

Press Release

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2019 Fiscal Year

Striking a Good Social Balance between Affordable Housing and Climate Protection - Vonovia Invests in New Construction and CO₂ Savings, with Moderate Rent Growth

- Vonovia: Rent increase for existing rental contracts of 0.8%, thus below inflation rate; average rent in Germany is € 6.79/m². New contract rents in conurbations 14% below market rents.
- Energy-efficient modernizations completed for 13,200 apartments; average modernization allocation for tenants falls by 10% to € 1.36/m².
- Thanks to energy-efficient refurbishments carried out since 2015, Vonovia has improved the CO₂ profile of its portfolio by 9.2% by comparison with emissions in 2019.
- 1,600 hardship cases approved; special arrangement for tenants over the age of 70 applied in 180 cases.
- 13 neighborhoods development projects in Germany underway; 2,100 new apartments completed. Senior-friendly modernization of 15,000 apartments.
- The positive business trend points to a favorable outlook for 2020.

Bochum, March 5, 2020 – Vonovia forged ahead with its investment program for its portfolio in 2019, investing once again in climate protection. Since launching its modernization program in 2015, Vonovia has improved the CO₂ profile of its portfolio by around 100,000 metric tons of CO₂ or 9.2%: Without these energy efficiency modernizations, emissions in 2019 would have amounted to around 1.1 million metric

tons of CO₂ instead of a provisional figure of roughly 1 million.

“According to the German Association of German Housing and Real Estate Companies (GdW), a portfolio investment volume of up to € 800 billion is required throughout Germany over the next 10 years to master the challenges in the fields of climate protection and the energy revolution, senior-friendly apartment conversion, neighborhood development, digitalization and affordable housing. While we have already achieved a lot, we are aware that climate protection requires an extraordinary volume of investment. Major companies have a particularly important role to play here in view of their strength,” says Rolf Buch, CEO of Vonovia.

Research Aims to Provide Neighborhood with Independent Energy Supply

“By 2050, we intend to achieve a climate-neutral housing stock. Within this context, it is important for us to strike a good social balance between affordable housing and climate protection. We have therefore limited the additional costs associated with modernizations for our tenants and, together with our partners, we are pursuing research into technical innovations in order to deliver improved energy efficiency for neighborhoods,” says Rolf Buch.

Overall, Vonovia is currently developing 13 neighborhoods throughout Germany. At its new Bochum-Weitmar research location, an electricity and heating supply system is being constructed for a neighborhood of 1,400 apartments, with the goal of achieving the greatest possible level of energy independence. The federal state of North Rhine-Westphalia is contributing € 6.2 million in funding. The idea is for the energy generated to be used by tenants firsthand with the help of artificial intelligence instead of being fed into the public electricity grid, as is often the case. A self-learning energy management system will ensure that energy is available in the right place at the right time – at electric

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charging stations, in the form of electricity for tenants' own households or in the form of heating. The innovative technologies include the production of hydrogen from electricity, fuel cells and heat pumps, making the surrounding buildings and households 60% independent in their heating supply, i.e., by supplying them with CO2-free heating generated on a decentralized level.

Rolf Buch: "As a major company, in the field of research too we feel a sense of responsibility to lead the way with renowned partners such as the Fraunhofer Society. However, in order for such innovative models to actually work changes are required to various regulations such as the German Renewable Energy Act (EEG), Energy Act (EnWG) and Landlord-to-Tenant Electricity Act: The electricity must be usable throughout the neighborhood, particularly in case of large neighborhoods with more than 100 apartments and with PV plants with an output of more than 100 kWp. This will be the only way how we can strike a balance between demand and supply and produce an adequate volume of electricity for all of our tenants. That way, electric vehicles will also become attractive for tenants, and not just for owners."

"Mein Vonovia" App for Tenants Provides Improved Transparency

Vonovia is committed to transparency in its daily contact with its customers and is making use of digitalization to this end. Since early January, its new tenant app "Mein Vonovia" has been available in app stores. This speeds up communication channels for tenants as they can request repairs online, access their documents online at all times, receive news from their local neighborhood and monitor the status of service requests in real time. This will also help to make ancillary expense bills even more transparent.

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Successful Schemes for Older Tenants

In May 2019, Vonovia published its business philosophy, which defines the guidelines for its business activities. "This voluntary commitment sets out the framework conditions which our roughly 1 million tenants and our partners too can rely on," says Rolf Buch.

