



# Investor Presentation

March 2020





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(FY2019)

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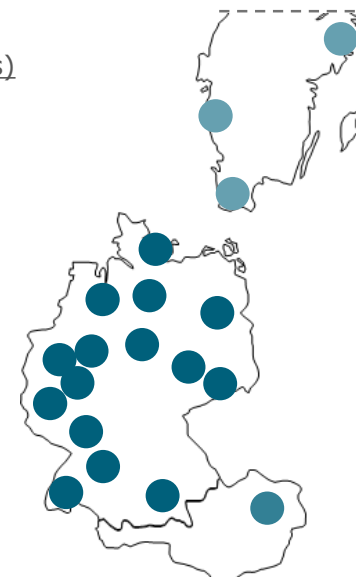
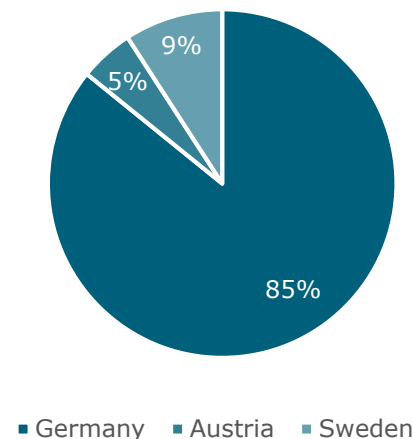
Additional  
Information

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- Long-term owner and full-scale operator of Europe's largest listed multifamily housing portfolio with more than 415k apartments for small and medium incomes
- >€53bn fair market value
- ~€27bn market capitalization

Geographic split (by no. of units)



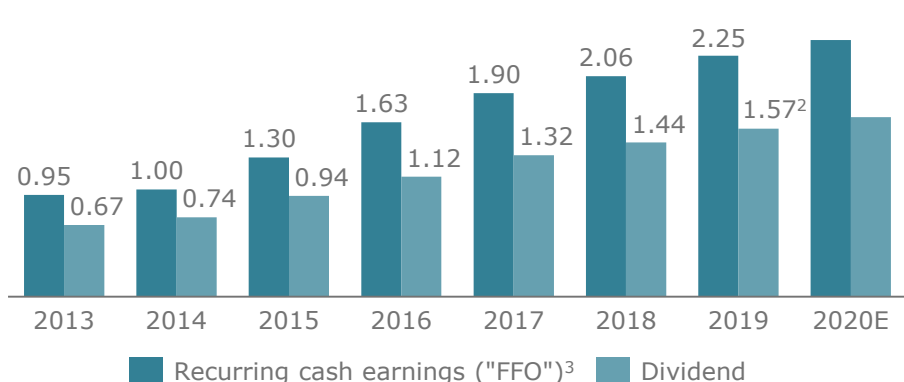
38k apartments  
Stockholm  
Gothenburg  
Malmö

356k apartments<sup>1</sup>  
15 urban growth markets

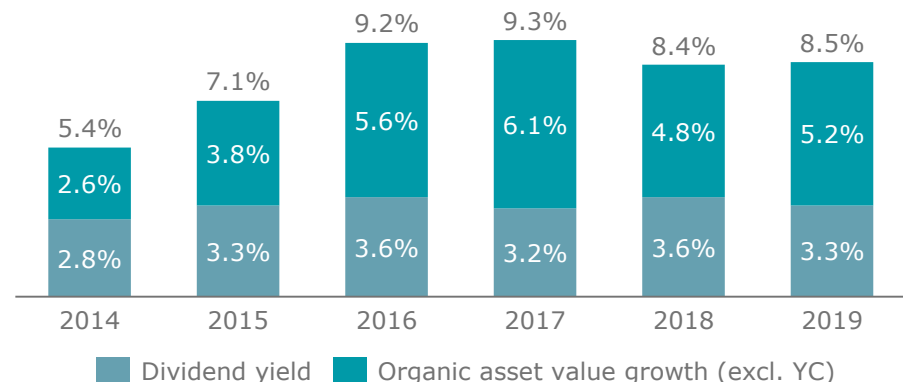
22k apartments  
Mainly Vienna

## Growing recurring cash earnings per share and DPS

Dividend policy: ~70% of recurring cash earnings are distributed as dividends



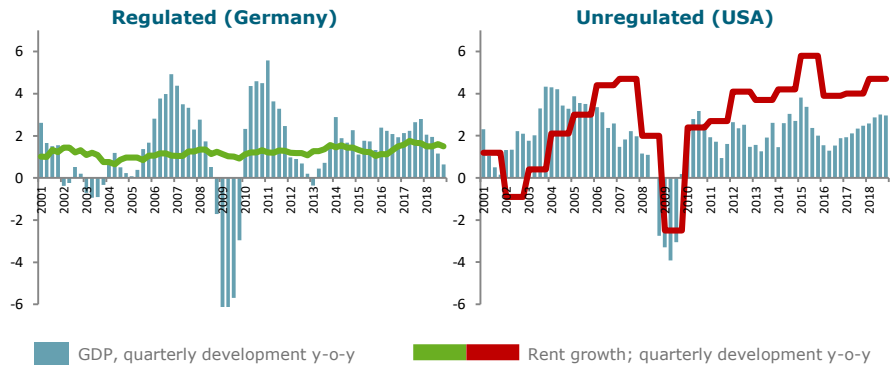
## Two types of sustainable shareholder returns<sup>4</sup>



<sup>1</sup> Incl. 27k apartments in other strategic locations plus 6k in non-strategic locations that are not shown on the map. <sup>2</sup> To be proposed to the next AGM in May 2020. <sup>3</sup> 2013-2018 FFO is "FFO1" and 2019+ FFO is "Group FFO." <sup>4</sup> Dividend yield plus I-F-I organic asset value growth from operating performance and investments (excluding yield compression).

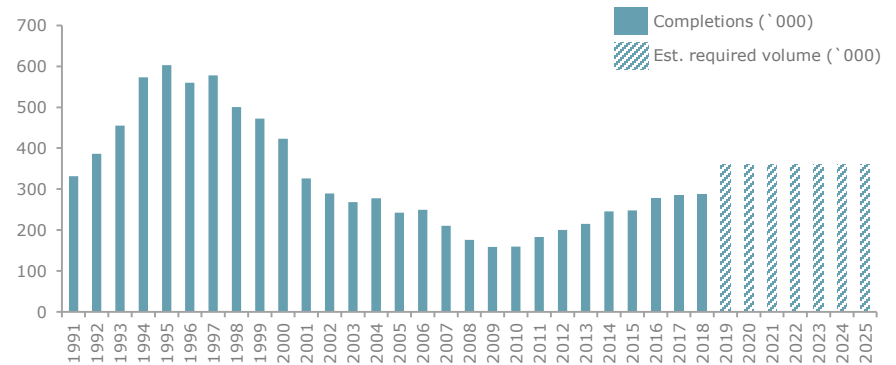
## Robust rent growth in regulated environments<sup>1</sup>

Rent growth in **regulated markets** follows a sustainable upward trajectory and is largely independent from GDP developments; rents in **unregulated markets go up and down** broadly in line with the GDP development



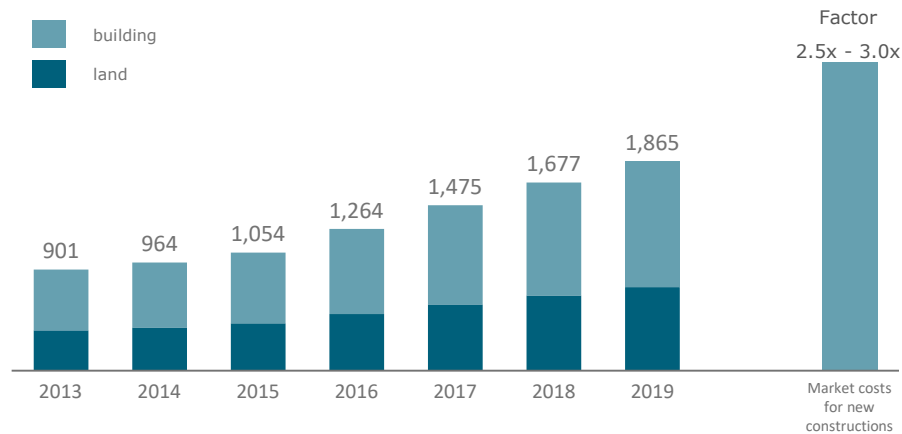
## Structural supply/demand imbalance<sup>2</sup>

Germany's average annual residential completions of the last five years fall short of estimated required volumes



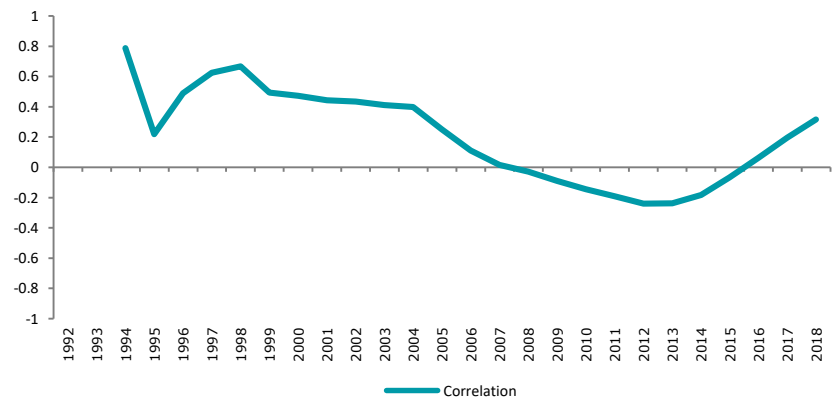
## Large gap between in-place values and replacement costs<sup>3</sup>

**Vonovia (Germany)** – fair value/sqm (€; total lettable area) vs. construction costs



## No correlation pattern between interest rates & asset yields<sup>4</sup>

**Other factors** such as supply/demand imbalance, rental regulation, market rent growth, location of assets etc. seem to **outweigh the impact of interest rates** when it comes to pricing residential real estate.



