

HOWOGE

HOWOGE FY 2023 – Company Presentation



Agenda

Company Presentation

- 01 Overview and Highlights FY 2023
- 02 Market and Portfolio
- 03 Financials and Capital Structure
- 04 Appendix



01 Overview & Highlights FY 2023



Overview

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 12.6bn and ~76,400 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 2023
Total portfolio value ⁽¹⁾	EUR 12.6bn
Net LTV (housing)	29.6%
Residential rent (EUR per sqm) ⁽²⁾	6.46
Residential vacancy rate (by area)	1.5%
Adj. EBITDA	EUR 257.2m
FTE	1,079

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 December 2023.

Attractive landlord

Our portfolio

~76,400

Residential
units

EUR per sqm

6.46

Ø Net cold rent⁽¹⁾

1.5%

Vacancy
rate
(based on sqm)



153
Janitors

~ 1,100

Commercial
units



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

~17,500

Other units
(parking spaces,
garages etc.)



Highlights FY 2023

HOWOGE shows resilience despite challenging macro environment



1 Strong core business and operations

- Occupancy consistently at >98%
- Rent collection rate of >99%
- Rental and lease revenue up by 3.4% yoy
- New construction of 973 apartments in 2023
- Successful foundation of HOWOGE Reinigung GmbH (cleaning services)

2 Sustainability reporting including EU taxonomy requirements

- 2023 Sustainability Report has been published on 25 April 2024
- HOWOGE is reporting in line with DNK guidelines since 2011



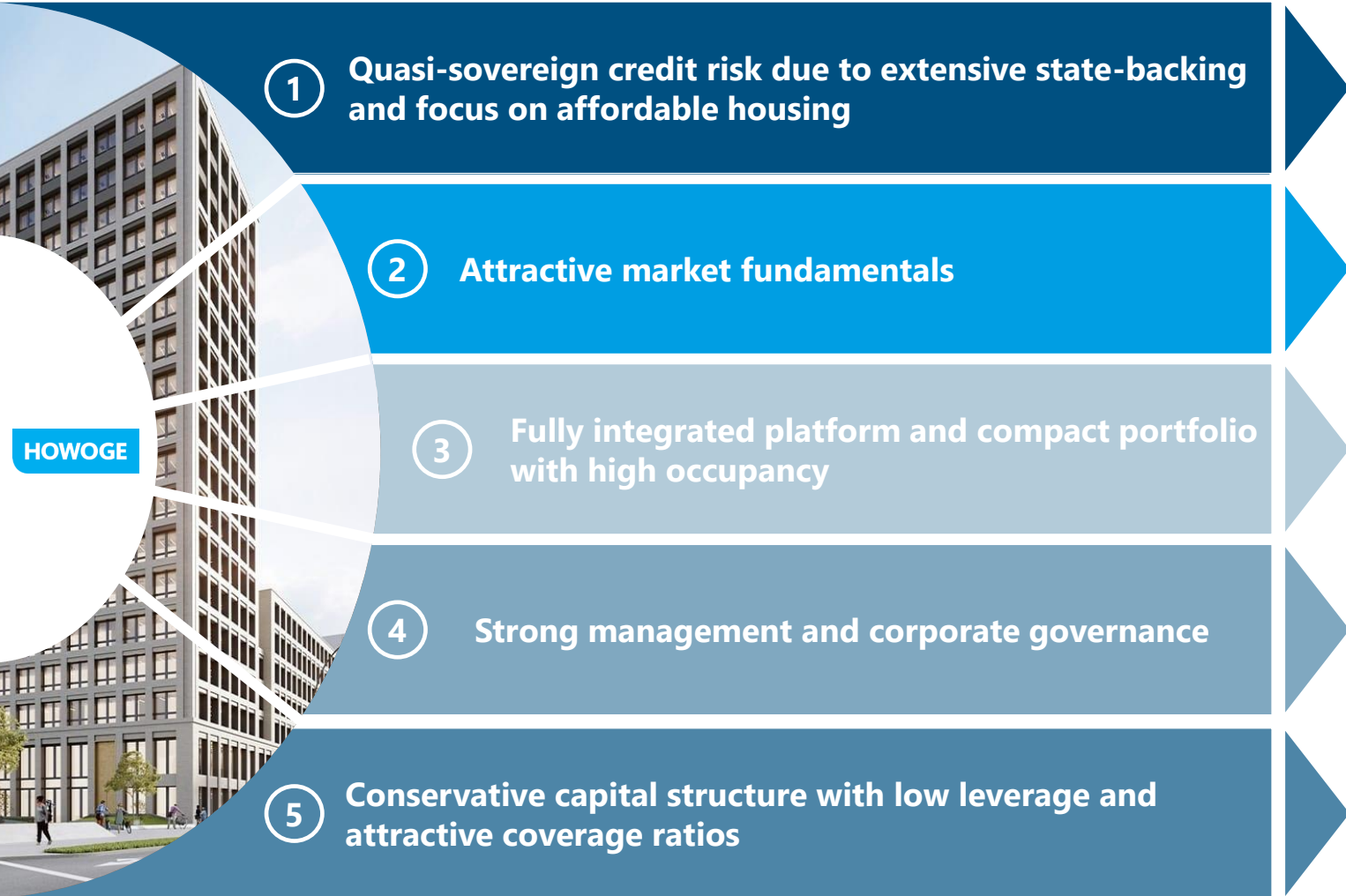
[Link
Sustainability
Report](#)

3 Solid financial results and conservative leverage in FY 2023

- FFO: EUR 197.9m (-7%); upper end of guidance of EUR 180-200m
- Adj. EBITDA: EUR 257.2m
- Equity: EUR 7.4bn (~56% of total balance sheet)
- Net LTV: 32.1% (29.6% housing)

Key Credit Highlights

HOWOGE is a company with excellent creditworthiness



 Systemically relevant for the State of Berlin	A S&P Rating	AA- Fitch Rating
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+12% population growth (2012-2023)
 Significant supply / demand imbalance

~76,400 Residential units	>98% Occupancy rate
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E✓ New construction and refurbishments	S✓ Affordable housing	G✓ Two-tier board structure
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~30% Net LTV (housing)	~50% Financial policy ⁽¹⁾ : max. Net LTV
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1. Financial policy excludes school initiative
 © Baumschlager Eberle Architekten

