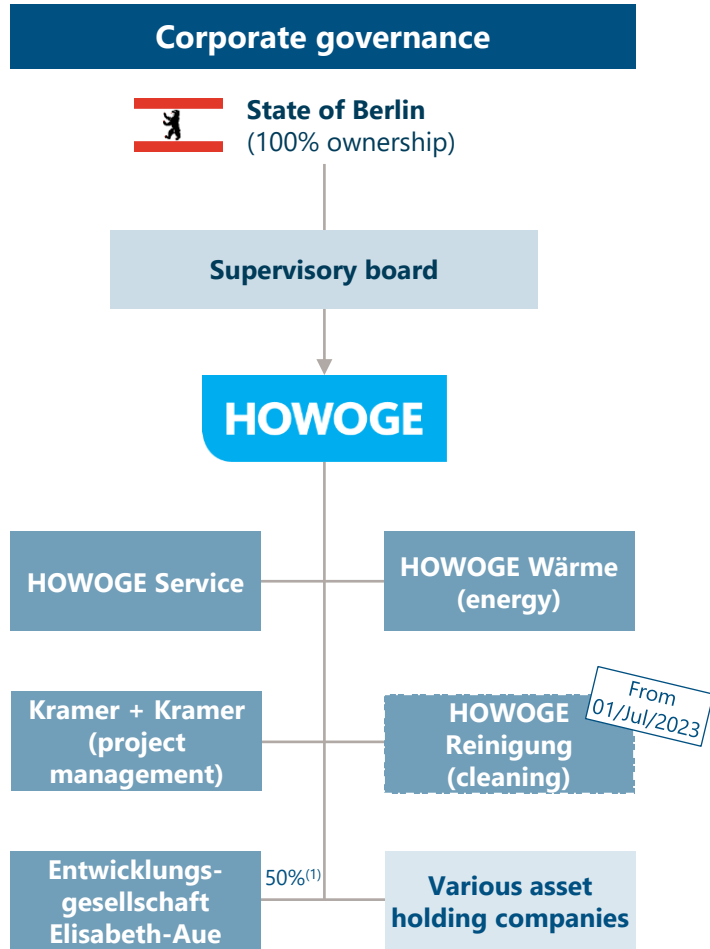
Ulrich Schiller

Managing Director (operational)

- Managing director since 2019
- Responsibilities:
 - Asset and property management
 - New construction
 - Technical management
 - IT, Process and Digitization
 - Communication and Marketing
- >20 years of experience in the real estate sector

Strong expertise

For the State of Berlin



1. Jointly owned by HOWOGE (50% stake) and GESOBAU (50% stake)

Quasi-sovereign Credit Risk

High certainty due to state-backing and affordable housing focus

100% owned by State of Berlin

100% owned by State of Berlin

- Owned by the State of Berlin since inception in 1990
- Completed transformational merger with WBL in 1997

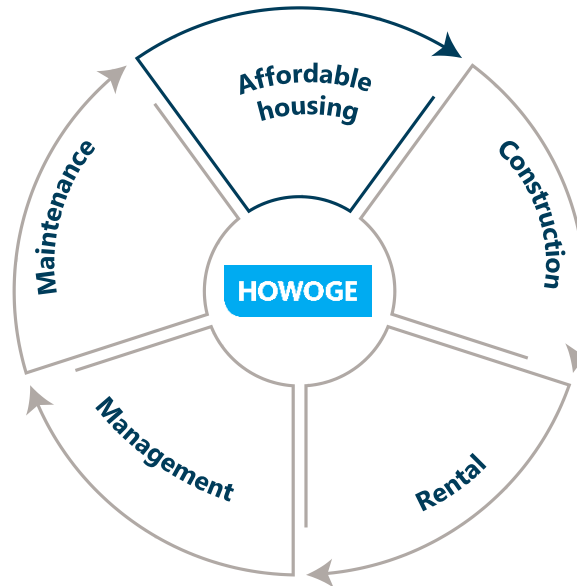
Cooperation agreement

- HOWOGE has signed a cooperation agreement ("Leistbare Mieten, Wohnungsneubau und soziale Wohnraumversorgung") with State of Berlin

Equity contribution

- HOWOGE has received equity injections by way of land reserve contributions from the State of Berlin

HOWOGE's operations



Importance of HOWOGE to Berlin



Affordable housing

- Supply of affordable housing space for low incomes must be ensured
- Successful execution of several new development project over the past years



School construction

- State of Berlin has selected HOWOGE to execute its school construction initiative
- The initiative makes HOWOGE systemically relevant



Social commitment

- Ensuring social stability within the society by providing essential services
- Through the foundation "Stadtkultur" HOWOGE also supports projects in the field of art, culture and education

HOWOGE is acting with the unrestricted support of its sole shareholder, the State of Berlin. Its strategy reflects the political agenda of all ruling parties.