<sup>1</sup> Sources: Federal Statistics Office, GdW (German Association of Professional Homeowners), REIS, BoFA Merrill Lynch Global Research, OECD, Note: Due to lack of q-o-q rent growth data for the US, the annual rent growth for a year is assumed to also be the q-o-q rent growth of that year. <sup>2</sup> Sources: German Federal Statistics Office, GdW (German Association of Professional Homeowners). <sup>3</sup> Note: VNA 2010 – 2014 refers to Deutsche Annington Portfolio at the time; construction costs excluding land. The land value refers to the share of total fair value allocated to land. <sup>4</sup> Yearly asset yields vs. rolling 200d average of 10y interest rates. Sources: Thomson Reuters, bulwiengesa

## MEGATRENDS

Challenge & Opportunity



**Urbanization & supply/demand imbalance**



**Energy efficiency**



**Demographic change**

Scalable B-to-C operating business beyond the bricks



Our organization is built around standardization, industrialization, and process optimization across the entire residential value chain for an efficient, best-in class management of a granular B-to-C business in regulated European housing markets

Serving a basic need in a highly relevant market



Our products & services are deeply rooted in society and impact the lives of more than one million people – our actions require careful stakeholder reconciliation and a long-term view

Part of the solution



We have the scale, the skills, the financial strength, and the access to capital markets to tackle the investments required to help managing the megatrends and to contribute to solutions for challenges facing the housing market



Sustainable per-share cash earnings and value growth



**E**

We are committed to Germany's ambitious target of achieving a climate neutral building stock by 2050 with a modernization rate of at least 3% and innovative research projects for CO<sub>2</sub> reduction

**S**

Operating in the residential space brings with it a special responsibility that we take very seriously. As the market leader, we are determined to lead by example

**G**

Our business conduct is built around trust, transparency, and reliability, and it is compliant with all relevant laws, directives, social norms, and agreements

Equity Story

Business Overview

Performance Update (FY2019)

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# Scalable B-to-C Business Beyond the Bricks

## Business Segments across Entire Life Cycle of the Assets

VONOVIA

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### Rental

**Efficient management of own portfolio**



- Average duration of our rental contracts is 13 years
- No cluster risk because of B-to-C business granularity
- High degree of insourcing and standardization along our value chain

### Value-add

**Ancillary service business for internal savings and external income**



- Leveraging long-term customer relations to generate additional cash flows from internal savings and external income
- Customer benefit through better service and/or lower cost

### Development

**Construction of apartments for (i) own portfolio (ii) disposal to third parties**



- Vonovia is one of the largest builders of new homes in Germany
- Size, efficiencies and innovation lead to building costs below fair market values

### Recurring Sales

**Disposal of individual apartments to retail buyers**



- Steady sales volume of ca. 2k apartments p.a.
- Sales prices of 20-30% above fair market value capture the spread between book value and retail value

# Scalable B-to-C Business Beyond the Bricks

## Full-scale Operating Platform Enables Insourcing Strategy

Residential real estate is a granular operating business. Vonovia has built a scalable platform to efficiently manage large portfolios and to provide the full range of services largely in-house.

### Property Management

~1,500

Lettings agents & caretakers



Face to the customer and eyes and ears on the ground in our local markets

### Technical Service

~5,000

Craftsmen



Wholly owned craftsmen subsidiary ("VTS") for large share of maintenance and modernization plus pooling of entire purchasing power

### Residential Environment

~800

Landscape gardeners



Maintenance of gray and green areas and snow/ice removal in the winter

### Service Center

~1,000

Service Agents



Centralized property management including inbound calls and e-mails, ancillary cost billing, contract management, maintenance dispatch and rent growth management



Best-in-class service levels



Fully SAP based



High degree of standardization



Efficient process management



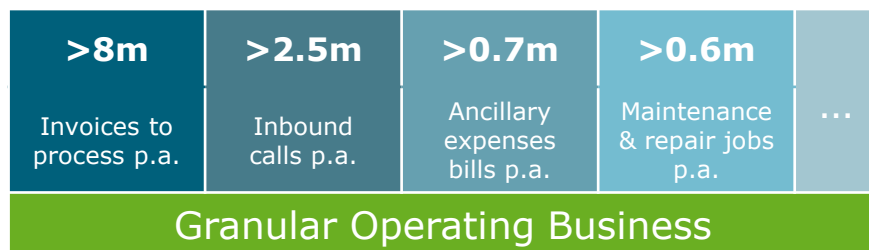
Superior cost control



# Scalable B-to-C Business Beyond the Bricks

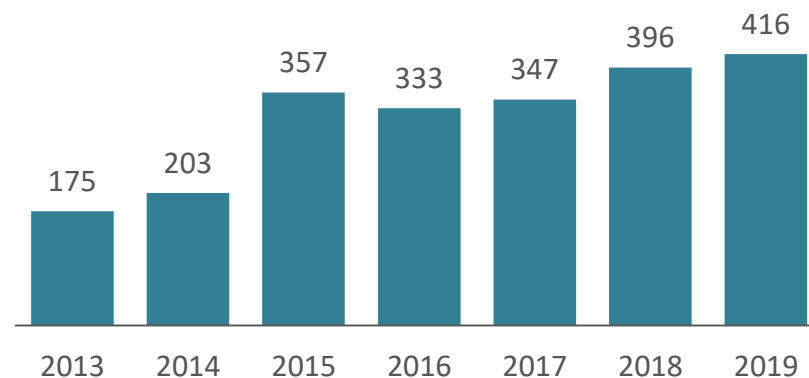
## Increasing Profitability via Scale and Efficiencies

Our strategy is to own for generations and create scale effects and efficiencies (buy & hold), and therefore different from a financial investor with a limited investment horizon (buy & sell)

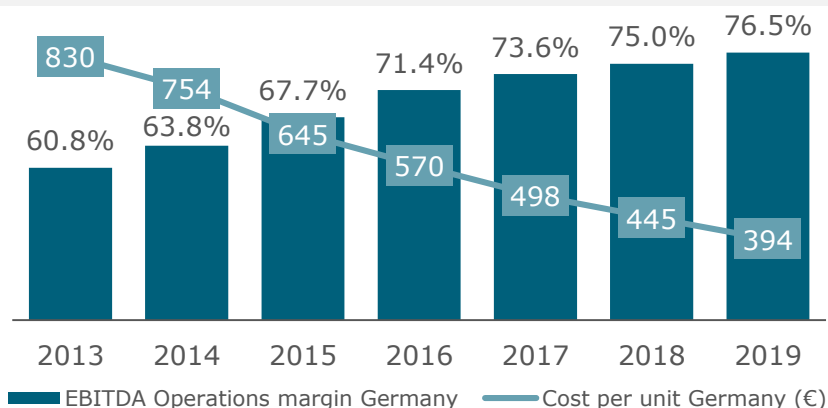


- Unique scalable platform to efficiently manage a large residential real estate portfolio driven by industrialization, standardization and optimization with best-in-class service
- Digitalization still in early stage with cost-reduction potential in the medium- and long-term
- Impact of scale to continue with acquisitions – incremental Cost per unit (Germany) is around €250

Portfolio size (eop, '000)



Proof of scalability<sup>1</sup>



<sup>1</sup> EBITDA Operations margin (Adj. EBITDA Rental + Adj. EBITDA Value-add – intragroup profits). 2019 margin includes positive impact from IFRS 16. Cost per unit is defined as (Rental Income – EBITDA Operations + Maintenance) / average no. of units.

# Scalable B-to-C Business Beyond the Bricks

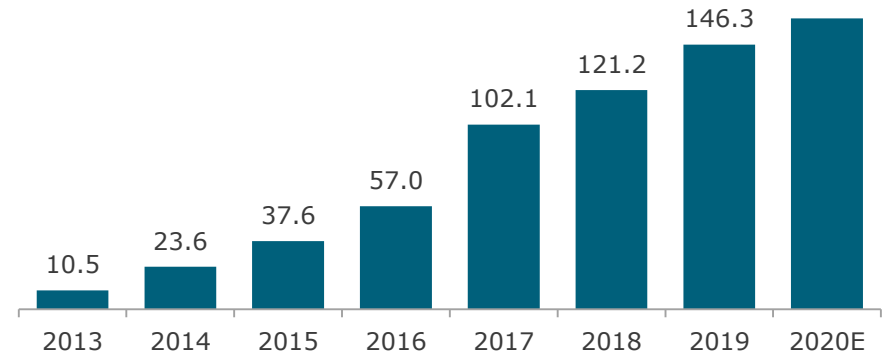
Leveraging the B-to-C Nature of Our Business