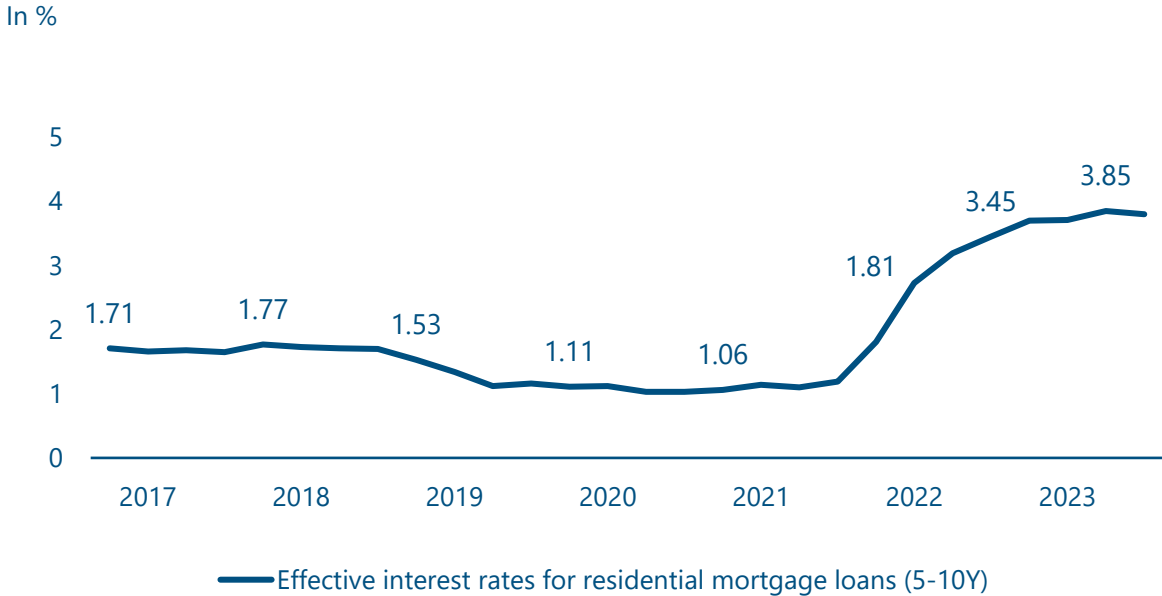
02 Market & Portfolio



Market Fundamentals I

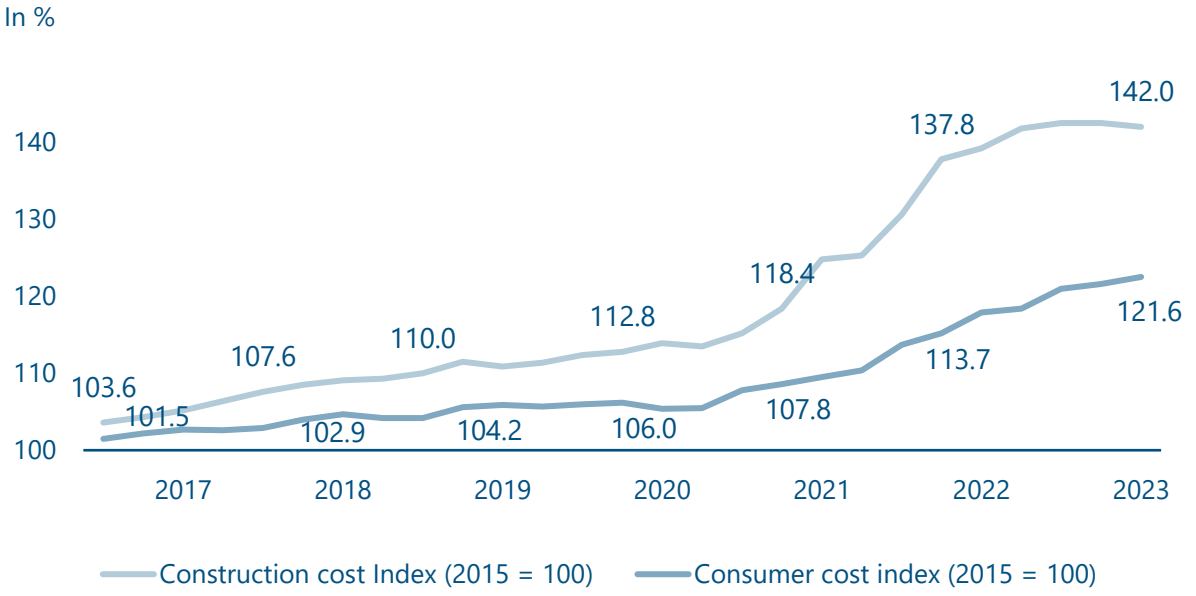
Challenging environment for interest rates and construction costs

Interest rates for mortgage lending



Source: Deutsche Bundesbank

Construction costs have outpaced consumer cost inflation



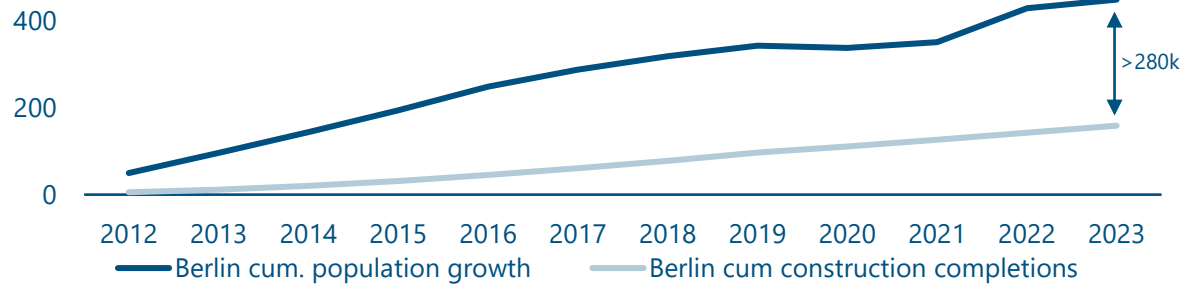
Source: Statistical Office Berlin

Market Fundamentals II

However, Berlin residential market fundamentals remain attractive

Strong population growth and low construction activity ...

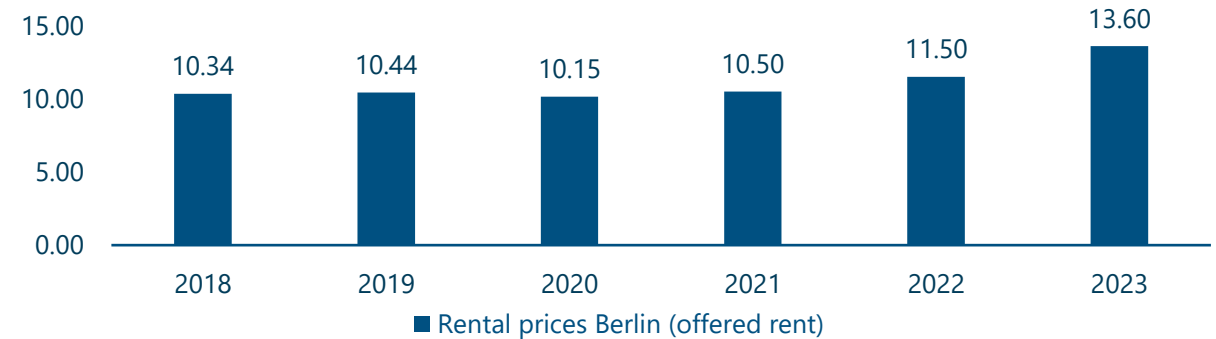
In '000s



Source: Statista, Statistical Office Berlin

...lead to +18% increase in asking rent levels.

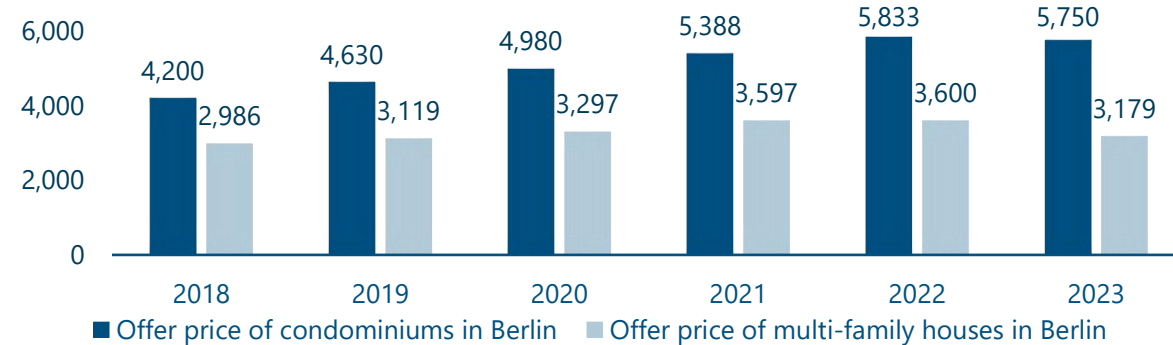
In EUR per sqm per month



Source: CBRE based on market database by Value AG

House price decline of ~12% driven by higher interest rates

In EUR per sqm



Source: CBRE based on market database by Value AG

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:** higher interest rates resulted in decreasing house price levels in 2023 after a decade of strong price increases

Portfolio

HOWOGE owns a concentrated portfolio with regional focus

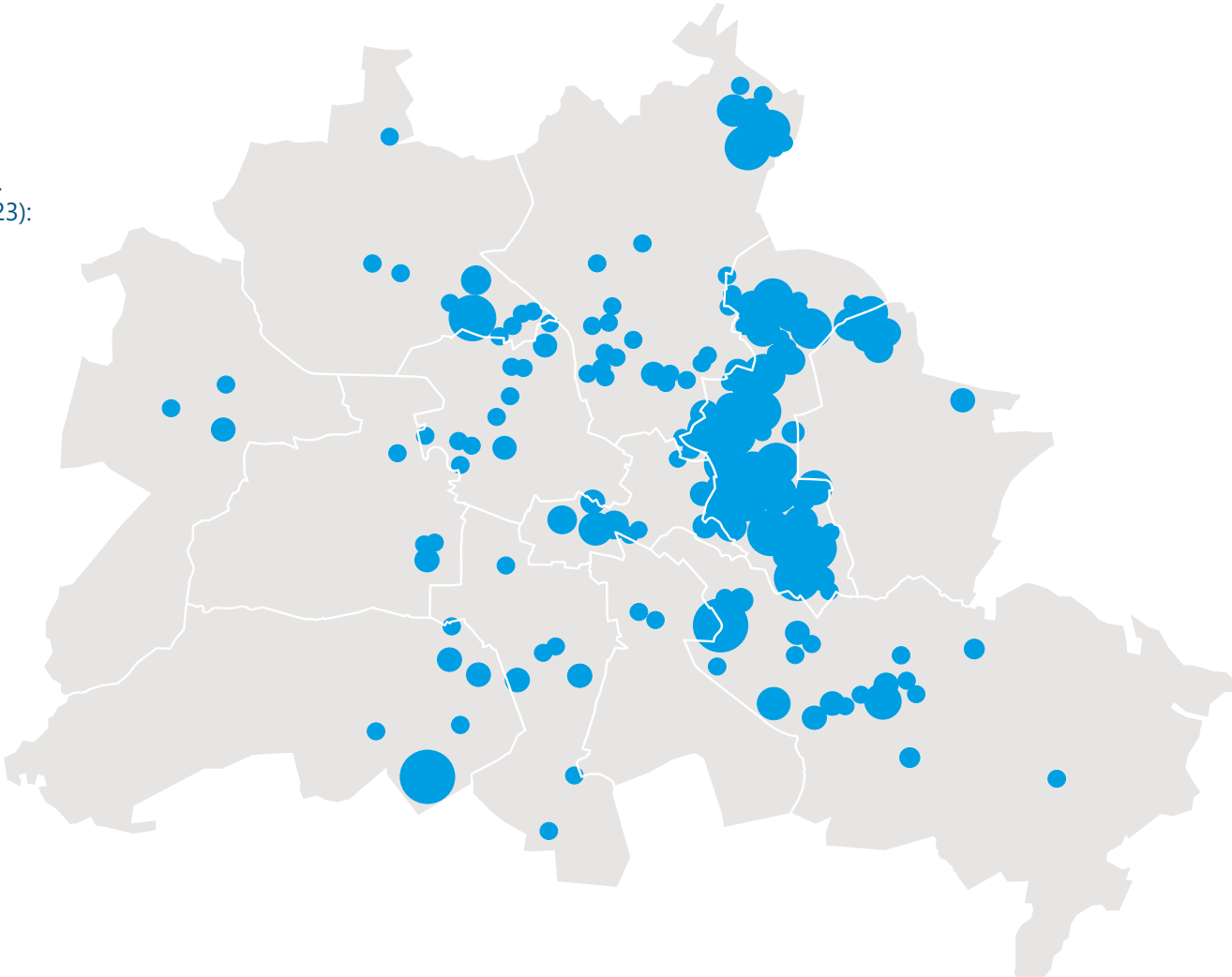
Portfolio and operations overview

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 2023):

