

## Press Release

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2016 Fiscal Year

## **Launch of Investment Program Running into the Billion-Euro Range – Successful Operating Business to Form the Basis for Further Dynamic Growth**

### **Portfolio Strategy and Services Open Up Additional Growth Prospects**

- Better-quality customer service; satisfaction levels up for the third year running
- Series construction new builds create affordable apartments
- Presence expanded in dynamic growth regions
- Takeover of conwert Immobilien Invest SE successful

### **Organic Growth Drives the Successful 2016 Fiscal Year**

- Vacancy rate reduced further to 2.4 % (2015: 2.7 %)
- FFO 1 increased to € 760.8 million (2015: € 608.0 million); FFO 1 per share increased to € 1.63 (2015: € 1.30)
- Dividend proposal reflects solid dividend yield of 3.6 %.
- Growth in EPRA NAV per share to € 36.58 (2015: € 30.02)

### **Positive Forecast for 2017 Confirmed**

- FFO 1 to rise to around € 830 million to € 850 million. Around € 60 million in FFO 1 contribution expected from acquisition of conwert.
- In the years ahead, record investments of € 1 billion per year are planned for new properties and portfolio improvements.

*Bochum, March 7, 2017* – Vonovia SE (“Vonovia”) continued to show dynamic growth in the 2016 fiscal year. Based on its exceptionally successful development, the company is planning investments running into the billion-euro range for new construction, neighborhood development and portfolio improvements in 2017. CEO Rolf Buch: “In the last year, we managed to make our property management processes even more efficient. At the same time, our investments in modernization and new construction and our active portfolio management approach are bearing fruit. Today, our properties are located almost exclusively in regions with very positive development prospects.”

As a result of the successful business development, the Management Board and the Supervisory Board will propose the distribution of a dividend of € 1.12 per share (2015: € 0.94) to the Annual General Meeting. This corresponds to an attractive dividend yield of 3.6 %, based on the closing share price in 2016. Rolf Buch, whose contract was extended by the Supervisory Board until February 2023 only yesterday, said: "Our dividend policy focuses on the long term, but also reflects our firm belief that we will continue on our successful trajectory."

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## **Organic Growth Drives the 2016 Fiscal Year**

FFO 1 – the operating result – rose in 2016 to € 760.8 million (previous year: € 608.0 million). This works out at an FFO 1 per share of € 1.63. The company increased its EPRA NAV – real estate assets without liabilities – to more than € 17 billion, pushing the EPRA NAV per share up to € 36.58. At € 30.75, the adjusted NAV per share – excluding goodwill from acquisitions – was up by € 6.56 on the prior-year value. The increase in EPRA NAV was due primarily to the effect of adjusted property values in the amount of around € 3.2 billion (2015: € 1.3 billion).

The vacancy rate fell by 0.3 percentage points in comparison with the reporting date for the prior period and was at a very low level of 2.4 % on December 31, 2016. Due to market rent performance, there was a moderate increase in rents of 1.5 %. An additional increase of 1.8 % in rental income came from property value improvements. Adjusted EBITDA Rental rose from € 924.4 million in the 2015 fiscal year to € 1,046.2 million in 2016.

## **Portfolio Strategy and Services Open Up Additional Growth Prospects**

The takeover of conwert Immobilien Invest SE will see the property portfolio increase by approximately 24,500 apartments, the majority of which are located in prosperous locations such as Berlin, Potsdam, Leipzig and Dresden. The full integration of the company will be a swift process that should be completed by July 2017.

At the same time, Vonovia sold around 24,000 apartments in other areas that are expected to show below-average development in the medium and long term in 2016. As a result, adjusted EBITDA Sales rose by 30.1 % to € 92.5 million in 2016.

## **Vonovia to Invest in New Construction and Continue with Targeted Neighborhood Development Measures**

The housing policy environment in Germany is still being defined by the debate on how to resolve the shortage of housing. Vonovia is working intensively on densification and new construction measures and has launched ambitious projects to create new, and most importantly affordable, apartments. The first lot of new buildings and measures to add extra stories to existing buildings using modular construction methods were completed in 2016. In Bochum, the first series-built residential unit with a modular construction has already been rented out. Turnkey apartments with construction costs of around € 1,800/sqm were completed in only three months.

Vonovia has already invested more than € 1 billion in its neighborhoods since it went public. During the reporting period, Vonovia invested a total of € 472.3 million (2015: € 355.6 million) in modernization measures and new construction. Rolf Buch: "In the Eltingviertel area in Essen, we have demonstrated that we can work together with the city authorities to make entire neighborhoods attractive and livable again. We integrate economic, ecological and social considerations into our business decisions. Similar neighborhood development projects have been initiated in other regions, for example Hamburg, Dortmund, Bielefeld, Berlin, Dresden, Munich and Frankfurt."

## **Vonovia Increases Quality of Customer Service**

Customer satisfaction levels, which Vonovia assesses on a regular basis, improved considerably in 2016. The relevant parameter, the CSI, climbed by 8 %. This is largely the result of good on-site support and the expansion of the central customer service team and service hours. In 2016, the number of employees working for Vonovia overall increased by around 17 % to total 7,437 employees. Around 1,000 employees working for the customer service team in Duisburg and Dresden now resolve around 85 % of all incoming telephone inquiries directly.

Vonovia is expanding its core business to include housing-related services. At the end of 2016, around 75 % of Vonovia's own properties were already being supplied with cable TV signals. Vonovia was also recording and billing heating costs for around 30,000 apartments with the help of state-of-the-art technologies. With earnings of € 57.0 million, these and many other services are making a contribution to Vonovia's overall success.

