

Press Release

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Vonovia Achieves Very Positive Results in 2018 – Focus on New Construction and Neighborhood Development

- Vonovia boosts operating income by investing in its portfolio and external growth; number of employees increases to 10,000; positive outlook for further business development.
- Vonovia addresses social challenges with new constructions.
- Annual modernization rate of around 5 % achieved for housing that meets the needs of today's society and greater climate protection.
- Additional costs for tenants following modernization to be capped at € 2 per square meter.
- € 400 million planned for neighborhood development in the coming years.

Bochum, Germany, March 7, 2019 – Vonovia achieved very positive results in the 2018 fiscal year. The company increased its FFO 1 (operating result after interest and taxes) by 15.8 % to € 1.07 billion (2017: € 919.5 million). This development is due largely to the acquisition of Victoria Park in Sweden and BUWOG in Austria. Investments in the portfolio, as well as new construction and floor additions, also contributed to the positive business results.

“The continuing high demand for housing and demographic development in Germany pose major challenges for our society. Equally important are a good sense of community spirit and climate protection within the housing stock. As a socially responsible company, Vonovia wants to make a contribution to mastering these challenges. Our business development, which remains positive in the long run, forms the basis for this,” says Rolf Buch, Chief Executive Officer of Vonovia.

The integration of the Austrian company BUWOG was completed as planned in 2018. Vonovia's real estate portfolio currently comprises around 396,000 residential units, with around 23,000 apartments in Austria and approximately 14,000 in Sweden. Victoria Park's Swedish portfolio will also increase due to the purchase of around 2,340 apartments in the greater Malmö, Stockholm and Gothenburg regions.

The total fair value comes to around € 44.2 billion (2017: € 33.4 billion). The EPRA NAV – real estate assets without liabilities – rose by 22.6 % to € 26.1 billion (2017: € 21.3 billion).

As of the end of 2018, our apartments were virtually fully occupied. The vacancy rate of 2.4 % was down slightly on the value of 2.5 % seen in 2017. The market-related factors in rents (1.3 %), investments in buildings (2.9 %) and new construction and measures (0.2 %) contributed to the rental development. At € 6.52 per square metre, the rent level remains in the affordable segment. Rental income came to around € 1.9 billion (2017: € 1.7 billion).

Vonovia has expanded its business by craftsmen's, TV and energy services (Value-add). Beginning in 2018, the company has been offering new tenants the option of being supplied with green electricity and natural gas.

Energy-Efficient Modernization Measures Completed on 5 % of the Portfolio

The Paris Climate Change Agreement aims for building stock to be virtually climate-neutral by 2050. Vonovia achieved a renovation rate of around 5 % in 2018. The company invested approximately € 1.14 billion in upgrading buildings and new construction (2017: € 778.6 million). Vonovia also spent approximately € 430.4 million on maintenance (2017: € 346.2 million). This corresponds to € 17.72 per square meter of living space and represents an increase of 12.9 % year-on-year (2017: € 15.70). Annual statistics released by the German Association of Professional Homeowners (GdW) report average maintenance spending among its member companies of € 15.84 per square meter.

Vonovia completed around 1,100 apartments. The average size of these apartments is between 60 and 70 square meters. The experience made last year will prove fundamental for the expansion of the new

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construction volume over the next few years. The company is now planning new construction in cities including Dortmund, Cologne, Berlin, Leipzig, Hamburg and Vienna.

New Employees Responsible for Handling Tenant Inquiries

Vonovia increased rents by an average of around € 1.50 per square meter after modernization measures in 2018, with the costs capped at € 2 per square meter. "Our modernization measures increase the appeal of our apartments and help reduce heating costs, but are no luxury modernizations by any definition," says Rolf Buch. Vonovia also seeks mutual solutions with tenants who can no longer afford their rent following modernization measures. The company has hired additional staff members who will be dedicated to handling tenant inquiries like these on site.

All in all, the number of employees working for Vonovia has tripled over the last five years: By now, the company has surpassed the 10,000 mark (including trainees). Vonovia's training programs have received numerous awards, including those from "Capital" in 2017 and "Focus Money" in 2016.

Vonovia has primarily invested in service quality for its tenants. The majority of its well-trained employees are in direct contact with customers on a daily basis. They perform repair work in the apartments, maintain the residential environment and refurbish buildings. "We have understood that our tenants want more personal contact. A brief discussion about where the problem lies is often more effective than sending three letters back and forth. I am delighted that Vonovia has such a committed team," says Rolf Buch.

Several Awards for Vonovia's Customer Service

Vonovia's customer service team secured the top spot in 2019 in the "Excellent Customer Service" study conducted by the Institute for Management and Economic Research IMWF on behalf of Focus Money magazine. As part of the "Residential Real Estate Companies in 2019" study conducted by the German Institute for Service Quality (Deutsches Institut für Service-Qualität) on behalf of Stern magazine, the customer service team came in third. The study evaluated eleven German residential real estate companies, looking at their websites and response

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times, as well as the quality of their email and phone service.

Vonovia's Ancillary Expenses Below Average

Regarding the discussion on ancillary expenses at Vonovia, Rolf Buch says: "A large portion of ancillary expenses is outside our control. These costs depend on individual consumption or are levied by third parties such as the municipal authorities. The costs for services that we provide ourselves, such as caretaking, garden maintenance and building cleaning, are based on market prices. It goes without saying that we only charge for the services we actually perform." The German Tenants' Association (Deutscher Mieterbund) published the latest operating cost survey for 2016 at the end of 2018, reporting a nationwide average of € 2.79 per square meter and month. Over the same period, ancillary expenses at Vonovia came to around € 2.61 per square meter and month, approximately 7 % lower than the nationwide average calculated by the German Tenants' Association.