- 76,392 residential units,
- 1,150 commercial units,
- several undeveloped properties / undeveloped land

EUR 11.9bn Fair value only including existing buildings	EUR 12.6bn Total fair value ⁽¹⁾
~76,400 Residential units	EUR 2,429 Fair value per sqm
30.8x In-place rent multiple	24.1x Market-rent multiple

As of 31 December 2023



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	76,392	4,705	364.6	92%	6.46	1.5%
Commercial	1,150	183	19.4	5%	8.85	9.7%
Sub-total	77,542	4,888	384.0	97%	6.55	1.8%
Other ⁽²⁾	17,446	304	13.4	3%	n/a	n/a
Total	94,988	5,192	397.4	100%	n/a	n/a

As of 31 December 2023

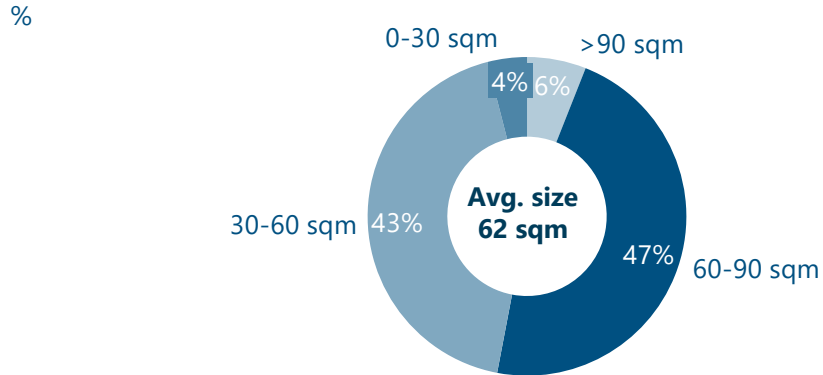
1. In place rent is defined as current gross rent per month as agreed in the corresponding rent agreement before deducting recoverable operating costs. Residential in place rent is often referred to as "net cold rent"

2. Other mainly includes parking spaces and garages

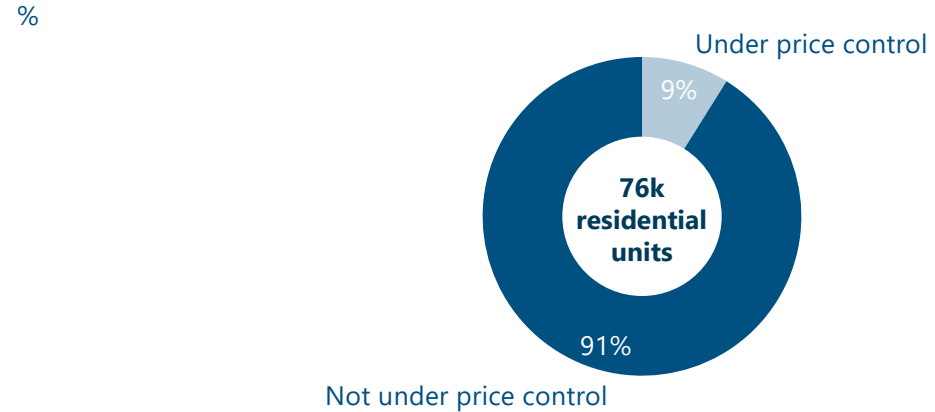
Portfolio statistics

Low in-place rents and relatively young asset base

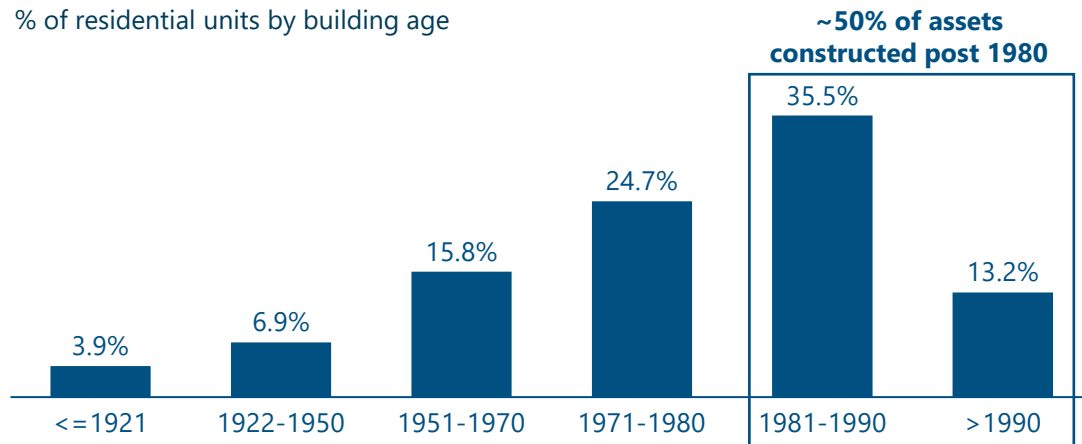
Apartment size



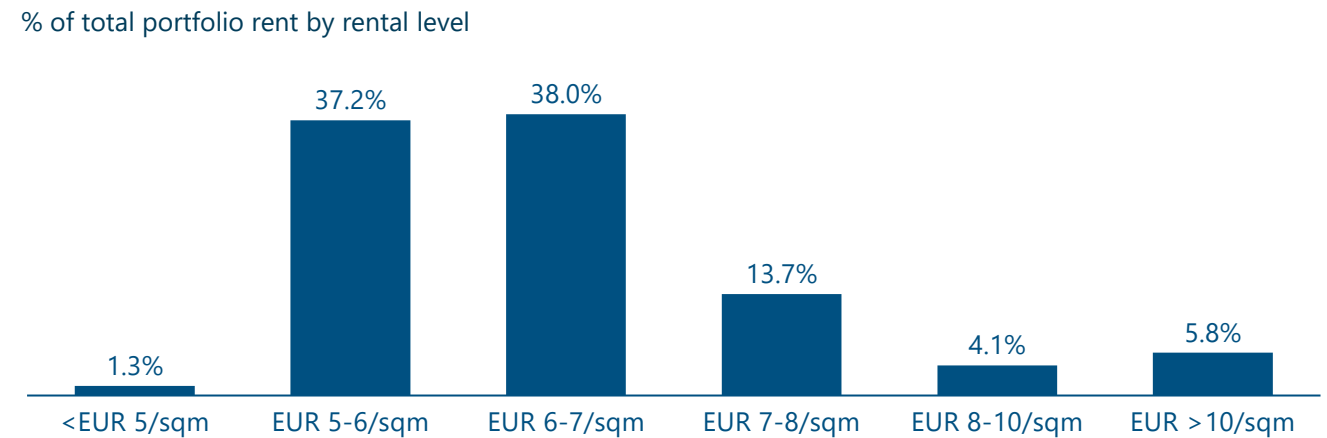
Rental restrictions⁽¹⁾



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.