Cooperation Agreement (summary of selected highlights)

HOWOGE

“Affordable rents, new construction and the supply of social housing”⁽¹⁾

Strengthen tenant protection as well as participation, e. g. through the introduction of tenants' councils

Adjustment of general rent increases (Mietspiegel) up to a maximum of **2% p.a.**

Hardship policy:
decrease rent to **max. 30%** of the household's income

Stock: provide **63%** of the apartments coming up for re-let annually for WBS⁽²⁾-eligible households (**thereof 25%** for special requirement groups)



HOWOGE

Increase state-owned housing stock to **400,000 units** (until 2026)

Maximum of **EUR 11.50 per sqm** (average) applies to the rents of new-building projects without rent restriction

Modernization charge:
max. 6% p.a. of acknowledged cost and with a cap at +10% above local comparative rent

New-building:
offer minimum of **50%** to WBS⁽²⁾-eligible households

Note: Berlin senate has executed a rental freeze (Mietenstopp) for state owned apartment stock until 31/Dec/2023

1. Current agreement between State of Berlin and HOWOGE Wohnungsbaugesellschaft mbH and the other state-owned housing companies. (As of 31 Dec 2022)

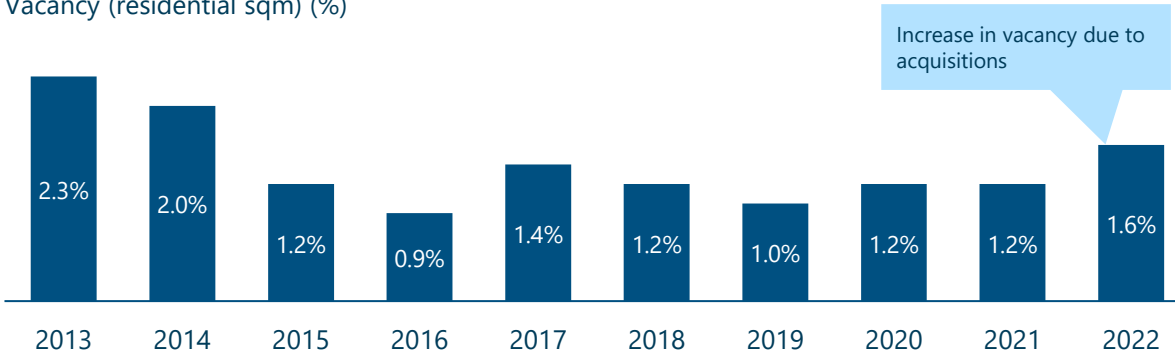
2. Housing eligibility certificate ("Wohnberechtigungsschein") applies for households with income under a certain level.

Operating Performance

Consistent rental growth and high occupancy level

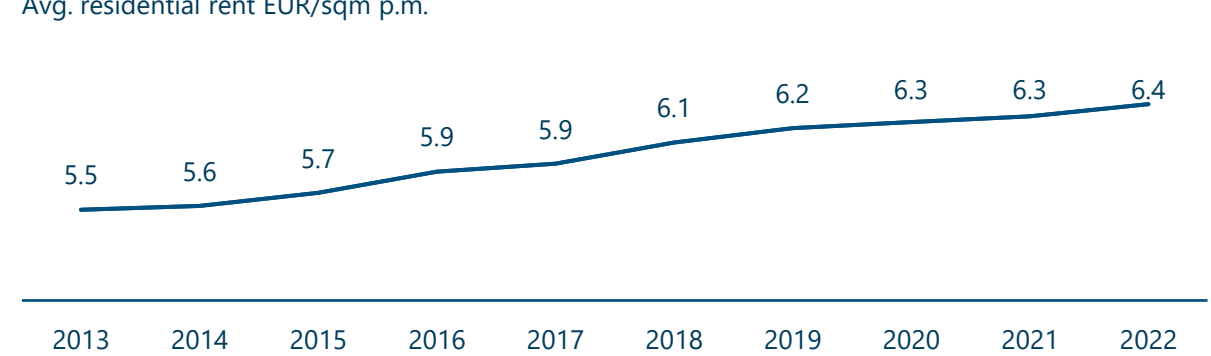
Portfolio basically fully occupied

Vacancy (residential sqm) (%)