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## Stable Financing Strategy and Positive Share Price Performance

Thanks to its BBB+ rating, Vonovia is able to cover even more considerable liquidity needs at any time. With a debt-equity ratio of only 41.6 %, an average maturity of around seven years and average financing costs that currently come to 2.1 % (2015: 2.6 %), Vonovia's financing situation is solid in the long term.

The capital market was characterized by low interest rates in 2016. The company's shares fared well in a political and economic environment that was marred by turbulence across the globe. Over the course of the year, the share price rose by 8.2 %, outperforming the DAX by 1.3 percentage points. This confirms that, with its stable business model, Vonovia is seen as a reliable player by stock market investors.

## Positive Forecast for 2017 Confirmed

Rolf Buch: "Our excellent operating business will form the basis for further dynamic growth and the expansion of our services. We will also be increasing the amount we reinvest in the sustainable management of our portfolio and the development of our neighborhoods even further."

At the beginning of the year, the company launched its investment program in the billion-euro range. Vonovia will be spending a record amount of around € 730 million in 2017. The focus will remain on energy-efficient modernizations, the refurbishment of apartments to improve the standard of comfort, and on senior-friendly conversions. The company will also be making increasing investments in the construction of new apartments, the addition of stories to existing properties and in programs such as modernization in response to tenant requests and the development of residential districts. In the following years as well, Vonovia is planning record investments of € 1 billion per year for new properties and portfolio improvements.

FFO 1 is expected to increase to € 830 million to € 850 million. Around € 60 million additional FFO 1 contribution are expected from the acquisition of conwert.

### 2016 Annual Report:

[reports.vonovia.de/2016/geschaeftsbericht/index.html](https://reports.vonovia.de/2016/geschaeftsbericht/index.html)

**Media center:** <https://www.vonovia.de/mediathek>

**Live-Stream:** [www.vonovia.de/bilanz](http://www.vonovia.de/bilanz)

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in € million

<b>Key Financial Figures</b>	2016	2015	Change in %
Rental Income from Property Management	1,538.1	1,414.6	8.7
Adjusted EBITDA Rental*	1,046.2	924.4	13.2
Adjusted EBITDA Extension	57.0	37.6	51.6
Adjusted EBITDA Sales	92.5	71.1	30.1
Adjusted EBITDA*	1,186.5	1,028.7	15.3
FFO 1	760.8	608.0	25.1
FFO 2	823.8	662.1	24.4
FFO 1 per share in €**	1.63	1.30	25.1
Profit for the period	2,512.9	994.7	152.6
Spending on maintenance and modernization			15.5
thereof maintenance expenses and capitalized maintenance	792.4	686.3	
thereof modernization	320.1	330.7	-3.2
	472.3	355.6	32.8

in € million

<b>Key Balance Sheet Figures</b>	Dec. 31, 2016	Dec. 31, 2015	Change in %
Fair value of the real estate portfolio	27,115.6	24,157.7	12.2
Adjusted NAV	14,328.2	11,273.5	27.1
Adjusted NAV per share in €**	30.75	24.19	27.1
EPRA NAV	17,047.1	13,988.2	21.9
EPRA NAV per share in €**	36.58	30.02	21.9
LTV in %***	41.6	46.9	-5.3 pp

<b>Key Non-Financial Figures</b>	2016	2015	Change in %
Number of units managed	392,350	397,799	-1.4
thereof own apartments	333,381	357,117	-6.6
thereof apartments owned by others	58,969	40,682	45.0
Number of units bought	2,815	168,632	-98.3
Number of units sold	26,631	15,174	75.5
thereof Privatize	2,701	2,979	-9.3
thereof Non-Core	23,930	12,195	96.2
Vacancy rate in %	2.4	2.7	-0.3 pp
Number of employees (as of December 31)	7,437	6,368	16.8

\* Exclusion of financial income from investments in other real estate companies from adjusted EBITDA, correction of € 0.4 million to the value for 2015. New allocation relating to FFO interest.

\*\* Based on the shares carrying dividend rights on the reporting date Dec. 31, 2016: 466,000,624; Dec. 31, 2015: 466,000,624

\*\*\* Value as of Dec. 31, 2015, adjusted: full disclosure of outstanding purchase price payments from sales and separate disclosure of investments in the adjusted fair value

\*\*\*\*Incl. GAGFAH, Franconia, SÜDEWO

## **2017 Financial Calendar**

**May 16, 2017:** Annual General Meeting

**May 24, 2017:** Interim Report for the first three months of 2017

**August 2, 2017:** Interim Report for the first six months of 2017

**November 8, 2017:** Interim Report for the first nine months of 2017

## **About Vonovia**

Vonovia SE is Germany's leading nationwide residential real estate company. Vonovia currently owns and manages around 392,000 residential units in all of Germany's attractive cities and regions. Its portfolio is worth more than € 27 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 will also be creating more and more new apartments by realizing infill developments and adding on 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 7,400 employees.

## **Additional Information:**

Approval: Regulated Market/Prime Standard, Frankfurt Stock Exchange

ISIN: DE000A1ML7J1

WKN: A1ML7J

Common code: 094567408

Registered headquarters of Vonovia SE: Düsseldorf, Germany; Düsseldorf Local Court, HRB 68115

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this press release or to include subsequent events or circumstances or to report inaccuracies that become known after the date of this press release.

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