Strategic acquisition

~4,500 apartments and additional land reserves in Berlin

Transaction Highlights

Residential portfolio:

- ~4,500 apartments in Berlin
- 7.04 EUR/sqm net cold rent (Ø)
- <1% vacancy rate
- Located in Berlin (Lichtenberg)
- Comparable to existing HOWOGE stock regarding technical quality and type of asset

Land reserves:

- Acquisition of 74% stake of SEG Buch, a land holding SPV in Berlin with 7 hectares of future building land
- Remaining 26% acquired by Berlinovo

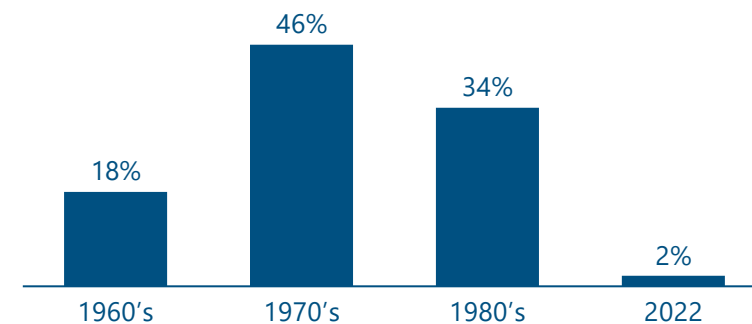
Deal structure:

- Share Deal
- EUR 700m total purchase price
- Transfer of shares scheduled for 1 January 2025
- Financing via existing liquidity and a mix of secured and unsecured debt

Acquisition portfolio perfectly fits with existing HOWOGE portfolio



% of residential units by year of construction



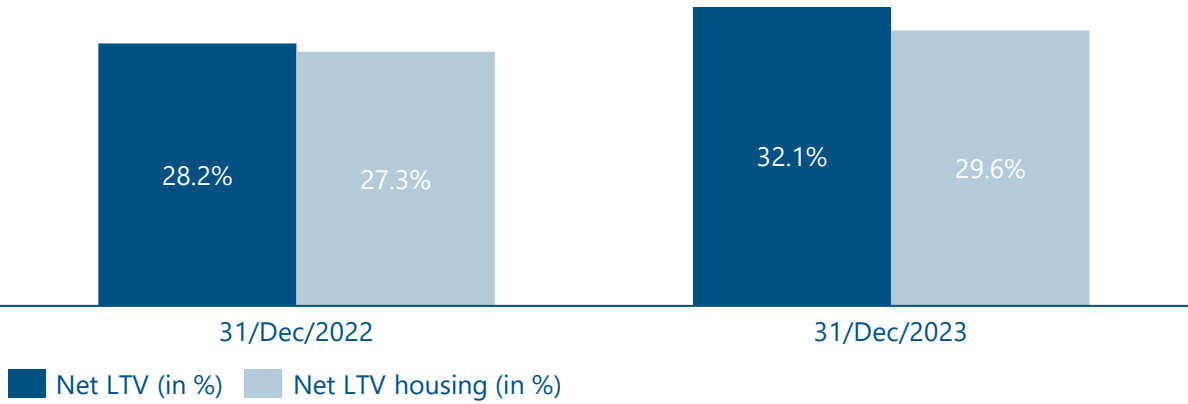
03 Financials and Capital Structure



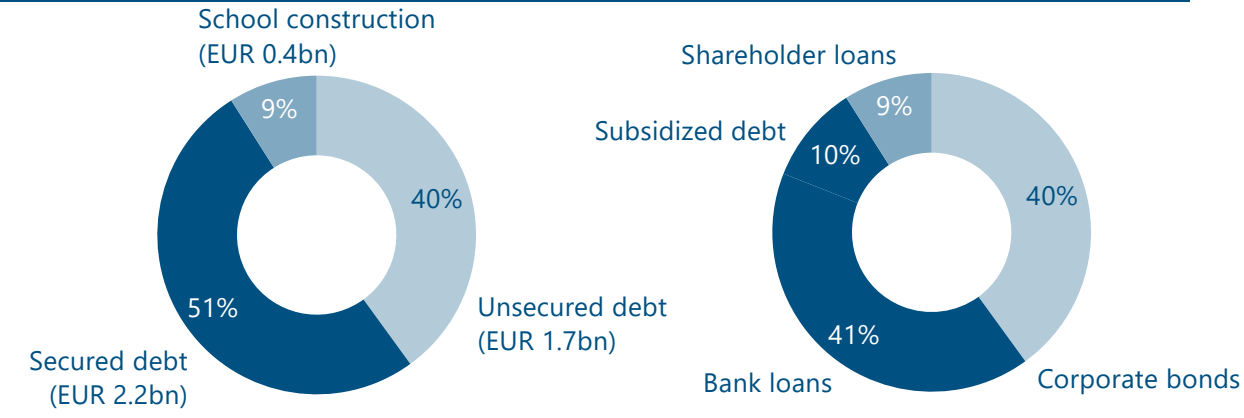
Conservative capital Structure

Low leverage and diversified debt structure

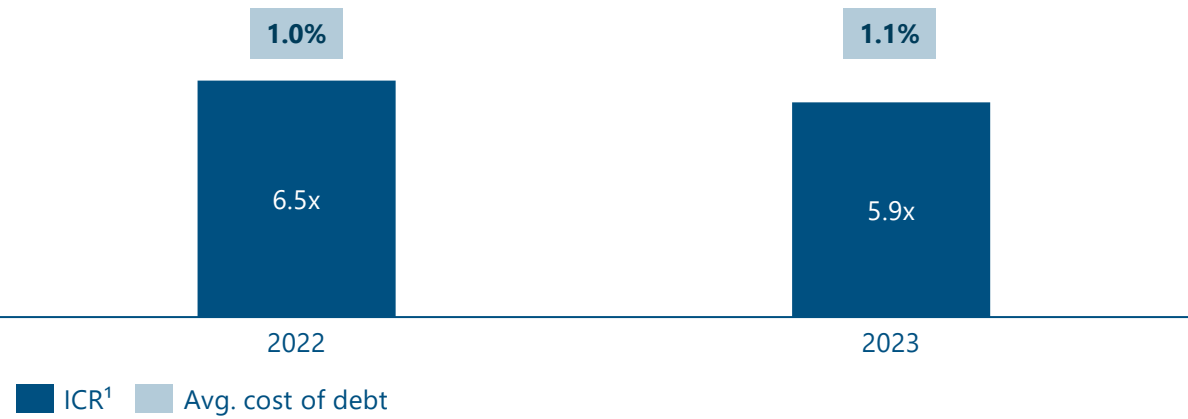
Current leverage in the comfort zone



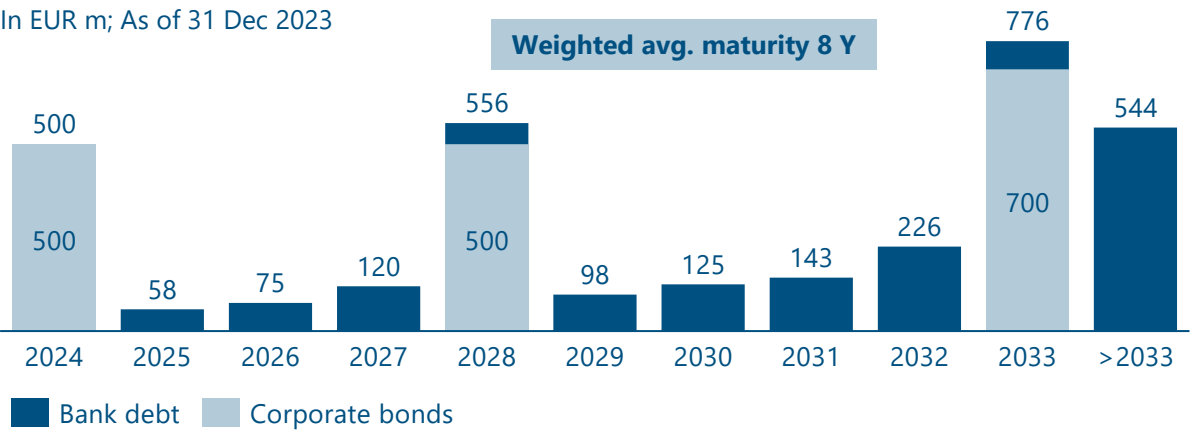
Funding and asset mix of EUR 4.3bn total debt (31/Dec/2023)



Strong coverage ratios and low cost of debt



Long-dated maturity profile⁽²⁾ with 2024 maturity already hedged



1. ICR defined as Adj. EBITDA / cash interest expenses
 2. Maturity profile is based on end of fixed-rate interest period excl. debt from school construction

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: 04/Jul/2023
S&P:	A	outlook stable	last update: 21/Aug/2023

Bond covenants

Current levels offer significant comfort

Bond covenant	Required level	Current level 31/Dec/2023
Consolidated LTV Total debt/ total assets	<60%	29.9%
Consolidated secured LTV Total secured debt/ total assets	<45%	16.5%
Interest coverage ratio Adjusted EBITDA/ cash interest	>1.8x	6.1x
Unencumbered asset ratio Unencumbered assets/ unsecured debt	≥125%	324.6%

Consolidated Balance Sheet

EUR m	31/Dec/2023	31/Dec/2022
Investment property	12,325.1	13,281.1
Other non-current assets	290.8	230.4
Non-current assets	12,615.9	13,511.4
Inventories property and other inventories	283.9	111.1
Receivables and other assets	114.6	136.9
Cash and cash equivalents	273.7	158.3
Assets held for sale	33.9	10.8
Current assets	706.1	417.1
Total assets	13,322.0	13,928.5

EUR m	31/Dec/2023	31/Dec/2022
Equity	7,401.3	8,116.7
Non-current financial liabilities	3,556.7	3,913.8
Other non-current liabilities	1,465.9	1,652.3
Non-current liabilities	5,022.6	5,566.1
Current financial liabilities	701.0	4.7
Other current liabilities	197.2	241.1
Current liabilities	898.2	245.8
Total equity and liabilities	13,322.0	13,928.5