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Dividend and Outlook for the 2019 Fiscal Year

Based on the positive business performance, the Management Board and the Supervisory Board will be proposing a dividend of € 1.44 per share to the Annual General Meeting on May 16, 2019 (2017: € 1.32). Expectations for the company's earnings power in 2019 are also positive. Group FFO is expected to reach between € 1.14 billion and € 1.19 billion.

Investments in modernization and maintenance are likely to remain at a high level of around € 2 billion. Vonovia will invest considerably more in new construction, senior-friendly apartment conversion and projects in Sweden. The company still aims to carry out energy-efficiency modernizations on 3 % of its buildings in Germany each year, a considerably higher percentage than the average investment in Germany.

Another lever that can be used to reduce greenhouse gas emissions is the further expansion of renewable sources of energy. Vonovia is taking active measures in this area, constantly increasing the production of regenerative electricity through photovoltaics. Vonovia currently has a photovoltaic portfolio of 211 facilities with an output of 5.7 megawatts. This is enough to cover the annual requirements of around 3,000 households. The company is preparing to install a large number of

additional photovoltaic facilities this year as well, with the aim of doubling the size of the current plant portfolio. Vonovia is also piloting initial tenant electricity concepts whereby building residents use electricity generated on-site, making them active participants in the energy revolution.

€ 400 Million Earmarked for Neighborhood Development

Vonovia began its holistic approach to neighborhood development 5 years ago. Together with city authorities and local partners, the company focuses on expanding infrastructure and local amenities, as well as more social and cultural services.

The company is currently developing 11 of these neighborhoods across Germany, encompassing 6,800 residential units. With a planned investment volume totaling more than € 400 million for the ongoing projects alone, the aim is to achieve sustainable improvements in the neighborhoods over the coming years. Vonovia also finances an endowed professorship in neighborhood development at EBZ Business School (Europäisches Bildungszentrum der Wohnungs- und Immobilienwirtschaft) in Bochum.

Dortmund Westerfilde is currently one of the main neighborhood development projects. The project started in 2016 and will be completed in 2020. In cooperation with the federal state of North Rhine-Westphalia and the Dortmund city authorities, Vonovia is investing around € 25 million in approximately 640 of its existing apartments. 110 apartments will be turned into subsidized, price-controlled homes. "We see this as another key aspect of sustainable neighborhood development. While renewal is important, at the same time we must ensure that the district remains diverse, and that people on smaller budgets are not forced out of their homes," says Buch.

In addition to energy efficiency measures, the project focuses primarily on redesigning playgrounds, pathways and green spaces. Tenants and local residents have attended workshops to contribute their ideas. The residential high-rise buildings will reflect the "garden city" concept in the form of painted facades depicting classical artworks, supplemented by silhouettes of contemporary scenes from the residents' daily lives. A concierge will also move in, providing support to local residents.

You can find the complete 2018 Annual Report at:
DE: <http://reports.vonovia.de/2018/geschaeftsbericht>

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EN: <http://reports.vonovia.de/2018/annual-report>

You can find further information, photos and footage [in the press section of the website](#).

2019 Financial Calendar

May 7, 2019: Interim Statement 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 Statement for the first nine months of 2019

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Financial Key Figures in € million	2017	2018
Rental income in the Rental segment*	1,667.9	1,894.2
EBITDA IFRS	1,271.8	1,534.4
FFO 1*	919.5	1,064.7
FFO 1 per share in €	1.90	2.06
Income from fair value adjustments of investment properties	3,434.1	3,517.9
Profit for the period	2,566.9	2,402.8
Cash flow from operating activities	946.0	1,132.5
Maintenance and modernization	1,124.8	1,569.4
thereof maintenance expenses and capitalized maintenance	346.2	430.4
thereof for modernization (incl. new construction)	778.6	1,139.0

Key Balance Sheet Figures in € million	Dec. 31, 2017	Dec. 31, 2018
Fair value of the real estate portfolio	33,436.3	44,239.9
Adjusted NAV	18,671.1	23,262.6
Adjusted NAV per share in €	38.49	44.90
LTV in %	39.8	42.8

Non-Financial Key Figures	2017	2018
Number of units managed	409,275	480,102
thereof own apartments	346,644	395,769
thereof apartments owned by others	62,631	84,333
Number of units bought	24,847	63,706
Number of units sold	11,780	15,102
Vacancy rate in %	2.5	2.4
Monthly in-place rent in €/m ²	6.27	6.52
Number of employees (as of December 31)	8,448	9,923

EPRA Key Figures in € million	2017	2018
EPRA NAV	21,284.6	26,105.0
EPRA NAV per share in €	43.88	50.39

*Comparative prior-year figures for 2017 based on current definition of key figures

The key figures per share are based on the shares carrying dividend rights on the corresponding reporting date

About Vonovia

Vonovia SE is Europe's leading private residential real estate company. Vonovia currently owns around 396,000 residential units in all attractive cities and regions in Germany, Austria and Sweden. It also manages around 84,000 apartments. Its portfolio is worth approximately € 44.2 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, GPR 250 and EPRA/NAREIT Europe. Vonovia has a workforce of approximately 10,000 employees.

Additional Information:

Approval: Regulated Market/Prime Standard, Frankfurt Stock Exchange

ISIN: DE000A1ML7J1

WKN: A1ML7J

Common code: 094567408

Registered headquarters of Vonovia SE: Bochum, Germany, Bochum Local Court, HRB 16879

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