Value-add: lower cost & higher income

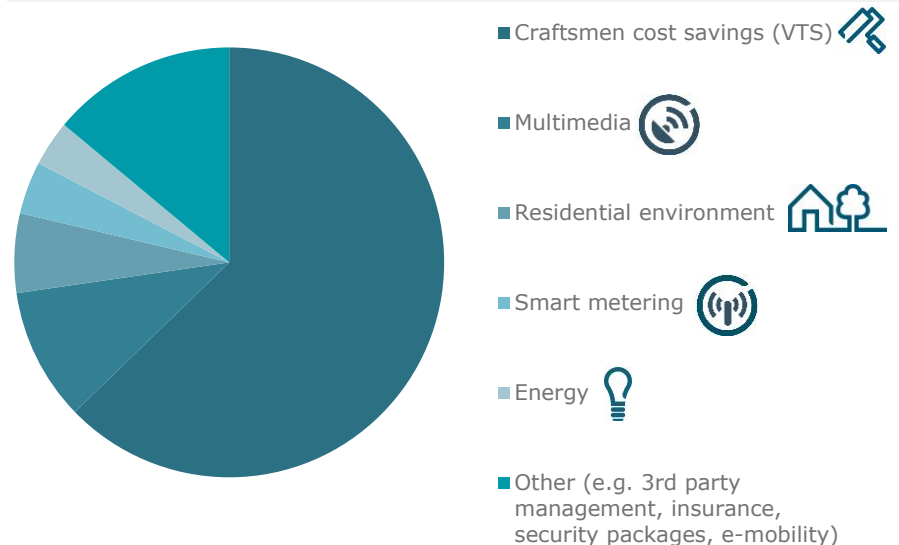
**Savings** from insourcing of services to ensure maximum process management and cost control

**Additional revenues** from walking back the value chain and offering services at market prices but on a lower cost basis due to scale and efficiencies

Evolution of Value-add segment (Adj. EBITDA, €m)



EBITDA contribution from different Value-add initiatives

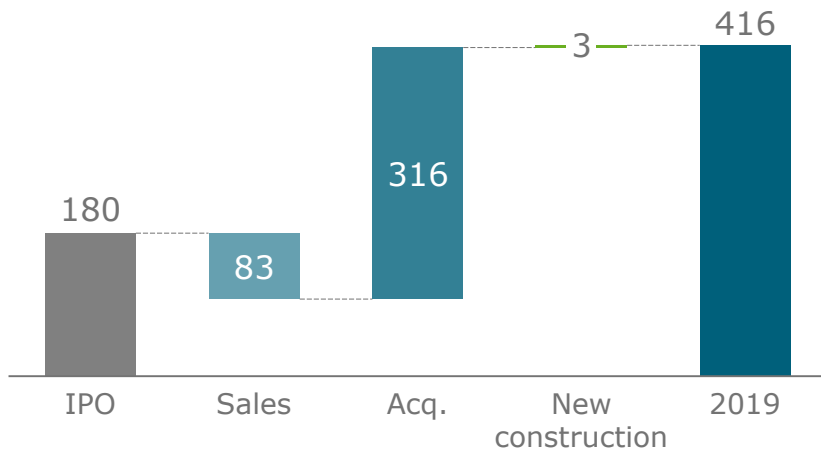


**Customer benefit** is in lower cost and/or better service quality

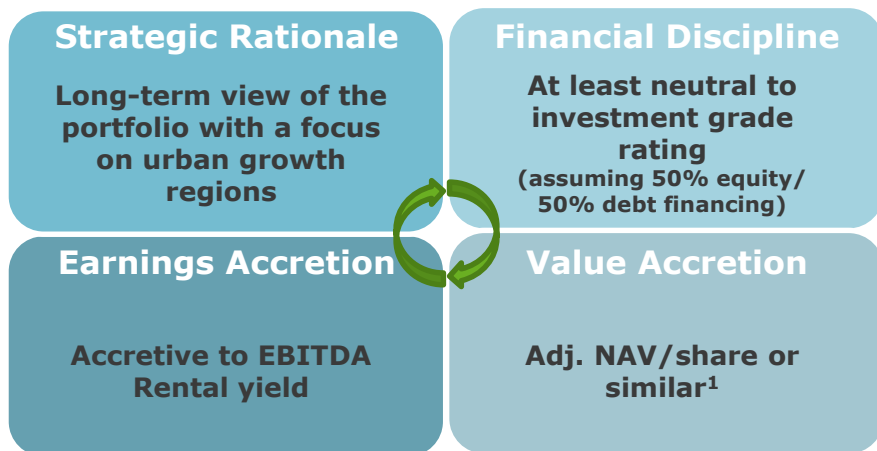
# Scalable B-to-C Business Beyond the Bricks

## Opportunistic Increase of Scalability via Mergers & Acquisitions

### Portfolio evolution by number of apartments ('000)



### Acquisition criteria



### Major transactions since IPO

<b>DeWAG</b> 	04/2014	First sizeable portfolio acquisition
~11k units		
<b>vitus</b>	10/2014	First sizeable corporate acquisition
~21k units		
<b>GAGFAH</b>	03/2015	Mixed cash/stock public takeover
~145k units		
<b>SUDEWO</b> <small>SÜDDEUTSCHE WOHNEN</small>	07/2015	Sizeable all equity financed portfolio acquisition
~19k units		
<b>conwert</b> <small>Immobilien Invest SE</small>	01/2017	Public takeover and first acquisition outside Germany
~23k units		
<b>BUWOG</b> <small>group</small>	06/2018	Public takeover and acquisition of critical mass in Austria
~48k units		
<b>VICTORIA PARK</b> <small>VICTORIA PARK</small>	07/2018	Public takeover and acquisition of "nucleus" in Sweden
~14k units		
<b>hembla</b>	12/2019	Acquisition of critical mass in Sweden
~21k units		

<sup>1</sup> EPRA has published new Best Practice Recommendations to replace EPRA NAV with a revised but broadly similar metric

# Scalable B-to-C Business Beyond the Bricks

## Implementation of Vonovia Business Model in Comparable Markets



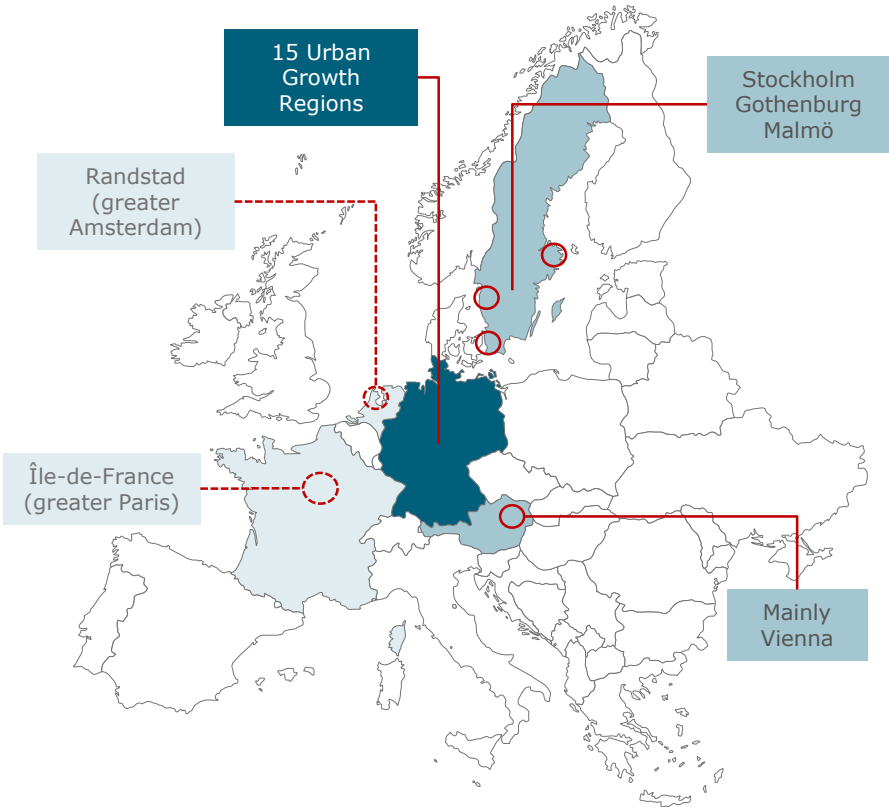
Equity Story

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- Vonovia has developed an **operating platform** and a unique business model for the **efficient management** of large residential portfolios in regulated environments.
- We are convinced that this **business model can be implemented outside of Germany** in comparable markets: large urban rental markets with a supply-demand imbalance and a regulated rental environment.
- No specific target rate or ratios in terms of German vs. non-German exposure → **disciplined but highly opportunistic approach.**
- M&A activities in European target markets are subject to the same **criteria** as in Germany.



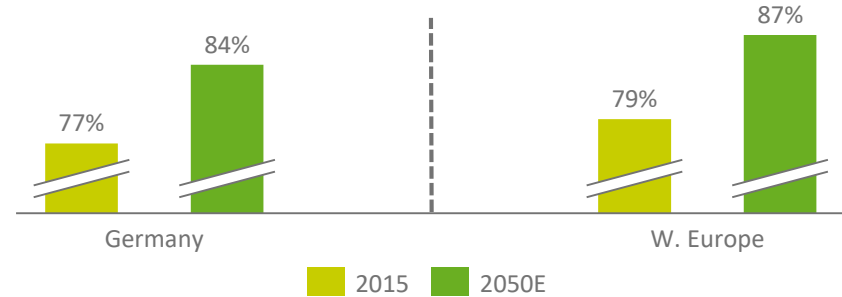
Germany	Austria	Sweden	France	Netherlands
<ul style="list-style-type: none"> <li>• Primary home market and expected to remain dominant in the foreseeable future.</li> <li>• Home of Vonovia business model that we are seeking to repeat in similar markets</li> </ul>	<ul style="list-style-type: none"> <li>• Run scalable operating business (Austrian SAP client successfully implemented)</li> <li>• "Austrian model" along build-hold-sell value chain</li> </ul>	<ul style="list-style-type: none"> <li>• Prove that Vonovia business model works outside Germany</li> <li>• Market consolidation on the basis of Victoria Park and Hembla combination</li> </ul>	<ul style="list-style-type: none"> <li>• Largest long-term potential</li> <li>• Active market engagement and networking to safeguard pole position for when opportunity arises</li> </ul>	<ul style="list-style-type: none"> <li>• Continue market research</li> <li>• Highly opportunistic approach in case of acquisition opportunity</li> </ul>



## Urbanization

Increasing urbanization in Germany and Europe meets a structural supply/demand imbalance in most European cities.

