

Press Release

Results as of September 30, 2018

Operating Result Increases in Reporting Period; Vonovia to Adjust its Modernization Strategy as of 2019 in a Move to Accommodate its Tenants: No Comprehensive Energy-Efficient Modernization Measures Costing More Than € 2 per Square Meter

- Vonovia increases operating result (FFO 1) in the first nine months of 2018.
- Expenses for maintenance up by around 18 %: Expenses of around € 410 million expected for 2018 as a whole.
- Positive outlook for 2018 as a whole and for 2019.
- Vonovia will not be implementing any comprehensive energy-efficient modernization projects in 2019/2020; costs passed on to tenants will not exceed € 2 per square meter. This will reduce the investment volume for energy-efficient modernization by 40 %.
- Investment capacity for 2019 increased overall; volume of € 1.3 billion to € 1.6 billion expected; Vonovia to reallocate its investments and build more of the smaller and senior-friendly apartments that are urgently required.

Bochum, Germany, December 6, 2018 – Business at Vonovia SE (“Vonovia”) showed positive development between January and September 2018. Vonovia thus increased its FFO 1 (funds from operations; profit from operations after interest and taxes; without BUWOG), for example, by 12.7 % as against the same period of 2017 to € 778.2 million (9M 2017: € 690.5 million). This performance can be attributed primarily to the earnings contribution made by Victoria Park in Sweden, an improved financial result, the continued high demand for apartments and the low vacancy rate.

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FFO 1 per share rose by 5.6 % to € 1.50 (H1 2017: € 1.42).

The adjusted EBITDA Value-add Business (craftsmen and housing-related services such as condominium administration, cable TV and metering services) came to € 90.7 million in the first nine months of 2018, an increase of 19.3 % year-over-year (9M 2017: € 76.0 million). FFO 1 interest expense was around 13 % lower than in the same period of the previous year at € 189.2 million (9M 2017: € 216.5 million).

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Investments in Energy-Efficient Modernization Cut by 40 %

“We conducted an extensive analysis of our portfolio from an energy efficiency perspective a few years ago and concluded that we would have to perform fundamental modernization measures on properties from the 1950s, 1960s and 1970s, in particular, in order to cut CO² emissions. We have pursued a systematic approach and we are able to achieve the high standards required under the German Energy Saving Ordinance (EnEV) without any problems. We have, however, found that there is a lack of acceptance for extensive energy-efficient modernization measures and that many tenants are also not in a financial position to bear the cost of the associated rent increases. As our focus is on our customers, we have reviewed our contribution to energy-efficient refurbishment. We have decided not to realize the costly modernization projects that we had planned for our 2019/2020 program where these measures would result in a rent increase of more than € 2 per square meter. This means that we are cutting our investments in energy-efficient refurbishment by 40 %. We are reducing our renovation rate from the current level of 5 % to 3 %, which is still in line with the German government’s climate protection objective,” says Rolf Buch, CEO of Vonovia. The nationwide rate stands at around 1 %.

Vonovia Guarantees: Tenants Will Not to be Forced to Move Out

“We can guarantee: None of our tenants will be forced to move out due to modernization measures,” says Rolf Buch. As far as its ongoing projects are concerned, Vonovia is promising to review in detail all cases in which its tenants report social or economic hardship and to be accommodating in its approach. Significant funds have been made available for this purpose. By the end of the year, 24 additional staff members will have been recruited across Germany to provide personal support, focusing exclusively on hardship management on-site.

Vonovia is also working continuously on improving its dialogue with its tenants. The company will be holding more tenant assemblies before extensive modernization work starts, and tenant consultation sessions will be organized while the measures are ongoing so that any questions can be clarified on-site. In addition, the formal announcement of the modernizations, which will be sent out well before any work begins, will contain a clear reference to the hardship management system.