One of its core aspects is successful hardship case management, whereby tenants experiencing financial difficulties receive support so that they are able to stay in their homes following an energy efficiency modernization. Vonovia completed energy efficiency modernizations for around 13,200 apartments in 2019 and arrived at a good solution for 1,600 hardship cases. People over the age of 70 benefit from a particularly strong level of protection: Vonovia offers them a guarantee that their apartment will remain affordable even if the standard local comparative rents change. 180 tenants have already taken up this offer.

Increased Investments in Portfolio and New Construction

Modernization investments rose to € 996.5 million in 2019 (2018: € 904.7 million). Vonovia also increased its spending on maintenance, which rose by 12% from € 430.4 million in 2018 to € 481.6 million in 2019. This represents an increase in maintenance expenditure to € 19.02/m² (2018: € 17.72/m²).

The refurbishment rate was around 4% (2018: around 5%). Vonovia has undertaken not to implement any energy efficiency modernizations that result in rent increases of more than € 2 per square meter. Vonovia has also postponed modernizations in Berlin. Where modernizations were carried out, Vonovia increased the rent at a rate 10% lower than in the previous year (2018: € 1.50) at an average of € 1.36/m²/month. Moreover, over the past two years Vonovia has converted around 30,000 apartments for senior-friendly living.

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Rolf Buch: "We aim to be there for our existing customers and for new tenants. We have therefore stepped up our construction of new apartments." In 2019, Vonovia increased its volume of investment in the construction of new apartments for its own portfolio and for sale by around 65% to roughly € 690 million. Around 2,100 apartments were completed in Germany and Austria. An additional approx. 47,000 apartments are to be built over the next years.

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In early March, Vonovia SE acquired Bien-Ries AG. This project developer will supplement our development activities in the Rhine-Main region. 11 projects are currently under way there, with around 2,500 residential units.

Economic Development Remains Strong

- Adjusted EBITDA Total rises by 13.2% to € 1,760.1 million.
- Group FFO grows by 8%.
- Adjusted NAV per share picks up by 15.7% to € 51.93.
- Dividend to rise by 9% to € 1.57.

Vonovia once again achieved economic success in 2019. The company completely integrated the Austrian company BUWOG and the Swedish company Victoria Park. Vonovia's portfolio is now mainly situated in cities enjoying dynamic growth such as Dresden, Essen, Berlin, Frankfurt, Hamburg as well as Stockholm and Vienna. The overall portfolio value is around € 53.3 billion (2018: € 44.2 billion). "Our robust business model and our balanced portfolio mean that we are independent of developments in regional rent legislation," says Rolf Buch.

The value of the company without liabilities (adjusted NAV) rose to € 28.2 billion (2018: € 23.3 billion). This represents an increase in the adjusted NAV per share of 15.7% to € 51.93. The increase in value of

our residential property of around € 5.3 billion (2018: € 4.6 billion) is attributable to portfolio optimization, investments as well as the strong level of demand for apartments.

Adjusted EBITDA Total rose 13.2% in 2019 to € 1,760.1 million, in the Rental segment this was due to the larger portfolio and in the Value-add Business segment due to the gradual rollout of housing-related services. Growth in the Recurring Sales segment is attributable to the continuing high level of demand for residential real estate, while in the Development segment more new apartments were built.

Our operating earnings, Group FFO, rose by around 8% to € 1,218.6 million (2018: € 1,132.0 million) and thus slightly exceeded the forecast of between € 1,165 and € 1,215 million. The integration of BUWOG and Victoria Park and the volume of new construction in particular had a positive impact.

As of December 31, 2019, Vonovia managed a portfolio comprising 356,000 own rental apartments in Germany (2018: 358,000), which corresponds to around 1.6% of the total number of rented apartments in Germany. The vacancy rate amounted to 2.5% (2018: 2.4%) while the average rent was € 6.79 per square meter (2018: € 6.55). In Sweden, the figure is 38,000 apartments (2018: 14,000), and in Austria 22,500 apartments (2018: 23,000).

Overall, rental income amounted to around € 2,074.9 million, compared to € 1,894.2 million in the previous year. This increase is likewise chiefly attributable to the full integration of BUWOG and Victoria Park.

The rise in rents for existing rental contracts due to market-related factors amounted to 0.8%, while new rentals provided 0.3%. If the picture is limited to the conurbations alone, Vonovia's new contract rents are around 14% lower than those offered on the market. New

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construction and vertical expansion provided 0.5% growth at Vonovia, while modernization contributed a further 2.3% increase. The average overall rent rose to € 6.93 per square meter (2018: € 6.52).