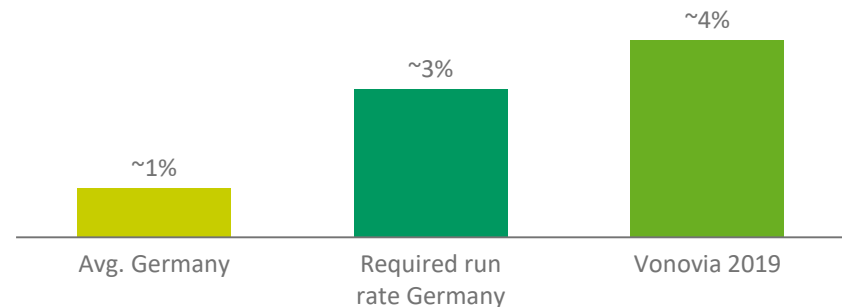
**% of population living in cities**



## Energy efficiency

Ca. 35% of greenhouse gas emissions in Germany originate in real estate. Energy efficient modernization of the housing stock with a view towards reducing CO2 emissions is paramount for Germany to achieve its climate protection targets.

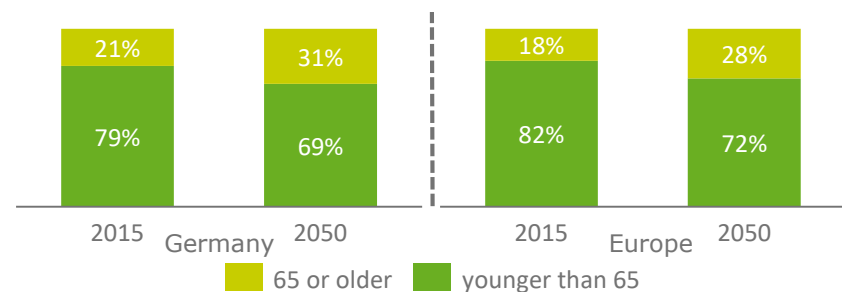
**% of modernized housing units**



## Demographic change

Demographic changes demand the refurbishment of apartments to enable an ageing population to stay in their homes with little or no assistance for longer. Ca. 3 million additional apartments for elderly people will be needed by 2030.

**% of population above/below 65 years**



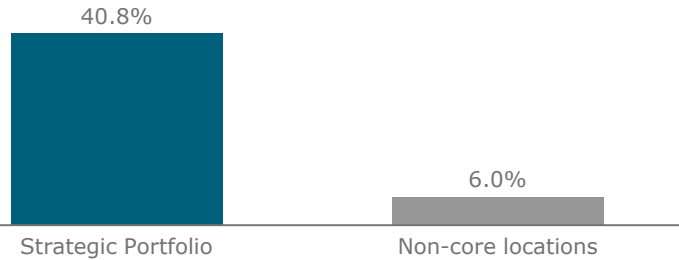
# Long-term Support from Megatrends

## Focus on Urban Areas with Long-term Supply/Demand Imbalance

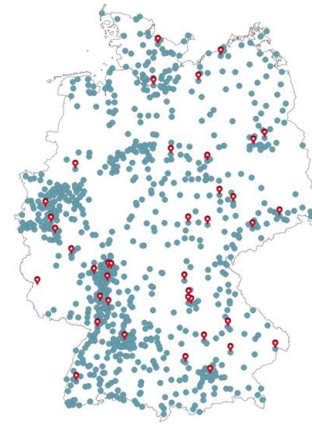
**Vonovia**  
Portfolio evolution

- > ~70k **non-core apartments sold** since IPO in 2013
- > ~99% of current portfolio located in **urban growth regions** for long-term ownership and subject to structural supply-demand imbalance

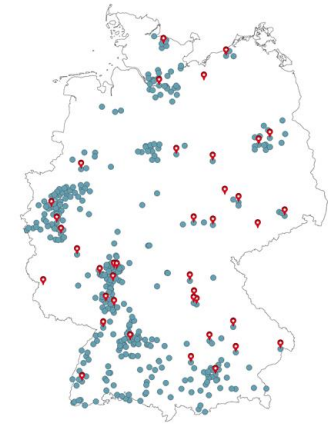
Aggregate total value growth 2017-2019 (%)<sup>1</sup>



**Vonovia Portfolio March 2015**  
347k apartments in 818 locations



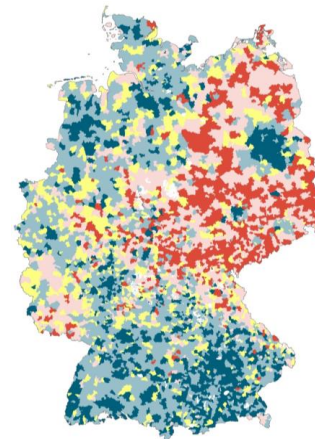
**Vonovia Strategic Portfolio**  
350k apartments in ~400 locations



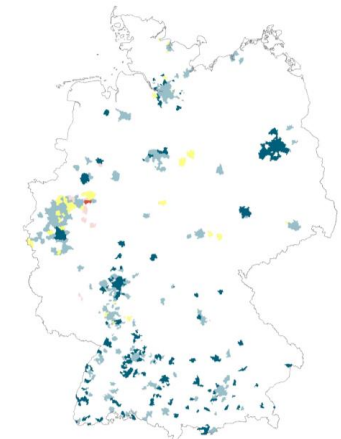
**Market view**  
of growing and shrinking regions<sup>2</sup>

- > The German Federal Office for Construction and Urban Development (BBSR) has analyzed all cities and counties in Germany on the basis of the average development in terms of population growth, net migration, working population (age 20-64), unemployment rate and trade tax revenue.
- > **The results fully confirm our portfolio management decisions**

Germany (market)



Strategic Portfolio (Vonovia)



■ Shrinking (above average) 
 ■ Shrinking 
 ■ No clear direction 
 ■ Growing 
 ■ Growing (above average)

● Vonovia location ● High-influx cities ("Schwarmstädte"). For more information: [http://investoren.vonovia.de/websites/vonovia/English/4050/financial-reports-\\_-presentations.html](http://investoren.vonovia.de/websites/vonovia/English/4050/financial-reports-_-presentations.html)

<sup>1</sup> Simple addition of 2017-2019 valuation results excluding compound interest effects. <sup>2</sup> Source: BBSR (<https://gis.uba.de/maps/resources/apps/bbsr/index.html?lang=de>)<sup>2</sup>

# Long-term Support from Megatrends

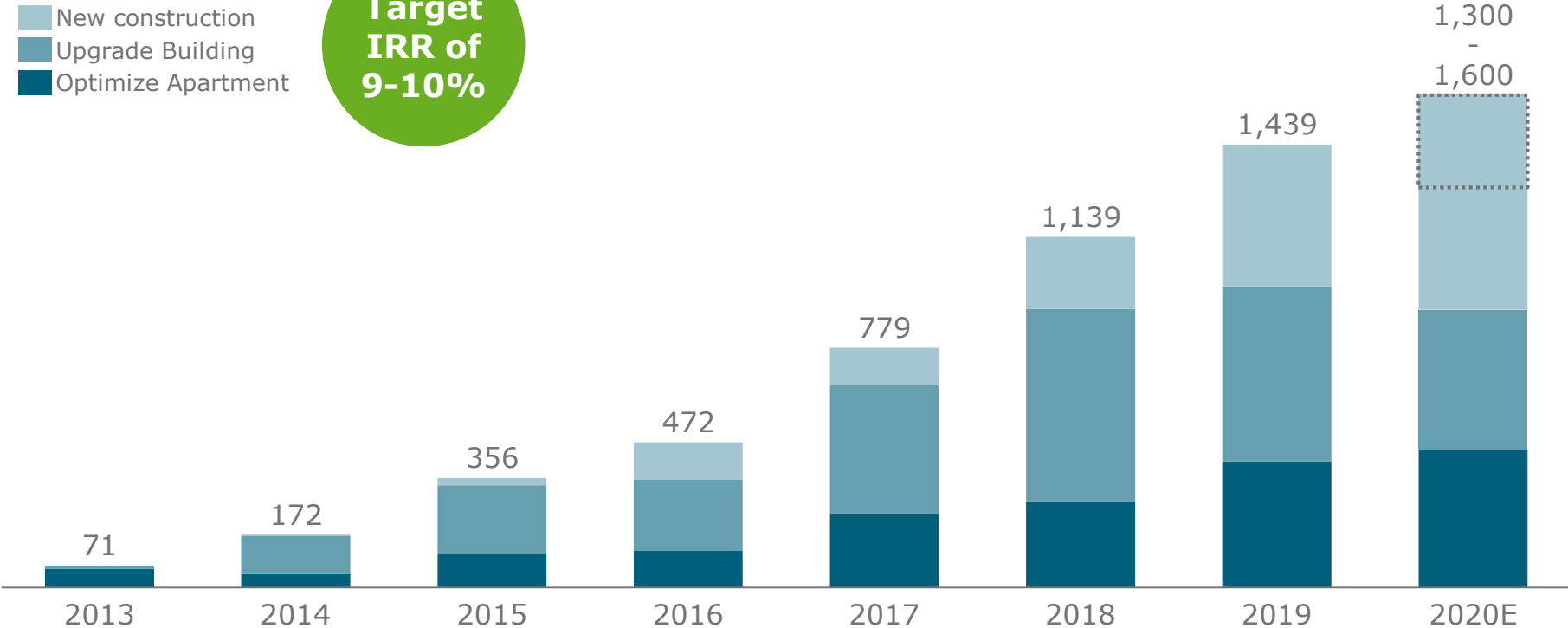
## Investments into Existing Portfolio and New Construction

- > **New construction:** Construction of apartments for our own portfolio through entirely new buildings or floor additions to existing buildings applying modular and conventional construction methods.
- > **Upgrade Building:** Energy efficient building modernization usually including new facades, roofs, windows and heating systems.
- > **Optimize Apartment:** Primarily senior-friendly apartment renovation usually including new bathrooms, modern electrical installations and new flooring.