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New Climate Protection Concept Being Developed

"We are aware that, in the attempt to strike a balance between climate protection and tenant protection, we have made a decision to prioritize our tenants. But these are precisely the sort of solutions that climate protection needs," continues Rolf Buch. As a result, concepts are being developed under the leadership of Klaus Freiberg, the member of the Management Board responsible for operating business at Vonovia, in a quest to help find solutions to the major challenges facing the housing industry, including questions of affordability, climate protection, the use of space and modern living environments.

Vonovia's portfolio currently comprises around 400,000 residential units, with around 23,000 located in Austria and 14,000 in Sweden. The company also manages around 84,000 apartments for third parties. The apartment vacancy rate fell to 2.7 % (September 30, 2017: 2.9 %). Rental income came to € 1,287.6 million (excl. BUWOG). Rent rose by 1.5 % due to market-related factors. The investments made in the quality of Vonovia's buildings and apartments resulted in a further increase in rent of 2.5 %. New construction and vertical expansion added 0.1 % to rental growth. The average monthly rent per square meter in Vonovia's German portfolio came to € 6.45.

New Construction of Urgently Needed Apartments in Cities

Vonovia plans to have completed construction on around 600 apartments by the end of the year, and construction on another 1,000 will have been started or commissioned. These apartments have an average size of 60 to 70 square meters. The company is also investing in senior-friendly apartment conversion. "This is our way of supporting the trend towards smaller apartments that respond to the market demand and building precisely those apartments that society most urgently needs to alleviate the shortage of apartments in cities," says Rolf Buch.

In 2019, Vonovia plans to increase the volume to up to 2,900 apartments. "The overall conditions, however, mean that building new apartments is not an easy undertaking at present," says Buch. "We need faster planning and construction permit procedures, streamlined construction legislation and greater construction capacity."

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Neighborhood Development Driven Forward

Vonovia remains committed to sustainable neighborhood development. In Essen, the company has set up a shared living facility for ten dementia sufferers as part of a collaboration with the nursing care service provider Humanika. "This is another important issue that we are tackling," says Buch. "Growing old doesn't have to translate into a binary choice between staying in one's own home and moving into a nursing home. There are many concepts that offer an option between the two. We must expand and promote these to ensure that we have a sustainable nursing care system going forward." Vonovia is planning to offer dementia facilities in other locations as well.

Positive Outlook for 2019; Planned Dividends of € 1.44 per Share for 2018

Given the strong operating performance in the first nine months of 2018, Vonovia is confirming its forecast for the year as a whole. The company expects to achieve FFO 1 of between € 1.05 billion and € 1.07 billion (including BUWOG). This is likely to put the FFO 1 at around 15 % above the previous year's figure (2017: € 920.8 million). Vonovia plans to propose a dividend in the amount of € 1.44 per share at the Annual General Meeting in May 2019. This corresponds to an increase of € 0.12 over 2017 and to a dividend yield of 3.4 % based on the closing price on November 30, 2018. In 2019, Vonovia expects to generate FFO (including BUWOG) of between € 1.14 billion and € 1.19 billion.

The investment volume for 2018 as a whole is likely to amount to around € 1 billion, with the expenses for maintenance borne by Vonovia alone set to rise to around € 410 million (2017: around € 346.2 million). The company's investments will increase considerably in 2019 to a volume of around € 1.3 billion to € 1.6 billion. Vonovia has, however, reallocated its investments and will be upping its investments in new construction, senior-friendly apartment con-

version and projects in Sweden considerably. The company will be reducing its energy-efficient modernization measures in Germany by 40 % from 2019 onwards.

The 2018 9M report: <http://reports.vonovia.de/2018/q3/en>
Further information can be found in the [Press Section](#).