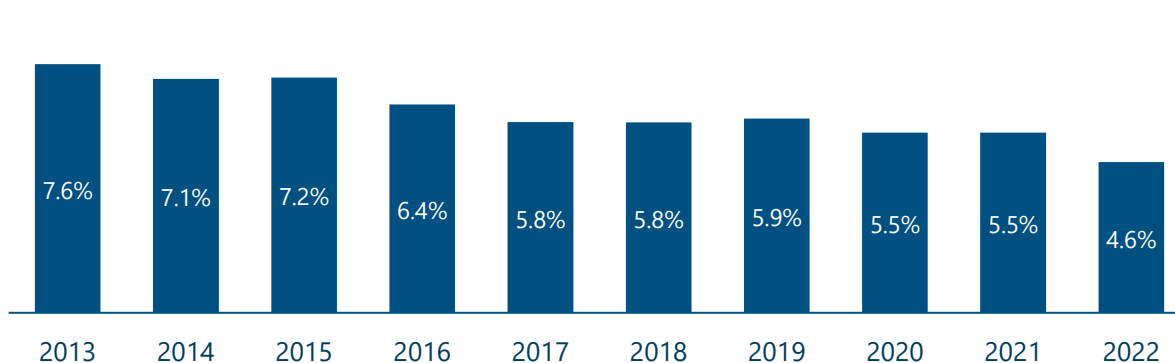
Consistent rental growth

Avg. residential rent EUR/sqm p.m.