€m

- New construction
- Upgrade Building
- Optimize Apartment

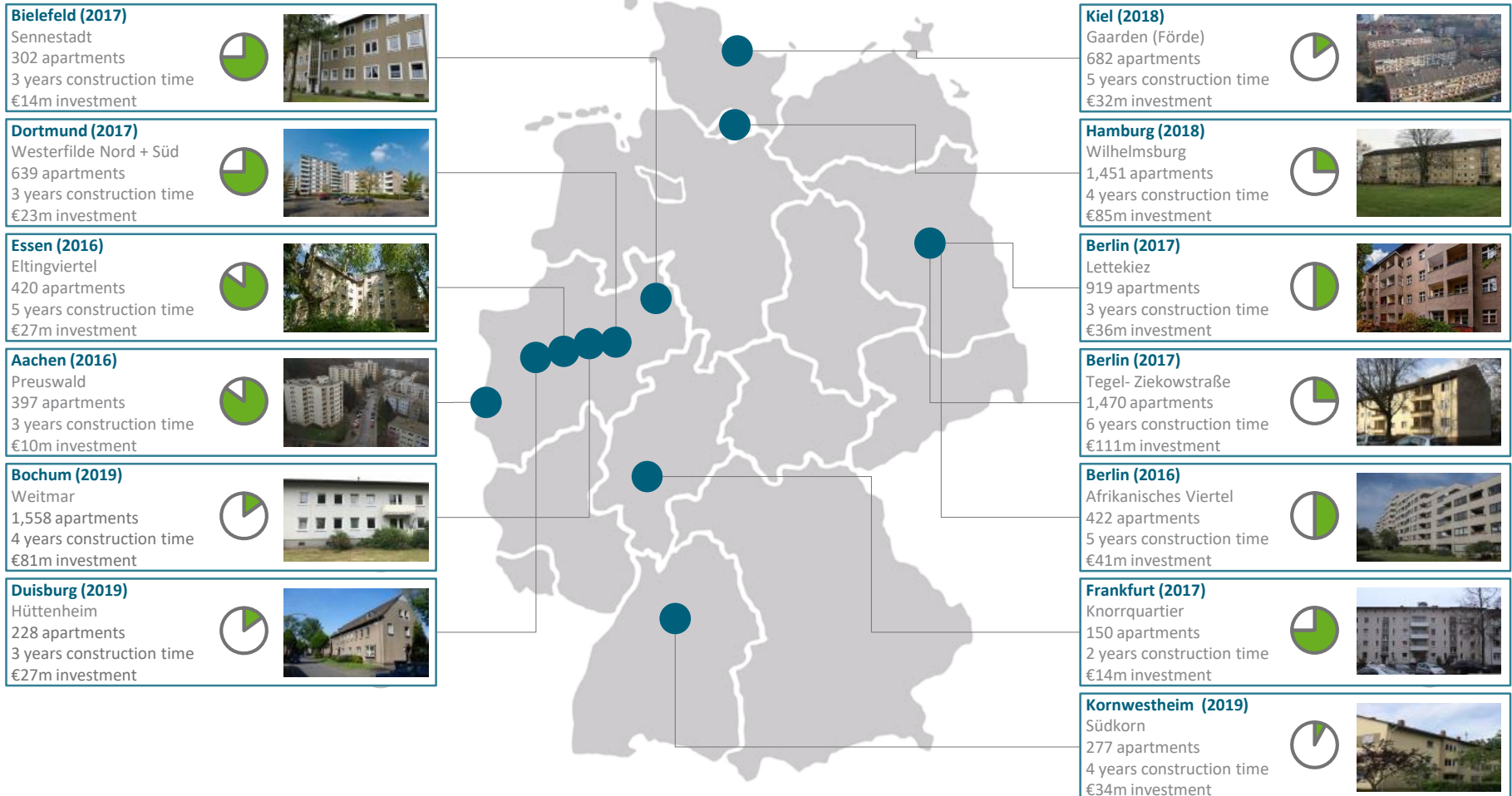
**Target IRR of 9-10%**



# Long-term Support from Megatrends

## More than €500m Neighborhood Development Investments

- While each project is different depending on specific local requirements and opportunities, neighborhood development projects usually include energy efficient modernization, construction of new apartments, apartment modernization and general upgrade of the neighborhood environment.



Note: Year refers to year of initial investment. Pie chart refers to estimated degree of project completion.



# Serving a Fundamental Need in a Highly Relevant Market

## Main Focus Points of Our Sustainability and ESG Dimensions

VONOVIA

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### E NVIRONMENTAL



- Largest and most meaningful positive impact is through increasing energy efficiency and CO<sub>2</sub> reduction of the >50,000 buildings in our portfolio
- Ca. one million tCO<sub>2</sub>e emissions per year
- Committed to Germany's ambitious target of achieving a climate neutral building stock by 2050 → energy efficient modernization of our portfolio at rate of >3% p.a.
- Researching innovative ways to reduce CO<sub>2</sub> emissions and increase the use of renewable energy

### S OCIAL



- Deeply rooted in the middle of society with products & services that impact the lives of more than one million people
- Homes not a product like any other → they serve a basic need alongside food and oxygen
- As a partner in the local markets in which we operate we provide answers to the challenges of the housing sector
- Most important solution lies in the construction of new and affordable apartments; as one of Germany's largest homebuilders we live up to our responsibility
- Responsibility for ~10,000 employees from 78 countries

### G OVERNANCE



- Business conduct is built around trust, transparency and reliability
- In everything we do we play by the rules and are compliant with all relevant laws, directives, social norms and agreements
- Continuous and open dialogue with all stakeholders
- We will only be successful if our stakeholders feel that they can rely on us

As Europe's largest listed landlord we provide a home to around 1 million people from 170 nations. All of our actions have more than just an economic dimension.

# Serving a Fundamental Need in a Highly Relevant Market

## Environmental - Pro-active Approach to Improve Our Footprint

1,000 roof program for **PV installations** with an expected capacity of 10,000,000 kWh p.a.

VNA headquarter with **100% electricity from renewables** has received various sustainability awards

R&D project with Fraunhofer Gesellschaft and others to explore innovative concepts for energy self-sufficient neighborhoods (e.g. **hydrogen energy storage**)

**Thousands of trees** planted to increase the environmental appeal in our urban neighborhoods

First housing company to cooperate with Germany's leading environmental organization NABU (Nature And Biodiversity Conservation Union) to turn green areas in our urban neighborhoods into **refuge areas for birds and insects**

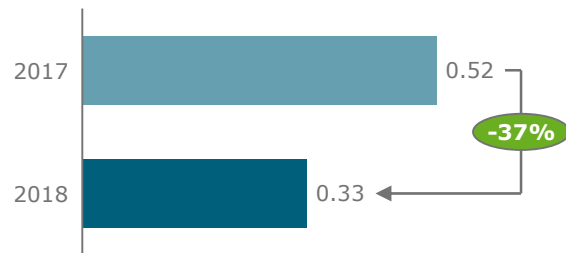
Energy intensity of the portfolio (MWh/sqm)



CO<sub>2</sub> heating intensity (tCO<sub>2</sub>e per rented unit)



Average water intensity (fresh water consumption of Vonovia office locations in m<sup>3</sup>/sqm)



Total waste volume of our portfolio ('000 t)



Portfolio distribution by energy efficiency rating





## CUSTOMERS

- Business philosophy above and beyond what is legally required
- Self-imposed obligation to limit ourselves to maximum rent increase of €2/sqm after invest
- Guarantee to customers 70+ years that rents will remain affordable irrespective of legal rent increase opportunities
- In-house craftsmen organization to ensure swift response time to repair & maintenance needs
- Multilingual service center for customer enquiries with 24/7 emergency service and tenant app to access all relevant data and for state-of-the-art customer-landlord communication



## SOCIETY

- Availability and affordability of housing is one of key social questions of our time. The most effective answer to address this challenge is new construction. With more than 2,000 apartments per year we are part of the solution
- Several hundred million of investments in neighborhood development to make sure that people feel at home not only within their apartments but also within their local neighborhood
- Various foundations, donations and different initiatives (e.g. photo award) support our commitment to society



## EMPLOYEES

- We bear responsibility for offering our employees a working environment in which they are happy, healthy and able to advance in line with their own expectations
- Our Vonovia academy continuously offers a range of training and coaching opportunities
- Comprehensive health management
- Generous home office regulation and part-time models to enable employees to balance career and family
- Signatory of Diversity Charter and committed to appreciation, tolerance and respect

- The duties and authorities of the three governing bodies derive from the SE Regulation, the German Stock Corporation Act and the Articles of Association. In addition, Vonovia is **fully in compliance** with the German Corporate Governance Code.
- In the **two-tier governance system**, the management and monitoring of the business are **strictly separated** from each other.