- Investment property ~93% of total assets
- Inventories mainly stem from school construction
- Assets held for sale consists of one commercial property (former headquarters) and one land plot for school construction scheduled for disposal in 2024
- Equity ratio slightly declined to ~56%
- Current financial liabilities of EUR 701m includes EUR 500m Bond maturing in Q4-2024

Adjusted EBITDA

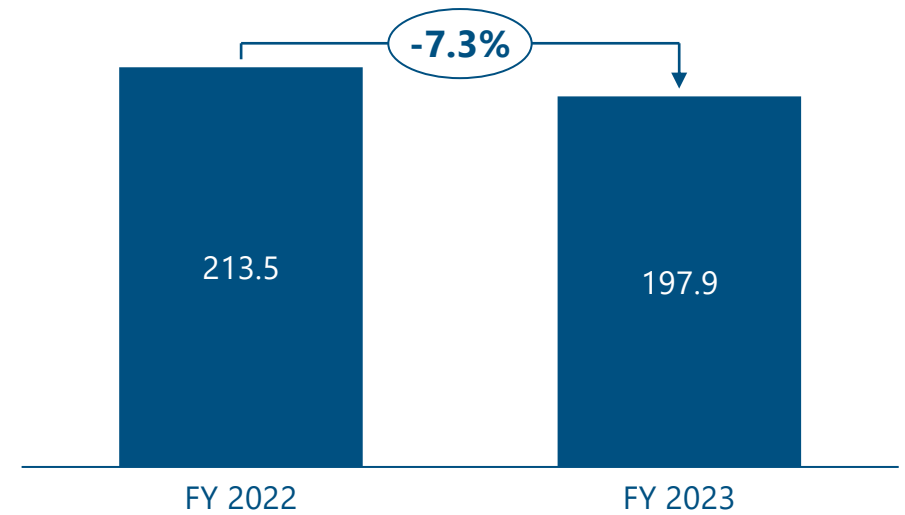
EUR m	FY 2023	FY 2022
Total revenues	541.1	515.3
Change in inventories for real estate and other	172.8	89.7
Own work capitalized	3.8	3.8
Cost of materials	(363.8)	(239.9)
Personnel expenses	(64.6)	(54.6)
Other operating income	57.0	12.9
Impairment of financial assets	(3.6)	(3.9)
Other operating expenses	(36.3)	(30.9)
Financial income	5.3	5.1
Other taxes	(16.6)	(16.4)
One-offs	(37.9)	(13.1)
Adjusted EBITDA	257.2	268.1

- Total revenues increased mainly due to larger asset base (new constructions) and higher prepayments for ancillary costs (heating)
- Higher Cost of materials in 2023 driven by higher maintenance expenses and increased ancillary costs such as heating etc.
- One-offs include EUR 38.4m extraordinary income from first time recognition of technical facilities such as PV plants and combined heat and power units (BHKW)

Funds from Operations

Proving strong operational cashflow

EUR m	FY 2023	FY 2022
Adjusted EBITDA	257.2	268.1
Cash income tax expenses	(21.4)	(10.5)
Cash interest expenses/ income	(35.3)	(41.5)
Insurance policies	(2.9)	(2.7)
Sale of assets	0.2	0.2
FFO	197.9	213.5



→ FFO decreased by 7% YoY mainly due to higher maintenance, personal and income tax expenses.

→ Increase in income tax expenses driven by significantly lower tax loss carryforwards compared to previous years.

Outlook:

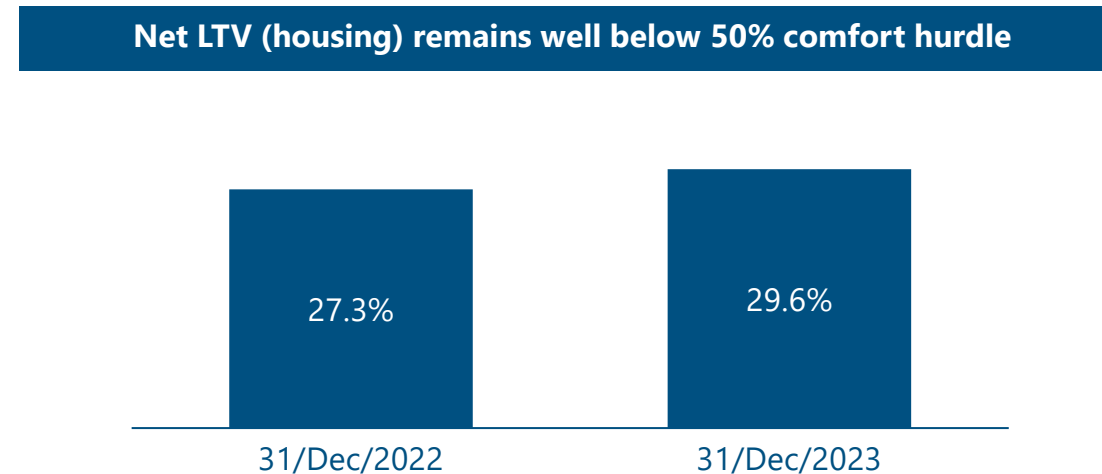
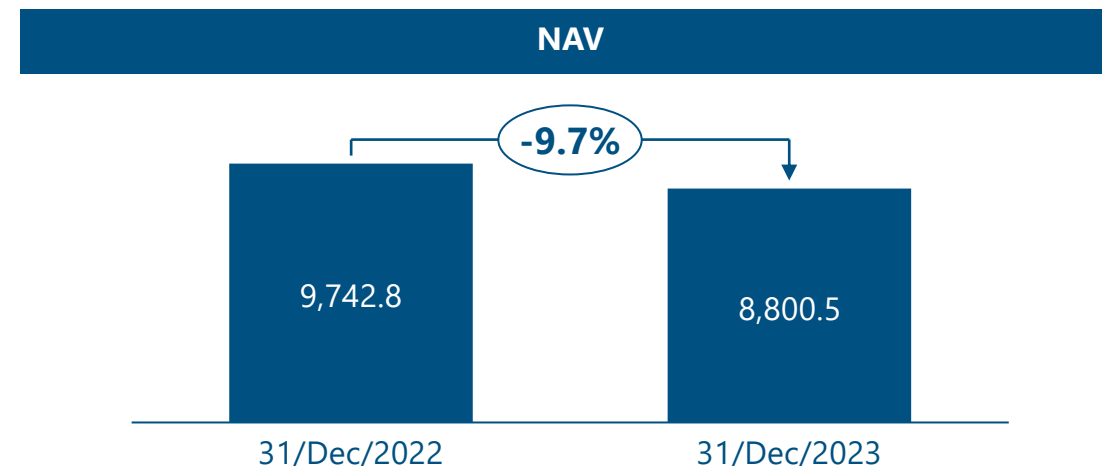
→ Stable FFO of ~EUR 180-200m expected for FY 2024

NAV and Net LTV

Development of balance sheet KPIs

EUR m	31/Dec/2023	31/Dec/2022
Total equity	7,401.3	8,116.7
Deferred tax liability on investment properties	1,399.3	1,626.1
NAV	8,800.5	9,742.8

EUR m	31/Dec/2023	31/Dec/2022
Financial liabilities	4,257.6	3,918.5
Cash and cash equivalents	(273.7)	(158.3)
Net financial liabilities	3,984.0	3,760.2
Fair value of investment property	12,325.1	13,281.1
Prepayments on investment property	96.5	62.6
Net LTV ratio	32.1%	28.2%
Net LTV ratio (housing)	29.6%	27.3%



04 Appendix



Management Board

Experienced team with over 20 years of expertise

Katharina Greis

Managing Director (commercial)

- Managing director since 2023
- Responsibilities:
 - Controlling and Data modelling
 - Treasury and Investor Relations
 - Accounting
 - Human Resources
 - Legal
 - Sustainability
 - Governance, Risk and Compliance
 - Internal Audit