2018/2019 Financial Calendar

March 7, 2019: *Publication of 2018 Annual Report*

May 7, 2019: *Interim Report for the first three months of 2019*

May 16, 2019: *Annual General Meeting*

August 2, 2019: *Interim Financial Report for 2019*

November 5, 2019: *Interim Report for the first nine months of 2019*

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Key Figures (without BUWOG unless otherwise indicated)

Financial Key Figures in € million	9M 2017	9M 2018	Change in %	12M 2017
Rental income	1,249.4	1,287.6	3.1	1,667.9
Adjusted EBITDA Operations	922.1	976.2	5.9	1,224.2
Adjusted EBITDA Rental	865.9	912.0	5.3	1,150.0
Adjusted EBITDA Value-add Business	76.0	90.7	19.3	102.1
Adjusted EBITDA Other	-19.8	-26.5	33.8	-27.9
Income from disposal of proper- ties*	951.2	673.6	-29.2	1,206.4
Adjusted EBITDA Sales	81.3	87.0	7.0	110.8
Adjusted EBITDA	1,003.4	1,063.2	6.0	1,335.0
EBITDA IFRS*	945.5	1,075.4	13.7	1,271.8
thereof adjusted EBITDA BUWOG	-	91.8	-	-
FFO 1	690.5	778.2	12.7	920.8
FFO 1 per share in €**	1.42	1.50	5.6	1.90
Net income from fair value ad- justments of investment proper- ties*	1,164.7	1,386.7	19.1	3,434.1
Profit for the period*	1,205.2	1,399.0	16.1	2,566.9
Maintenance and modernization	752.8	935.1	24.2	1,124.8
thereof for maintenance expens- es and capitalized maintenance	244.2	278.7	14.1	346.2
thereof for modernization (incl. new construction)	508.6	656.4	29.1	778.6

Key Balance Sheet Figures in € million	Sep. 30, 2017	Sep. 30, 2018	Change in %	Dec. 31, 2017
Fair value of the real estate portfolio*	30,948.1	41,948.6	35.5	33,436.3
Adjusted NAV*	16,263.5	20,967.2	28.9	18,671.1
Adjusted NAV per share in €**	33.53	40.47	20.7	38.49
LTV in %*	42.4	45.1	2.7 pp	39.8

Non-financial Key Figures	9M 2017	9M 2018	Change in %	12M 2017
Number of units managed*	413,703	484,363	17.1	409,275
thereof own apartments*	350,134	400,735	14.5	346,644
thereof apartments owned by others*	63,569	83,628	31.6	62,631
Vacancy rate in %	2.9	2.7	-0.2 pp	2.5
Monthly in-place rent (German portfolio) in €/m ²	6.19	6.45	4.2	6.27

Number of employees (as of Sep. 30/Dec. 31)*	8,378	9,876	17.9	8,448
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EPRA Key Figures in € million	Sep. 30, 2017	Sep. 30, 2018	Change in %	Dec. 31, 2017
EPRA NAV*	19,195.3	24,467.1	27.5	21,284.6
EPRA NAV per share in €**	39.57	47.23	19.4	43.88

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* All values without BUWOG except key figures specifically marked with *

** Based on the shares carrying dividend rights on the reporting date: Sep. 30, 2018:

518,077,934, Sep. 30, 2017: 485,100,826, Dec. 31, 2017: 485,100,826

About Vonovia

Vonovia SE is Europe's leading housing company. Vonovia currently owns around 400,000 residential units in all attractive cities and regions in Germany, Austria and Sweden. An additional 84,000 or so third-party-owned apartments are also managed by Vonovia. Its portfolio is worth approximately € 41.7 billion. As a modern service company, Vonovia focuses on customer orientation and tenant satisfaction. Offering tenants affordable, attractive and livable homes is a prerequisite for the company's successful development. Accordingly, Vonovia makes long-term investments in the maintenance, modernization and senior-friendly conversion of its properties. The company is also creating more and more new apartments by realizing infill developments and adding to existing buildings.

The company, which is based in Bochum, has been listed on the stock exchange since 2013 and on the DAX 30 since September 2015. Vonovia SE is also listed on the international indices STOXX Europe 600, MSCI Germany, MSCI Germany, GPR 250 and EPRA/NAREIT Europe. Vonovia has a workforce of approximately 9,900 employees.

Additional Information:

Approval: Regulated Market/Prime Standard, Frankfurt Stock Exchange

ISIN: DE000A1ML7J1

WKN: A1ML7J

Common code: 094567408

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