### Annual General Meeting (AGM)

- Shareholders can exercise their voting rights.
- Decision making includes the appropriation of profit, discharge of members of the SVB and MB, and capital authorization.

### Two-tier Governance System

#### Supervisory Board (SVB)

- Appoints, supervises and advises MB
- Examines and adopts the annual financial statements
- Forms Supervisory Board Committees
- Fully independent
- Board profile with all required skills and experience



Jürgen Fitschen (Chairman)   Prof. Dr. Edgar Ernst   Burkhard Ulrich Drescher   Vitus Eckert   Dr. Florian Funck   Dr. Ute Geipel-Faber



Daniel Just   Hildegard Müller   Prof. Dr. Klaus Rauscher   Dr. Ariane Reinhart   Clara-Christina Streit   Christian Ulbrich

#### Management Board (MB)

- Jointly accountable for independently managing the business in the best interest of the company and its stakeholders
- Informs the SVB regularly and comprehensively
- Develops the company's strategy, coordinates it with the SVB and executes that strategy



**CEO**  
Rolf Buch



**CFO**  
Helene von Roeder



**CRO**  
Arnd Fittkau



**CDO**  
Daniel Riedl

# Serving a Fundamental Need in a Highly Relevant Market

## ESG Rankings - Positive Momentum with More Upside Potential



Gold award for last 2 years



2016



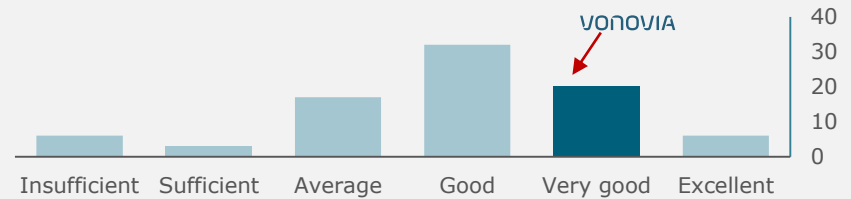
2017



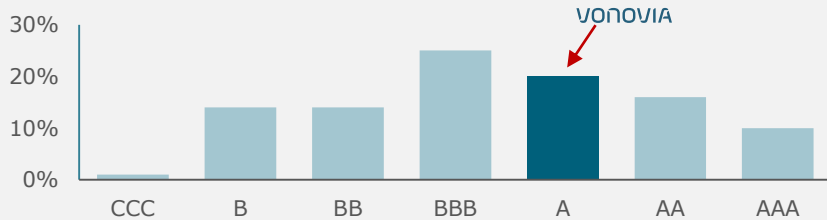
2018



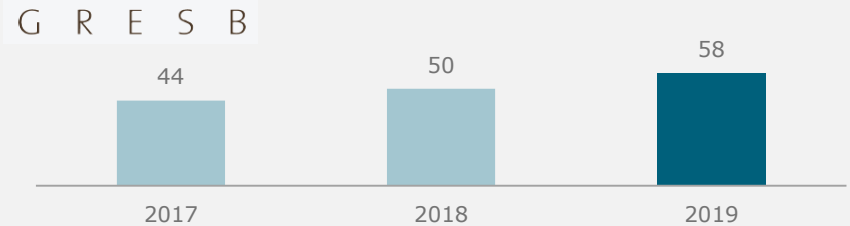
Corporate Governance Ranking of German Large (DAX) and Mid Caps (MDAX)



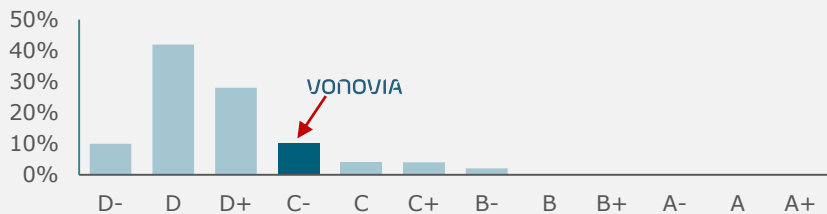
Upgraded from BBB to A



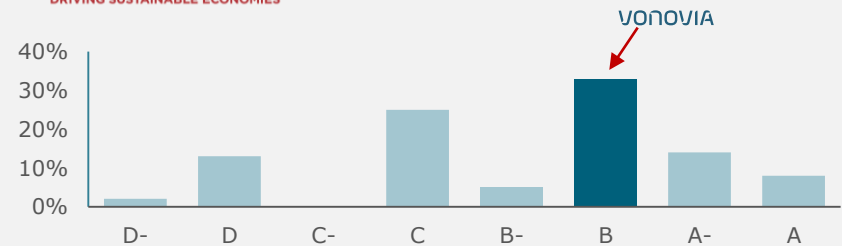
Improved from 44 to 58 points



Upgraded from D to C-



Upgraded from C to B

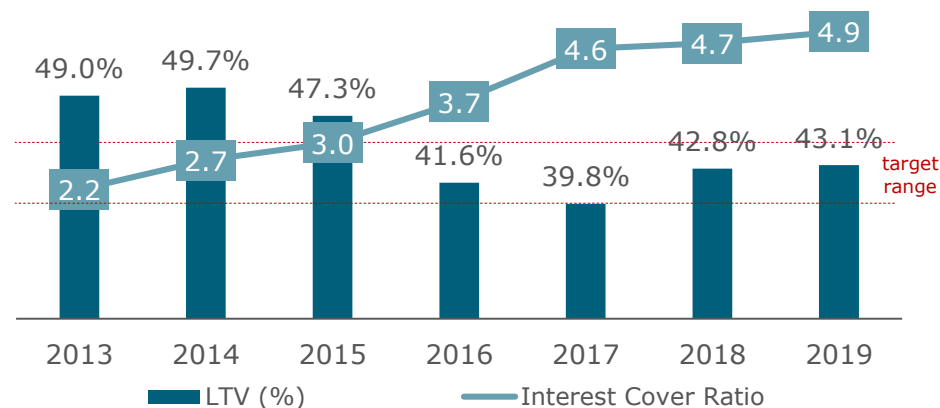


# Long-term View Requires Solid Capital Structure & Diverse Funding

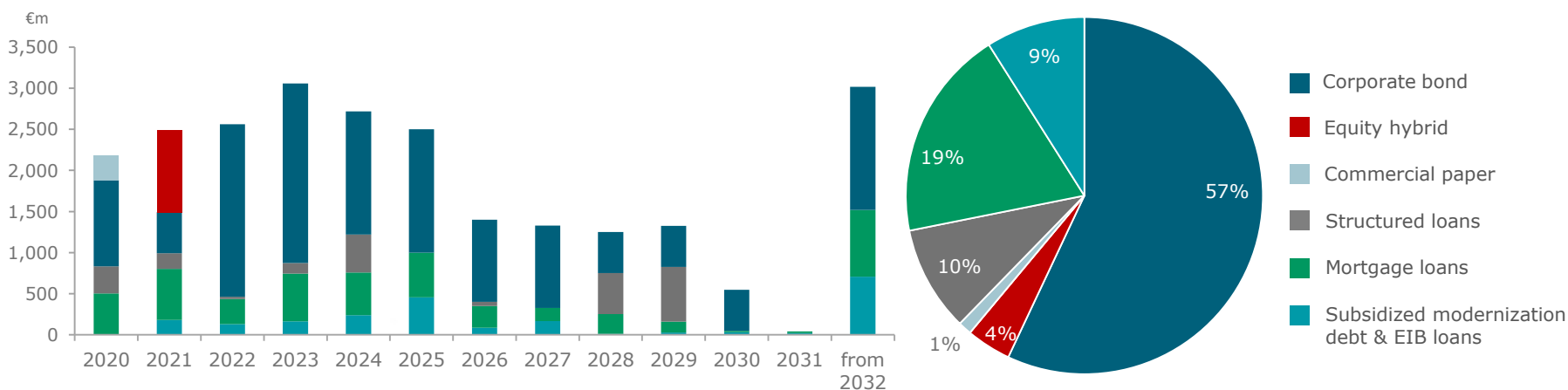
## Combination of Moderate LTV, Long Duration and Fixed Rates

KPI / criteria	Dec. 31, 2019
Corporate rating (Scope; since 12/2019)	<b>A-</b>
Corporate rating (S&P)	<b>BBB+</b>
LTV <sup>1</sup>	<b>43.1%</b>
Net debt/EBITDA multiple <sup>2</sup>	<b>11.5x</b>
ICR <sup>3</sup>	<b>4.9x</b>
Fixed/hedged debt ratio <sup>1</sup>	<b>96%</b>
Average cost of debt <sup>1</sup>	<b>1.5%</b>
Weighted average maturity (years) <sup>1</sup>	<b>7.9</b>
Unencumbered assets	<b>50%</b>
Most recent bond issuances	<b>Oct. 2019</b>
€500m, 20 years	<b>1.625%</b>
€500m, 8 years	<b>0.625%</b>
€500m, 3.5 years	<b>0.125%</b>

### Evolution of LTV and Interest Cover Ratio



### Diverse funding mix with no more than 12% of debt maturing annually<sup>4</sup>



<sup>1</sup> Excl. equity hybrid. <sup>2</sup> Adj. net debt quarterly average over Adj. EBITDA Total (LTM), adjusted for IFRS 16 effect. <sup>3</sup> Adj. EBITDA (LTM) / FFO Interest Expense (LTM). <sup>4</sup> Incl. tap bond €200m in Feb 2020.