>20 years of professional experience



Ulrich Schiller

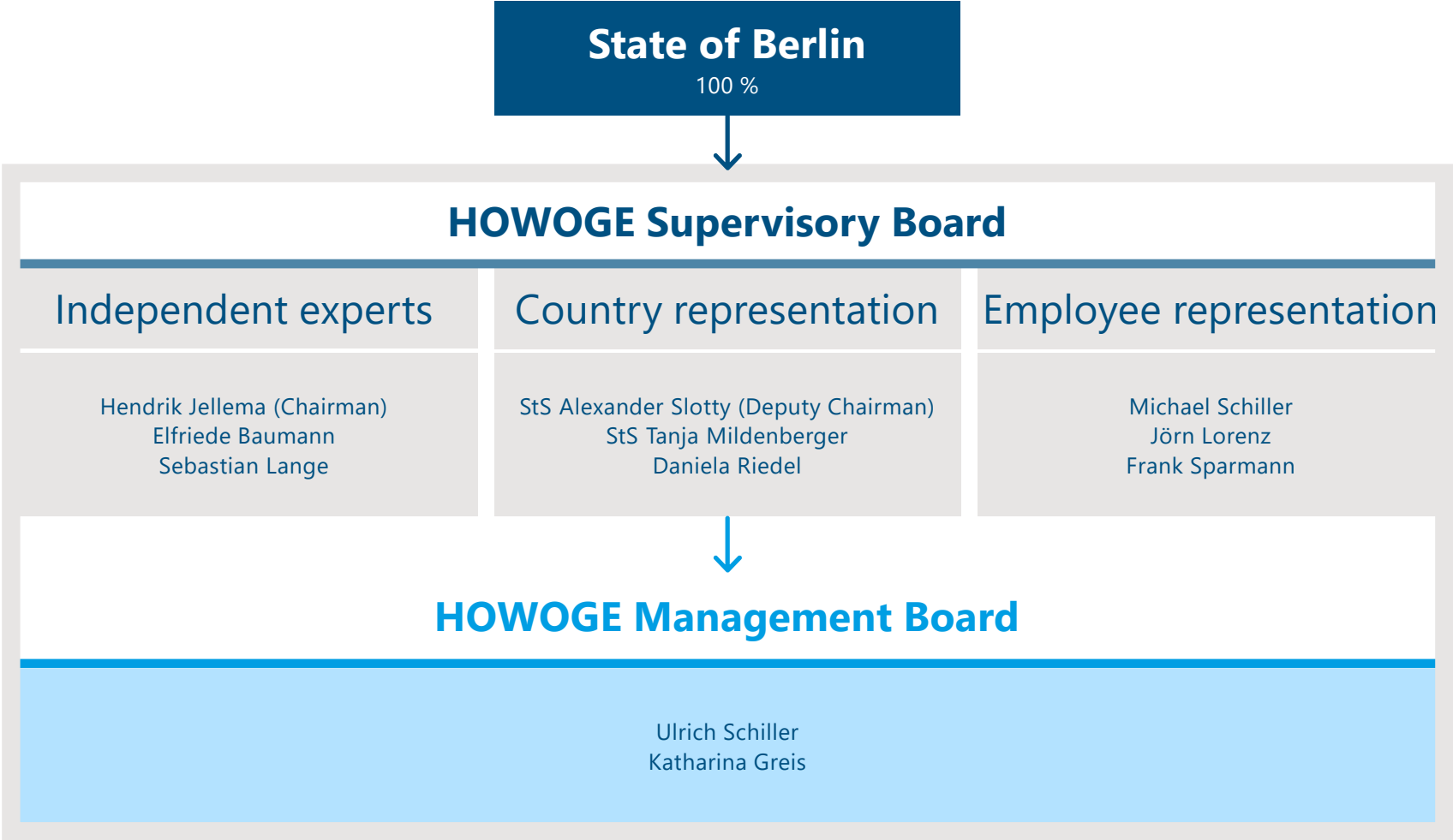
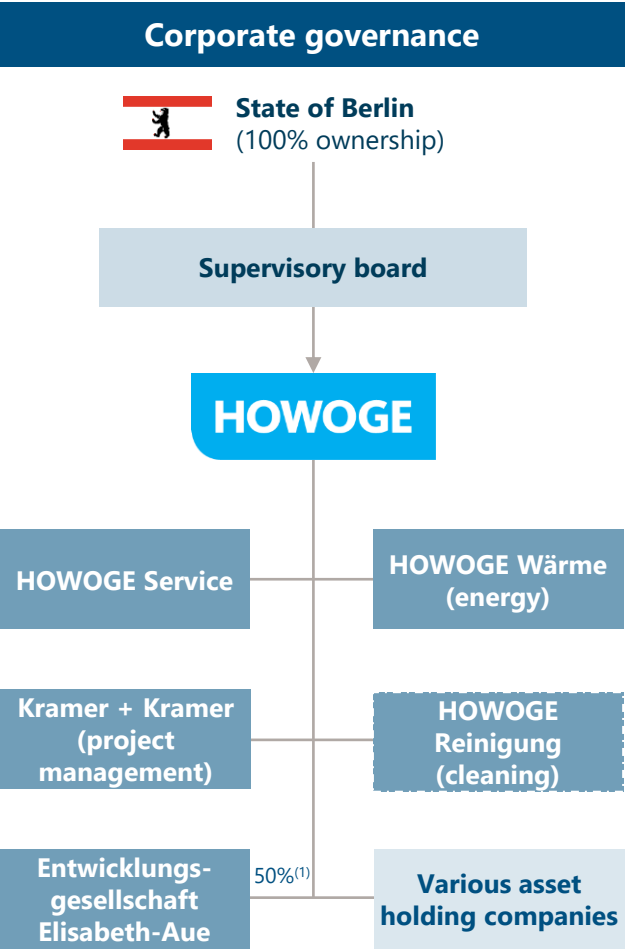
Managing Director (operational)

- Managing director since 2019
- Responsibilities:
 - Asset and property management
 - New construction
 - School construction
 - Technical management
 - IT, process and digitization
 - Communication and marketing
 - Corporate office and press relations
 - Procurement

>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



State of Berlin

100% owned by State of Berlin

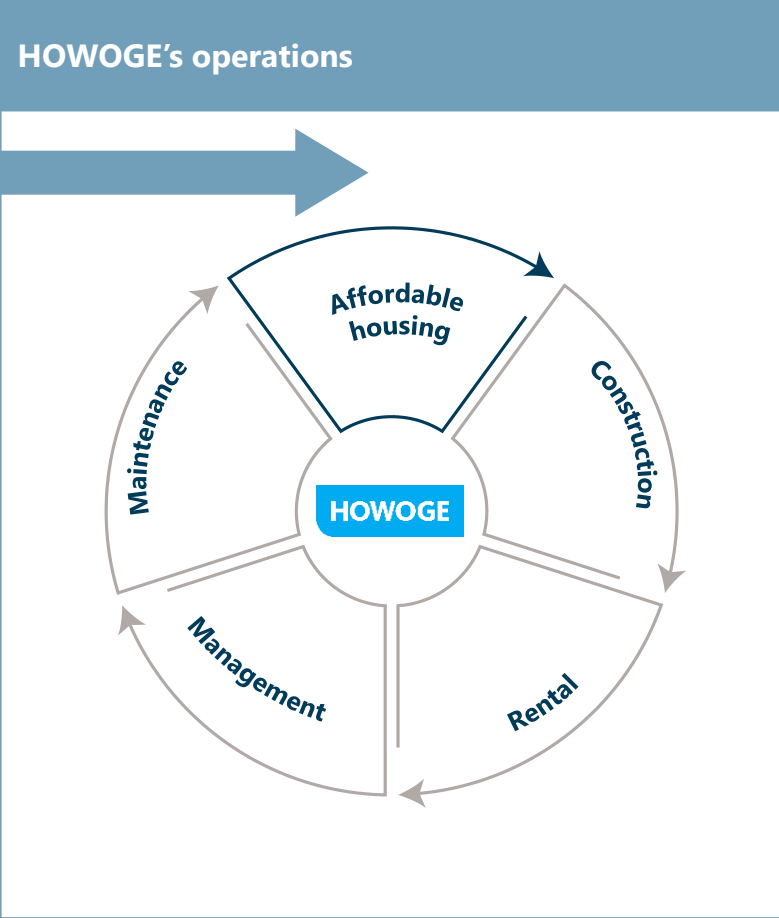
- Owned by the State of Berlin since foundation in 1990
- Completed transformational merger with WBL in 1997

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



Importance of HOWOGE to Berlin

Affordable housing



- Supply of affordable housing space for low incomes must be ensured
- Successful execution of several new development projects 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)

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

Strengthening of economic base for municipal housing companies, stimulation of new supply and ensuring affordability of housing

Adjustment of general rent increases (Mietspiegel) up to a maximum of **2.9% p. a. on average**

Hardship policy:
Net cold rent shall not exceed **27%** of the respective WBS⁽²⁾-eligible household's income

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



HOWOGE

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

Maximum of **EUR 15.00 per sqm** (average) applies for initial letting rents of new-building projects without rent restriction

Modernization charge:
max. 8% p. a. of acknowledged cost and with a cap at 2 EUR/sqm within 6 years

Increase state-owned housing stock by new construction **by 6,500 units p. a** (until 2026)

Long term target: 30% municipal housing stock

1. Current agreement between State of Berlin and HOWOGE Wohnungsbaugesellschaft mbH and the other state-owned housing companies. (Jan 2024 – Dec 2027)

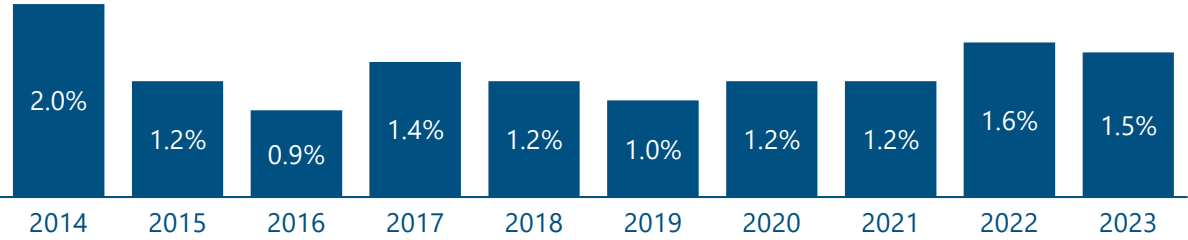
2. Housing entitlement certificate ("Wohnberechtigungsschein") applies for households with income under a certain level.