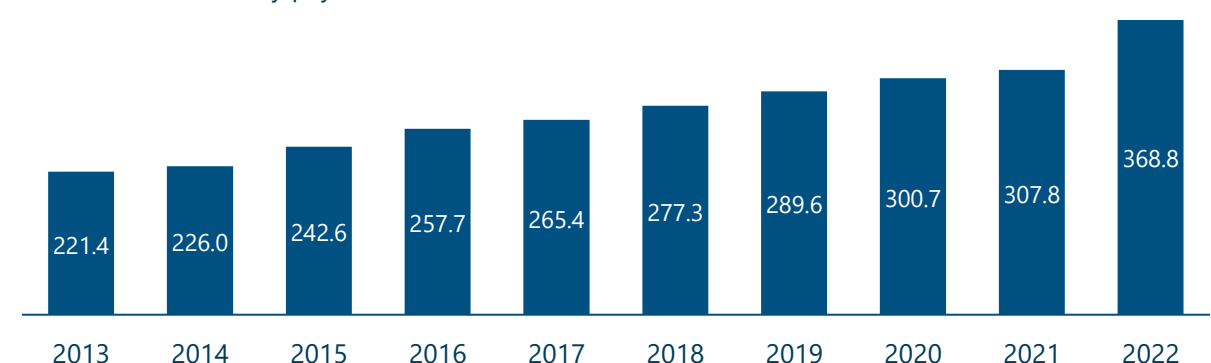
Low churn rates

% of residential units



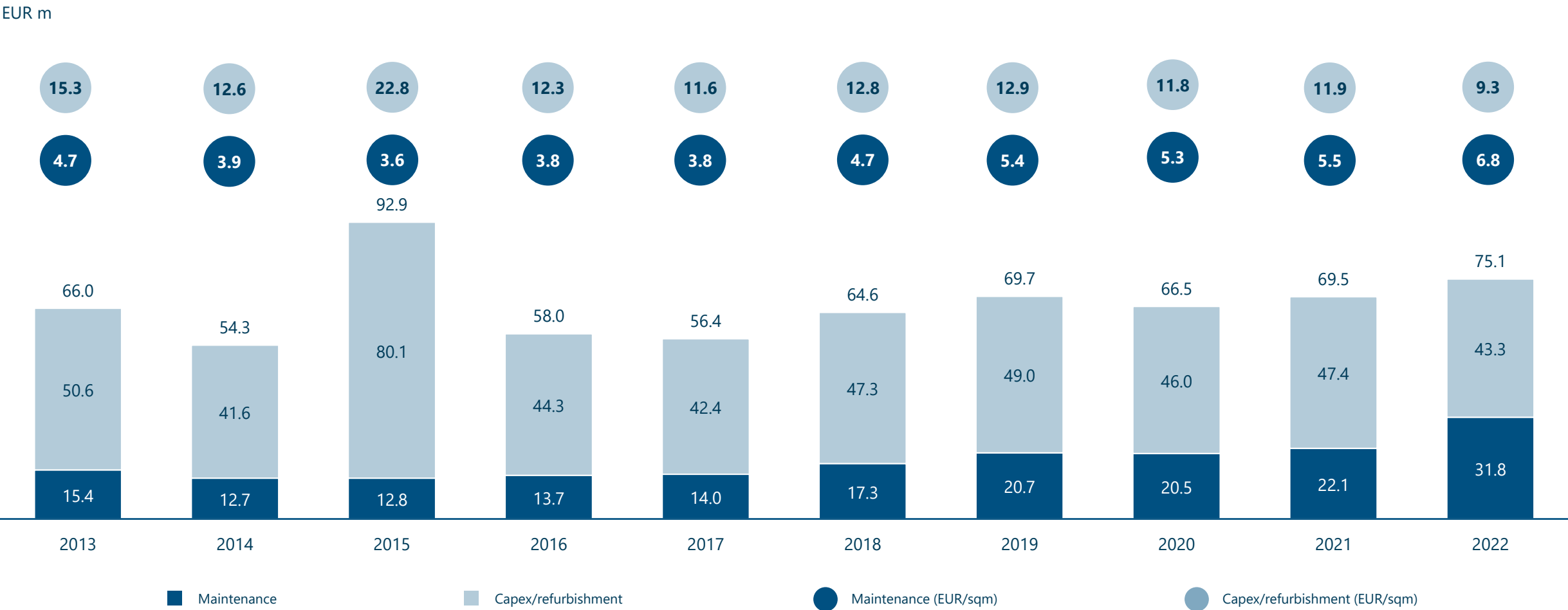
Track record of strong rental income growth

EUR m, GRI excl. utility payments



Investment activities

Investing in maintenance and capex secures high quality standards



Investment activities

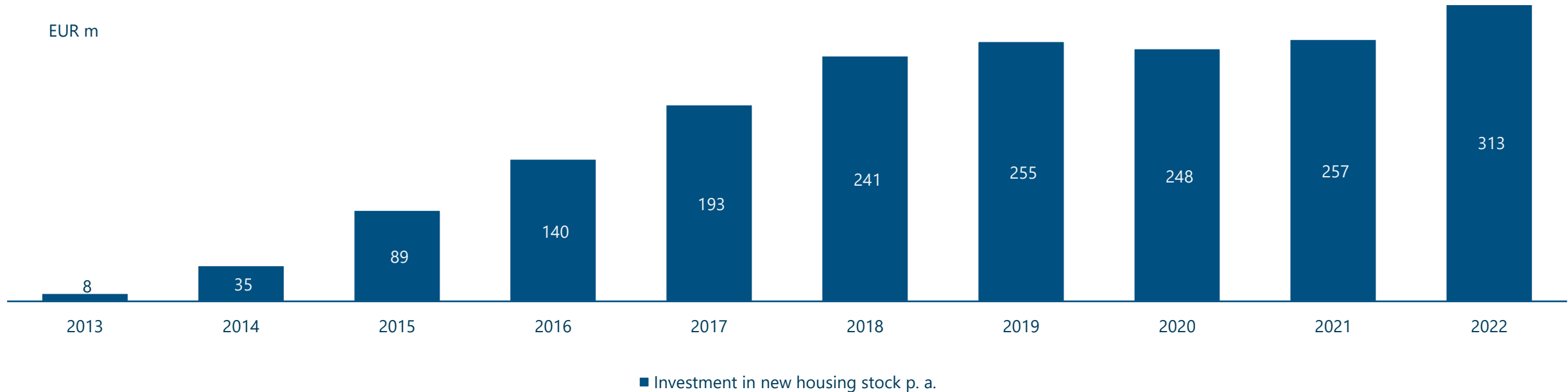
HOWOGE continues developing portfolio through new building activities