Granular B-to-C business with high degree of stability. Business model is resilient, predictable and provides downside protection



Long-term owner and full-scale operator with proven track record of scale and efficiencies in regulated residential real estate markets



The megatrends urbanization, energy efficiency and demographic change provide structural support and long-term tailwind for the business



Uniquely positioned in Germany with ability and ambition to implement Vonovia business model in selected European metropolitan areas



Fully committed to long-term nature of the business and the importance of sustainability





Equity Story

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Performance Update (FY2019)

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Additional Information

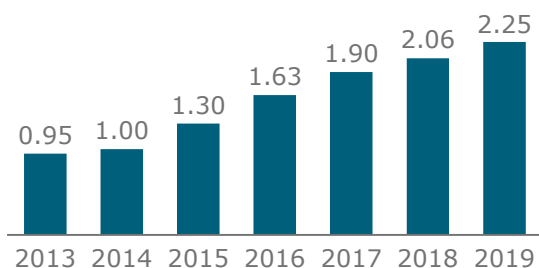
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See Page Finder on page 64 for detailed index

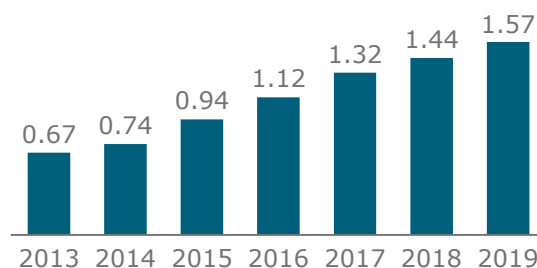


- We are reporting the 7<sup>th</sup> set of annual results as a listed company. As in every prior year, we have managed to improve our results and almost all relevant KPIs.
- We have successfully built our business on a broad and stable footing, and we look ahead with optimism not just to the remainder of 2020 but also beyond.

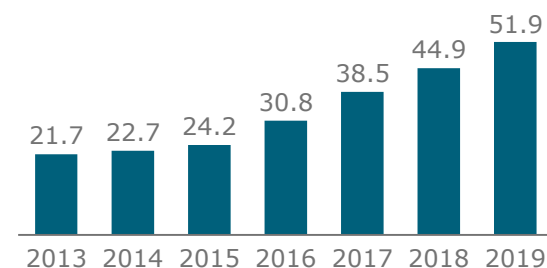
FFO (€/share)<sup>1</sup>



Dividend (€/share)<sup>2</sup>



Adj. NAV (€/share)



- We are confident that embracing the challenges and opportunities that result from the megatrends of urbanization and supply/demand imbalance, energy efficiency, and demographic change, will safeguard our future success.
- Our commitment to actively work on solutions for challenges facing the industry and society in general is crucial for the long-term support for our business model.

<sup>1</sup> Based on prevailing internal management KPI, which was FFO1 from 2013-2018 and Group FFO in 2019. <sup>2</sup> 2019 DPS to be proposed to the AGM on May 13, 2020

## Performance

- Y-o-y increase across all four segments
- Adj. EBITDA Total **€1,760.1m** (+13.2%)
- Group FFO<sup>1</sup> **€1,218.6m** (+7.7%) and **€2.25** per share (+3.2%; eop shares)

## NAV & Valuation

- Adj. NAV per share **€51.93** (+15.7% since YE 2018)
- **11.8%** overall I-f-I value increase. **€5.3bn** total value growth in 2019

## Dividend

- **€1.57** dividend per share (+9% y-o-y) to be proposed to the AGM on May 13, 2020
- In line with prior years we expect to offer shareholders a **choice between cash and scrip** dividend

## Capital Structure

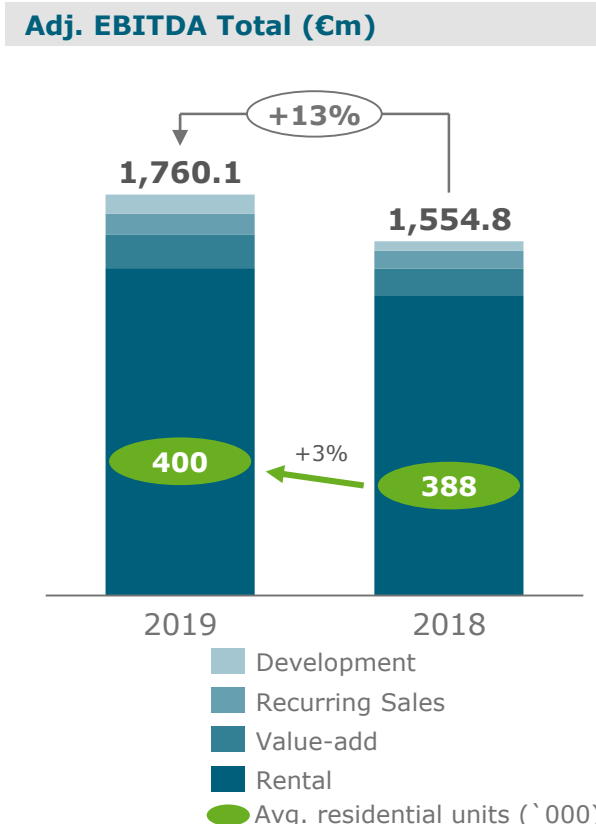
- LTV **43.1%** (+30bps since YE 2018)
- Net debt/EBITDA multiple **11.5x** (+10 bps)

<sup>1</sup> includes €3.8m contribution from Hembla for two months.

# Substantial Growth in All Four Segments from Larger Portfolio Volume and Performance Improvements

- 13.2% Adj. EBITDA Total growth and 7.7% Group FFO growth on the back of a 3% larger portfolio and performance improvements.
- While the operating business with the rental and value-add segments remains the primary performance driver, recurring sales and development made an increased contribution in 2019.

€m (unless indicated otherwise)	2019	2018	
Adj. EBITDA Rental	1,437.4	1,315.1	
Adj. EBITDA Value-add	146.3	121.2	
Adj. EBITDA Recurring Sales	91.9	79.1	
Adj. EBITDA Development	84.5	39.4	
<b>Adj. EBITDA Total</b>	<b>1,760.1</b>	<b>1,554.8</b>	<b>+13.2%</b>
FFO interest expenses	-358.6	-328.8	
Current income taxes FFO	-50.1	-36.5	
Consolidation <sup>1</sup>	-132.8	-57.5	
<b>Group FFO</b>	<b>1,218.6</b>	<b>1,132.0</b>	<b>+7.7%</b>
of which Vonovia shareholders	1,165.6	1,069.7	
of which hybrid investors	40.0	40.0	
of which non-controlling interests	13.0	22.3	
Number of shares (eop)	542.3	518.1	
<b>Group FFO per share (eop NOSH)</b>	<b>2.25</b>	<b>2.18</b>	<b>+3.2%</b>
Group FFO per share (avg. NOSH)	2.29	2.24	



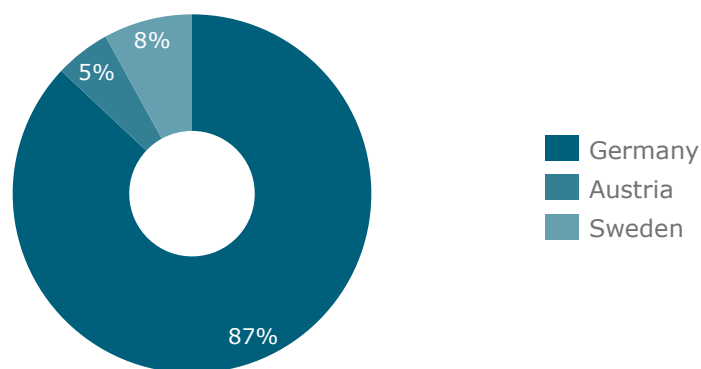
<sup>1</sup> Consolidation in 2019 (2018) comprised intragroup profits of €43.9m (€38.8m), the valuation result of development to hold of €58.9m (€18.7m), and IFRS 16 effects of €29.9m (€0.0m).