Operating Performance

Consistent rental growth and high occupancy level

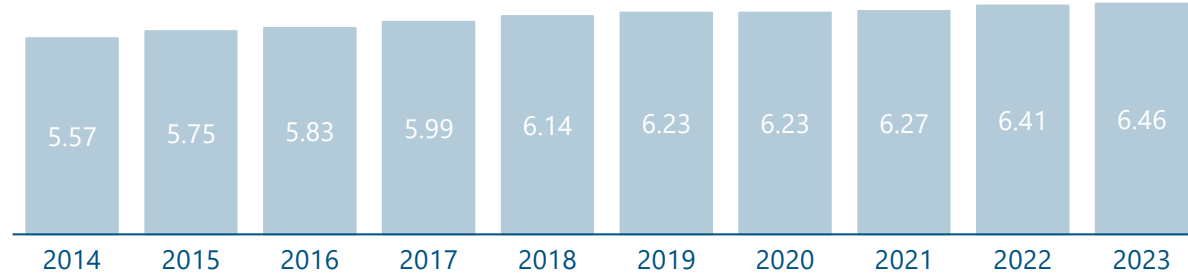
Portfolio basically fully occupied

Vacancy (residential sqm) (%)



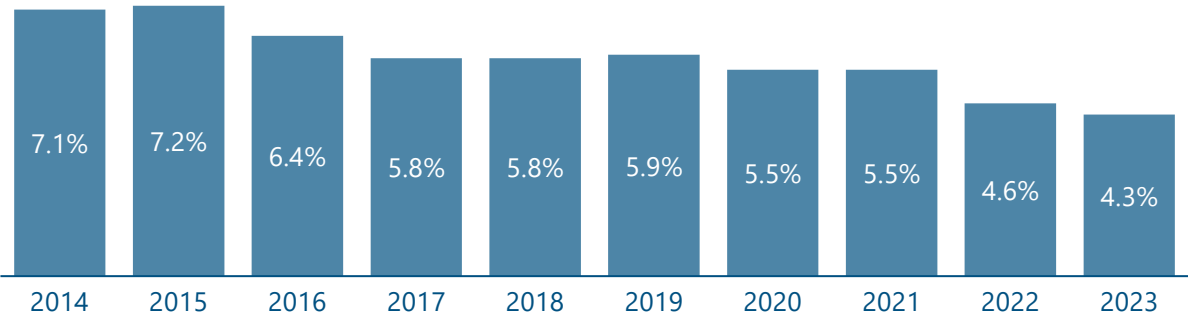
Moderate rental growth

Average residential net cold rent in EUR per sqm per month⁽¹⁾



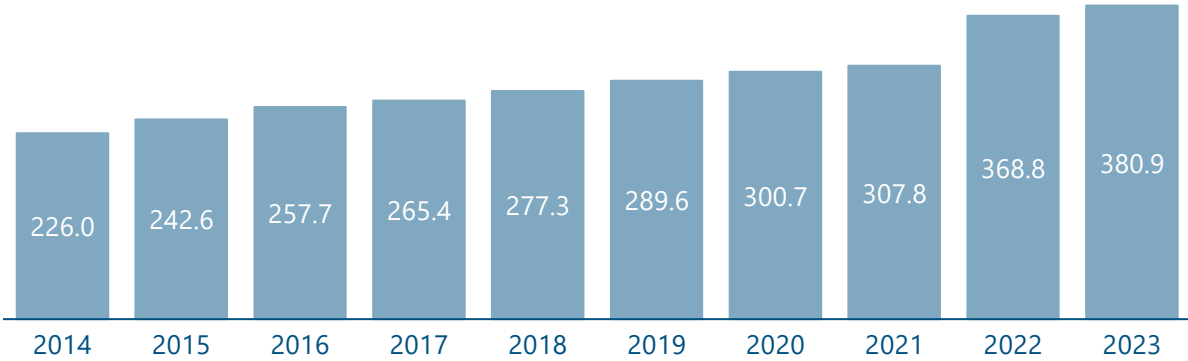
Record low tenant churn - due to housing shortage

% of residential units



Track record of strong rental income growth

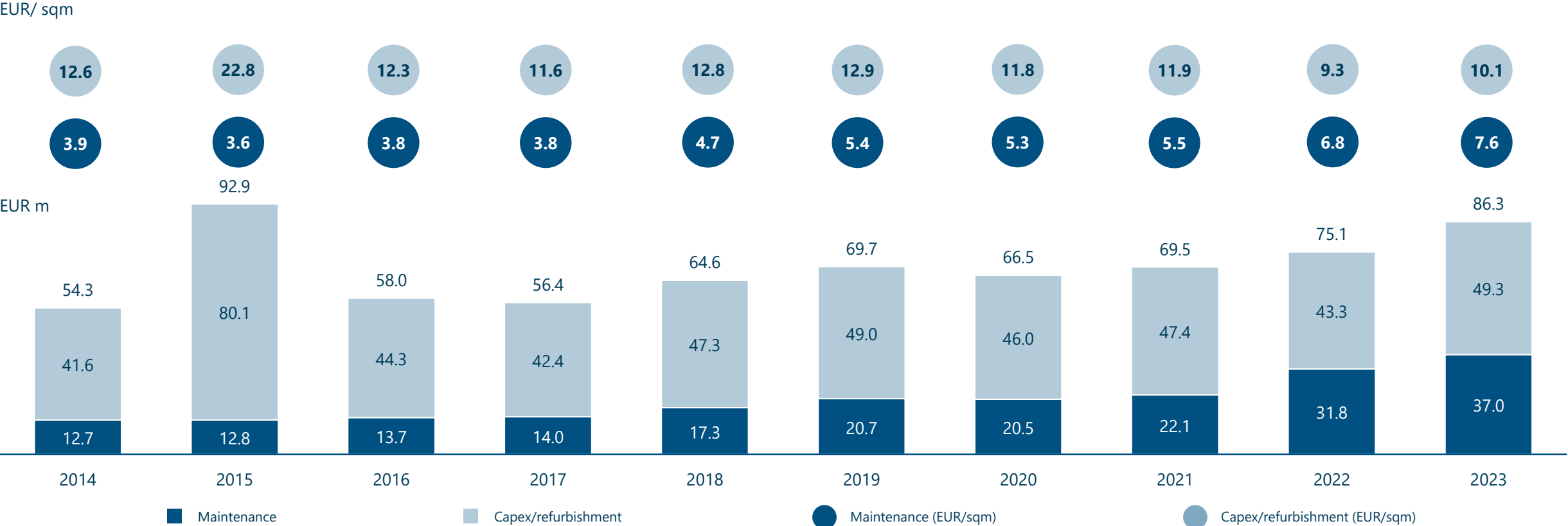
In EUR m



1. As of 31 December 2023.

Investment activities

Investing in maintenance and capex secures high quality standards



Maintenance (fully expensed in P&L): includes ongoing maintenance and repairs

Capex/refurbishment (partly capitalized): includes periodic maintenance (c. 50% capitalized), complex refurbishment projects (100% capitalized) and energetic investments (100% capitalized)

Investment activities

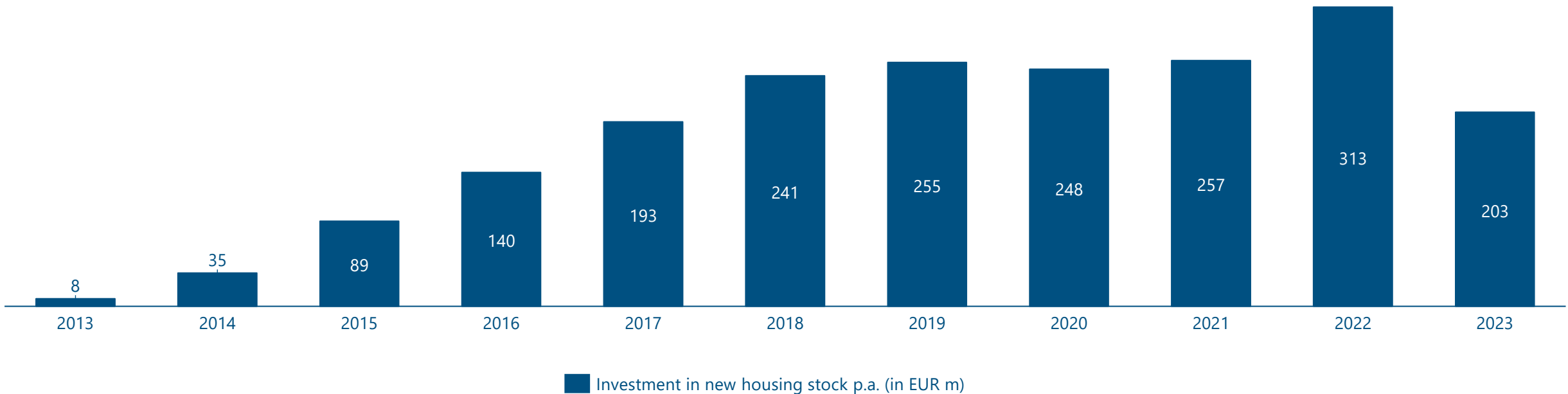
HOWOGE continues developing portfolio through new building activities