~ 6,700

Units completed since 2013

~ EUR 1.8bn

Total invested since 2013

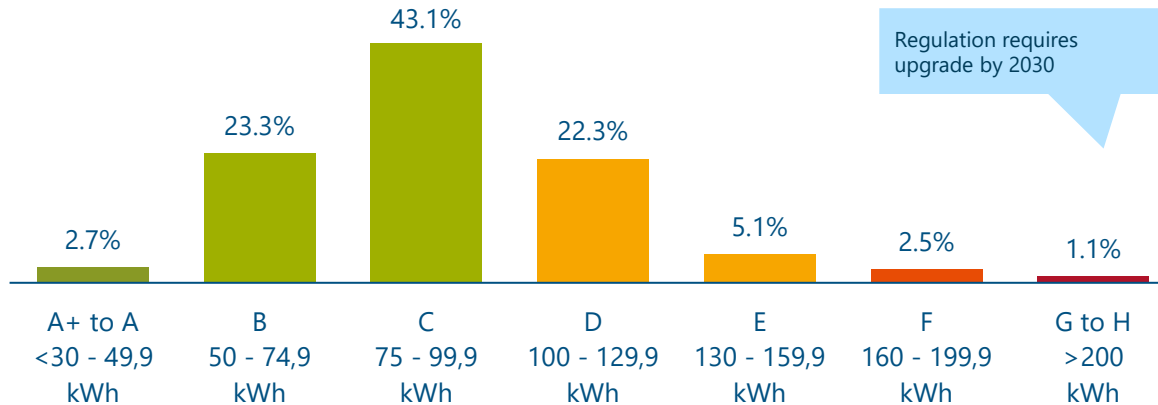


Energy efficiency

HOWOGE with better energy efficiency than the German average

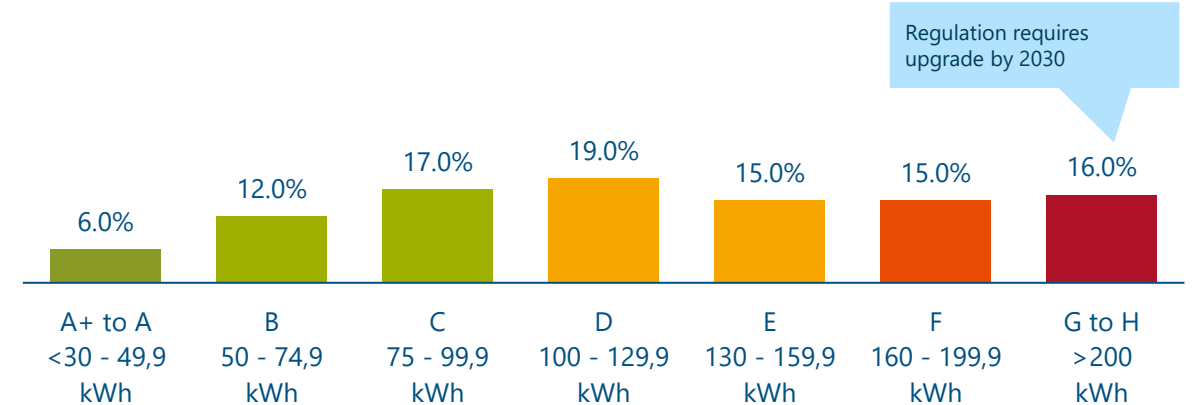
EPC distribution HOWOGE Portfolio

In %



EPC distribution multi-family homes Germany

In %



Source: Agora Energiewende (2023)

Summary:

Regulation and EPCs:

- Regulation requires upgrade by 2030 for EPCs G and H
- Only 1.1% of HOWOGE Portfolio (77 buildings with 692 units) within EPC clusters G and H
- >75% of HOWOGE portfolio screen better than the German average of ~125 kWh/m²

Sustained attractive growth

New Construction & Housing

- ~ 6,700 residential units completed
- ~ 11,500 residential units in planning
- ~ 1,700 residential units under construction

We rely on innovative strategies in building:

- Wind energy
- Photovoltaics
- Wood hybrid construction
- Type house

Pilot projects

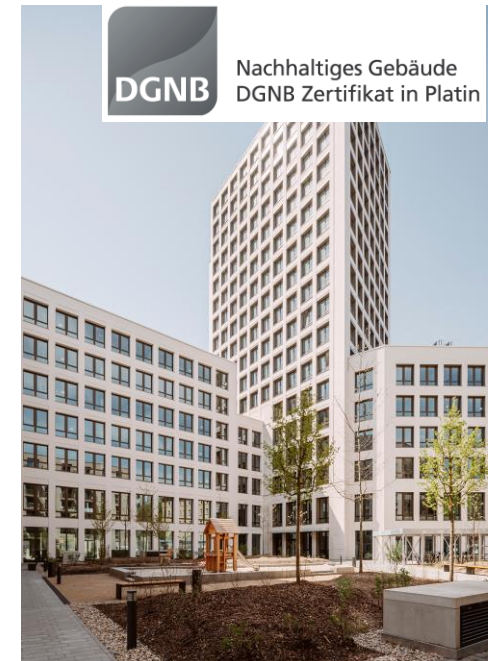


Urbaner Holzbau
Berlin-Adlershof

Award-winning projects



Sewanstraße 20–22
Berlin-Friedrichsfelde



Office tower Stefan-Heym-Platz 1
Berlin-Lichtenberg

Our commitment for Berlin

HOWOGE

Customer orientation

Efficient portfolio management, letting and tenant services, innovative energy concepts and -supply



Development

New construction and sustainable neighbourhood development, modernisation and comprehensive refurbishment, construction control and project management



Residential

Financing

Long-term oriented, risk-averse and actively managed financing portfolio, diversification with regard to financing instruments, maturities and lenders



Social

Long-term commitment to the neighbourhood, support für associations, institutions and projects, Foundation „Stadtkultur“



School construction

New construction, renovation, timber modular construction



Reliability

with a clear focus

Residential

Growth strategy

We pursue opportunistic approach while maintaining capital discipline and targeting CO₂ reduction

Portfolio management strategy

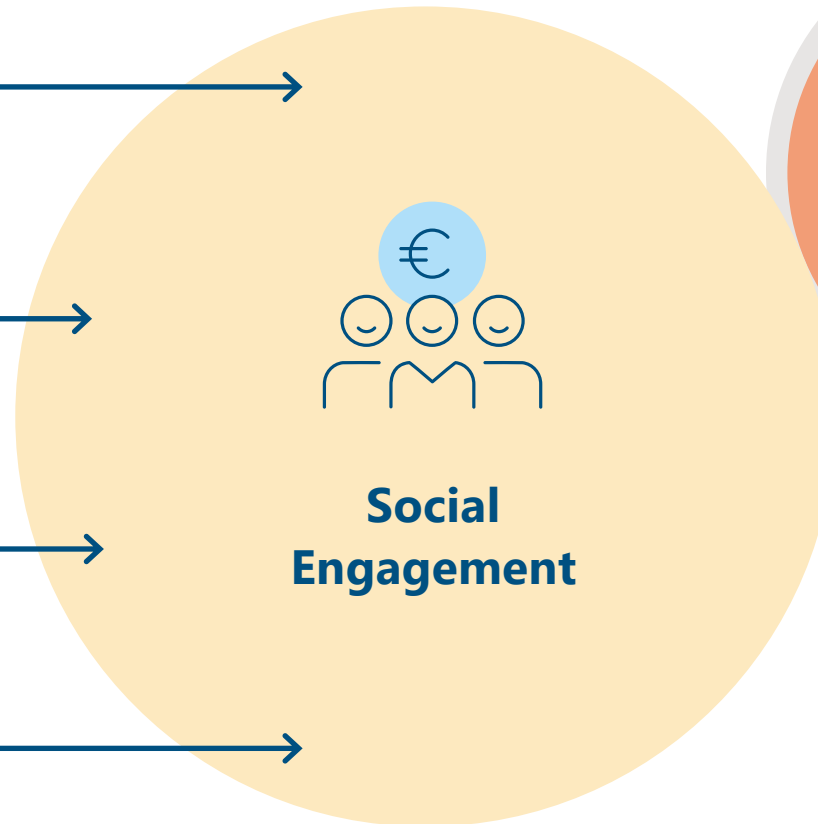
We sustainably expand services to increase customer satisfaction

Financing strategy

We maintain a risk-averse approach: long-term & diversified

Management strategy

We apply a future-oriented portfolio management strategy to reduce costs and increase employee and customer satisfaction



School construction

Service provider for the State of Berlin

We deliver cost-effective according to the specifications and orders of the state

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lebenswert. **Mehr als gewohnt.**

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Thank you.