Growth Strengthens Market Position in Sweden

Since January 9, 2020, Vonovia has held a stake of around 95% in the Swedish residential real estate company Hembla (21,500 apartments). Following the acquisition of Victoria Park in 2018, Hembla represents the second step on the Swedish market for Vonovia. Vonovia now owns around 38,000 apartments in the metropolitan areas of Stockholm, Malmö and Gothenburg. "Our business model as a long-term portfolio holder with efficiency gains by means of standardization and sensitive renewal of our portfolios will also pay off in a regulated market such as Sweden," says Rolf Buch.

First-Ever "A" Rating for Vonovia

Thanks to its positive business performance, since December 13, 2019 Vonovia has held, for the very first time, an "A" rating with a stable outlook issued by the Berlin-based Scope Group, the market leader among Europe's rating agencies. In 2019, Vonovia took on borrowed capital of around € 3.7 billion and equity capital of around € 1 billion.

The company's debt level in the period under review was 43.1%. This is a similar level to the previous year (2018: 42.8%) and thus within its target range of 40% to 45%.

Positive Outlook for 2020 as a Whole

"We will continue our efforts to ensure that our tenants enjoy living in our apartments. Our successful economic development is also set to continue in the current year," says Rolf Buch.

The positive business trend is the basis for the 9% dividend increase year-over-year to € 1.57 per share, which the Management Board

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and the Supervisory Board will propose to the Annual General Meeting in May 2020. This corresponds to a dividend yield of 3.2% based on the closing price on February 28, 2020.

For 2020, Vonovia expects a further increase in its Group FFO (incl. BUWOG, Victoria Park and Hembla) of between around € 1.275 billion and € 1.325 billion.

Vonovia continues to stand by the target it set in 2017 of completing energy-efficient refurbishment measures for at least 3% of its own portfolio every year in Germany. Investments for modernization and new construction will thus once again reach a high level, with an expected volume of between € 1.3 billion and € 1.6 billion. Around € 200 million of that amount will be invested in Sweden.

You can find the complete 2019 Annual Report at:

DE: <http://reports.vonovia.de/2019/geschaeftsbericht>

EN: <http://reports.vonovia.de/2019/annual-report>

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

2020 Financial Calendar

May 5, 2020: *Interim Statement for the First Quarter of 2020*

May 13, 2020: *Annual General Meeting*

August 5, 2020: *Interim Financial Report for 2020*

November 4, 2020: *Interim Statement for the first nine months of 2020*

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Financial Key Figures in € million	2018	2019
Rental income in the Rental segment	1,894.2	2,074.9
Adjusted EBITDA Rental	1,315.1	1,437.4
Adjusted EBITDA Value-add	121.2	146.3
Adjusted EBITDA Recurring Sales	79.1	91.9
Adjusted EBITDA Development	39.4	84.5
Adjusted EBITDA Total	1,554.8	1,760.1
EBITDA IFRS	1,534.4	1,579.6
Group FFO	1,132.0	1,218.6
Group FFO per share in €	2.18	2.25
Net income from fair value adjustments of investment properties	3,517.9	4,131.5
Profit for the period	2,402.8	1,294.3
Maintenance and modernization	1,569.4	1,971.1
thereof maintenance expenses	430.4	481.6
Maintenance per €/m ² /month	17.72	19.02
thereof modernization (incl. new construction)	1,139.0	1,489.5

Key Balance Sheet Figures in € million	12/31/2018	12/31/2019
Fair value of the real estate portfolio	44,239.9	53,316.4
Adjusted NAV	23,262.6	28,161.9
Adjusted NAV per share in €	44.90	51.93
LTV in %	42.8	43.1

Non-Financial Key Figures	2018	2019
Number of units managed	480,102	494,927
thereof own apartments	395,769	416,236
thereof apartments owned by others	84,333	78,691
Number of units bought	63,706	23,987
Number of units sold	15,102	4,784
Number of newly constructed apartments	1,108	2,092
thereof for own portfolio	638	1,301
thereof for sale to third parties	470	791
Vacancy rate in %	2.4	2.6
Monthly in-place rent in €/m ²	6.52	6.93

Number of employees (as of December 31)	9,923	10,345
EPRA Key Figures in € million	2018	2019
EPRA NAV	26,105.0	29,654.6
EPRA NAV per share in €	50.39	54.69

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About Vonovia

Vonovia SE is Europe's leading private residential real estate company. Vonovia currently owns around 416,000 residential units in all attractive cities and regions in Germany, Sweden and Austria. It also manages around 79,000 apartments. Its portfolio is worth approximately € 53.3 billion. As a modern service provider, Vonovia focuses on customer orientation and tenant satisfaction. Offering tenants affordable, attractive and livable homes is a prerequisite for the company's successful development. Therefore, 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 more than 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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