~ 7,650

Units completed since 2013¹

~ EUR 2bn

Total invested since 2013¹

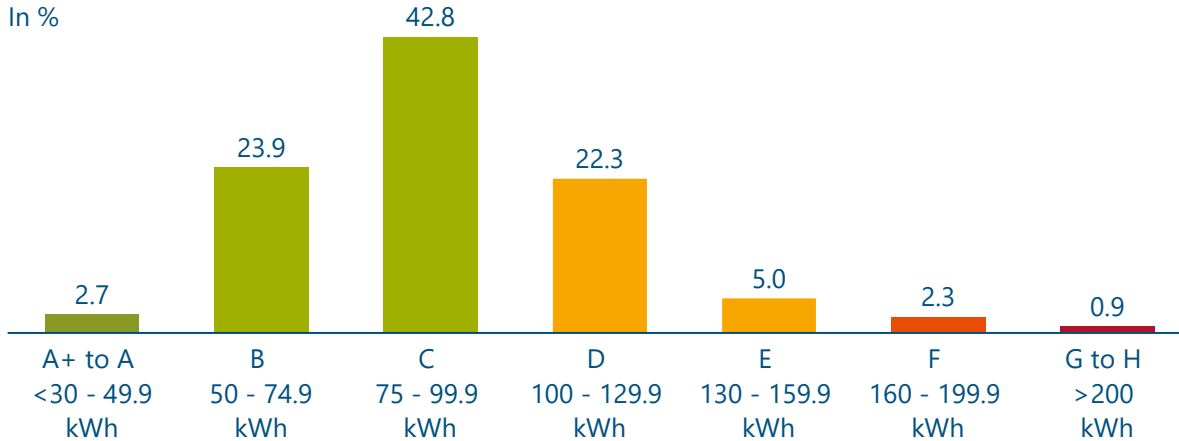


1. In 2013 the new construction programme has been started by HOWOGE

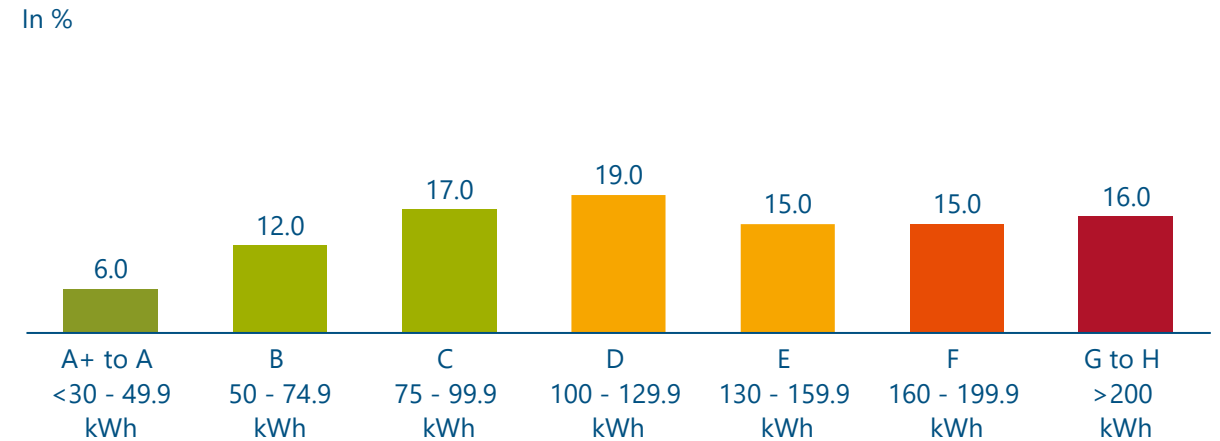
Energy efficiency

HOWOGE with better energy efficiency than the German average

EPC distribution HOWOGE Portfolio (31/Dec/2023)



EPC distribution multi-family homes Germany (2022)



Source: Agora Energiewende (2023): „Die Energiewende in Deutschland: Stand der Dinge 2022“

Summary:

- The average energy consumption of HOWOGE buildings is around 95 kWh/sqm
- >75% of HOWOGE portfolio screen better than the German average of ~125 kWh/sqm
- Only 0.9 % of HOWOGE Portfolio (74 buildings with 629 units) within EPC clusters G and H
- The CO₂ intensity of the HOWOGE portfolio is 17.45 kg CO₂/sqm per year (for the fiscal year 2022)

Sustained attractive growth

New Construction & Housing

- ~ 7,650 residential units completed
- ~ 13,150 residential units in planning
- ~ 3,950 residential units under construction

We rely on innovative strategies in building:

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

Pilot projects

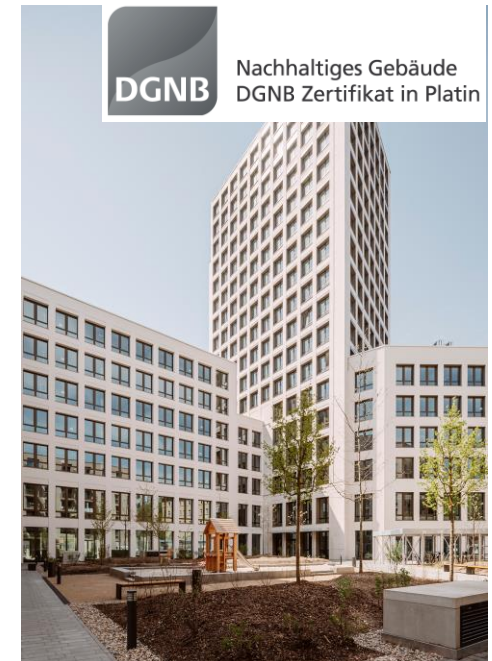


Urban Wood Construction
Berlin-Adlershof

Award-winning projects



Sewanstraße 20–22
Berlin-Friedrichsfelde



Office tower Stefan-Heym-Platz 1
Berlin-Lichtenberg

Portfolio impressions

HOWOGE



Weitlingstraße



Salzmannstraße



Anton-Saefkow-Platz



Landsberger Allee



Ernst-Barlach-Straße



Hauptstraße



Skandinavische Straße



Frankfurter Allee "LIESE"



Wandlitzstraße



Stefan-Heym-Platz



Vulkanstraße



Joseph-Schmidt-Straße



Heinrich-Schlusnus-Straße



Mühlengrund



Treskowstraße

Our commitment for Berlin

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



Social

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

Financing

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



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

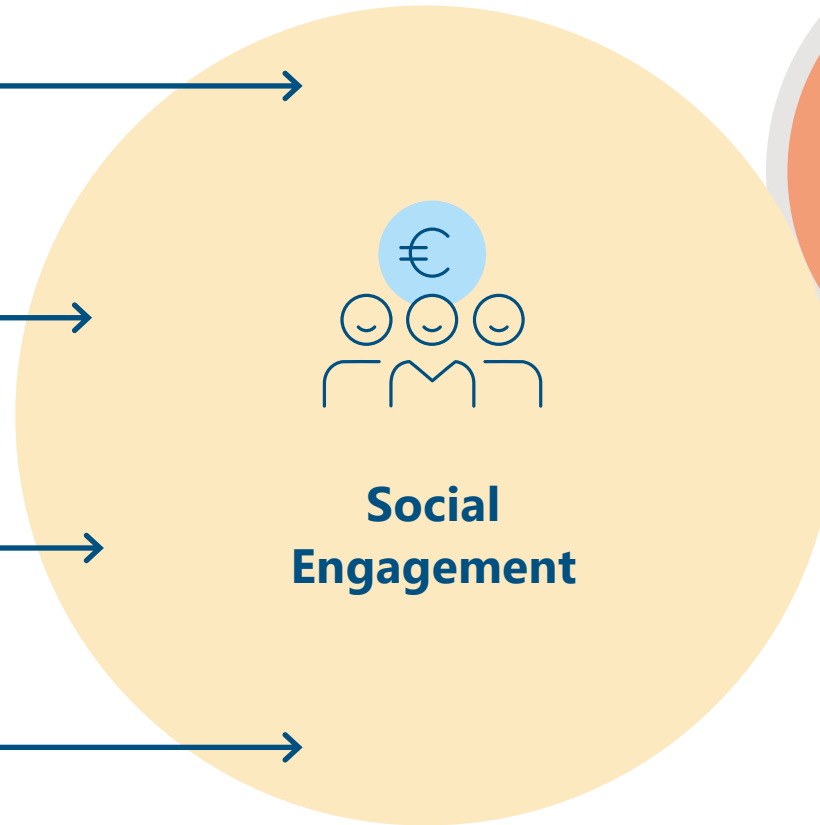
We sustainably expand services to increase customer satisfaction

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.