# Acquisitions and Organic Growth Drive Adj. EBITDA Rental

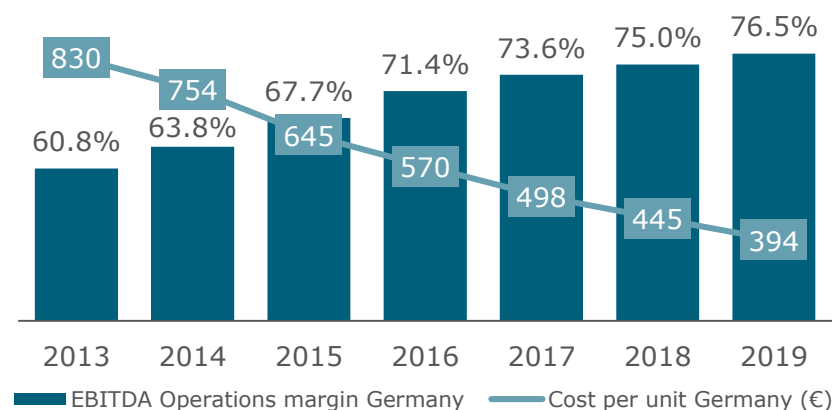
Rental Segment (€m)	2019	2018	Delta
Rental income	2,074.9	1,894.2	+9.5%
Maintenance expenses	-308.9	-289.7	+6.6%
Operating expenses	-328.6	-289.4	+13.5%
<b>Adj. EBITDA Rental</b>	<b>1,437.4</b>	<b>1,315.1</b>	<b>+9.3%</b>

- Rental income growth in 2019 was driven by the acquisition of Buwog, Victoria Park, and Hembla plus organic rental growth and more than outweighed the rental income dilution from disposals.
- The increase in operating expenses is mainly attributable to the inclusion of ~€40m (pass-through) ancillary expenses for Victoria Park due to the all-inclusive rent system in Sweden.

## Rental income by geography



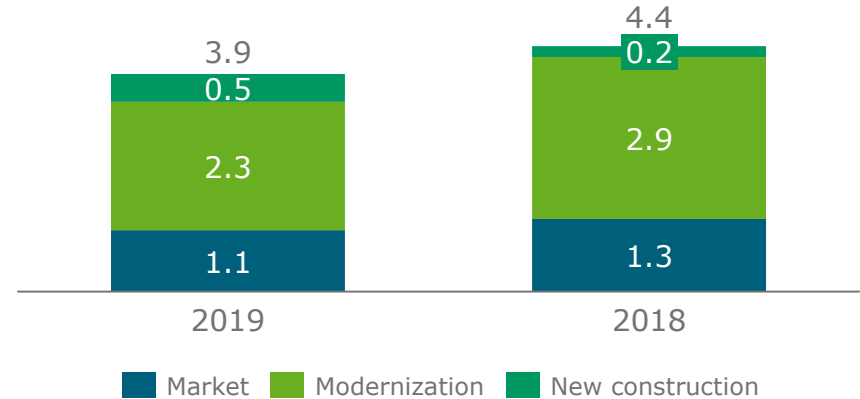
## EBITDA Operations margin Germany<sup>1</sup>



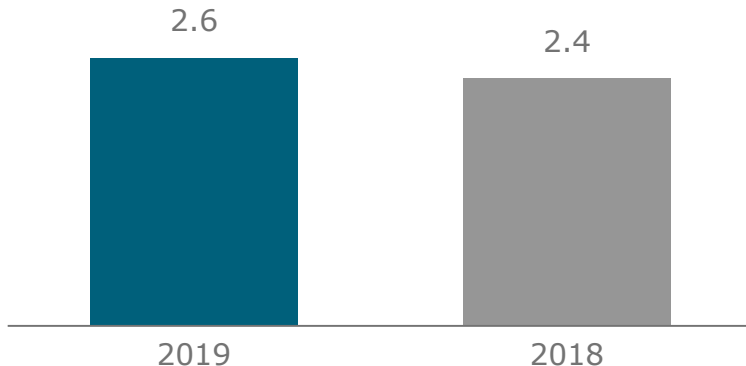
<sup>1</sup> EBITDA Operations margin (Adj. EBITDA Rental + Adj. EBITDA Value-add – intragroup profits) / Rental Income. 2019 margin includes positive impact from IFRS 16. Cost per unit is defined as (Rental Income – EBITDA Operations + Maintenance) / average no. of units.

- Organic rent growth of 3.9% year-on-year. The marginally lower growth rate is the result of the combined impact of several factors including mainly
  - 2019 Berlin Mietspiegel not implemented;
  - The 10% rental cap ("Mietpreisbremse") effect on the market and political influence on Mietspiegel;
  - Declining fluctuation and an increasing number of our apartments already at Mietspiegel level;
  - Reduction of modernization allocation from 11% to 8% and our voluntary restriction to grow rents by a max. of €2/sqm following modernizations;
  - Scarcity of construction/craftsmen labor and increasingly comprehensive investments that result in a more extended period for realizing the full rent growth.

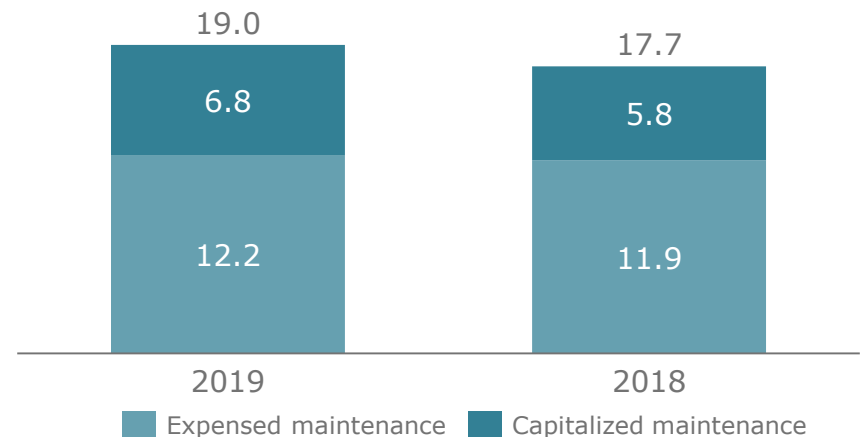
## Organic rent growth (y-o-y; %)



## Vacancy rate (%)



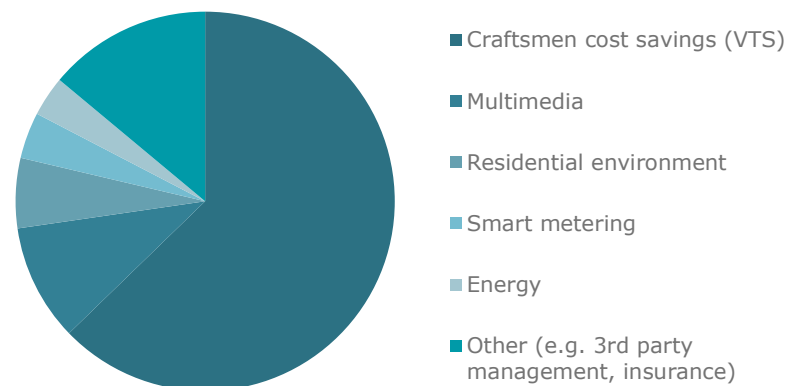
## Expensed and capitalized maintenance (€/sqm)



- Two types of value-add: (i) **internal savings** mainly via craftsmen organization and (ii) **additional revenue** through external income by offering services at **market prices but on a lower cost basis due to efficiencies and size**.
- Insourcing of services to ensure **maximum process management** and **cost control**.
- Expansion of core business to generate additional revenues by walking back the value chain and offering services that were previously provided by third parties (**internalization of margin**).
- **Cash flows from Adj. EBITDA Value-add are not included in the portfolio valuation, and as a consequence ignored in NAV.**
- Applying the impairment test discount rate<sup>1</sup> to the 2019 Adj. EBITDA Value-add suggests an **additional value between ca. €5 and €6 per share** (ca. **9-12%** on top of YE2019 Adj. NAV).

Value-add Segment (€m)	2019	2018	Delta
Income	1,677.3	1,462.2	+14.7%
of which external	248.4	203.9	+21.8%
of which internal	1,428.9	1,258.3	+13.6%
Operating expenses Value-add	-1,531.0	-1,341.0	+14.2%
<b>Adj. EBITDA Value-add</b>	<b>146.3</b>	121.2	+20.7%

## Value-add EBITDA mostly from internal savings

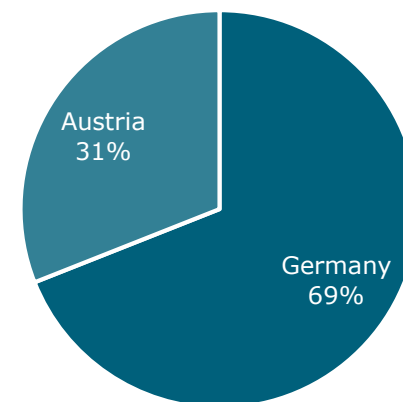


<sup>1</sup> Pre-tax WACC in impairment test of 4.1% in 2019 (2018: 5.1%)

# Adj. EBITDA Contribution from Recurring Sales Up 16.2%

- Stable sales volume but higher proceeds and fair value step-up y-o-y, reflecting on a healthy market environment.
- FV step-up improvement also driven by disposals in Austria.
- Avg. sales prices up 11% y-o-y.
- Outside the Recurring Sales Segment we sold 2,177 non-core units in 2019 with a fair value step-up of 15.8%.

Recurring sales by geography<sup>1</sup>



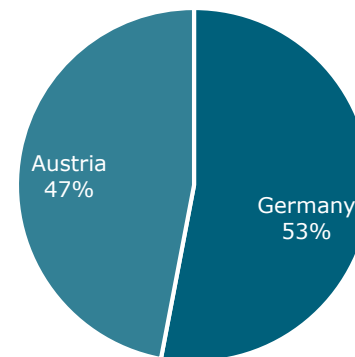
Recurring Sales Segment (€m)	2019	2018	Delta
Units sold	2,607	2,818	-7.5%
Gross proceeds	365.1	356.1	+2.5%
Fair value	-258.4	-262.8	-1.7%
Adjusted result	106.7	93.3	+14.4%
Fair-value step-up	41.3%	35.5%	+580bps
Selling costs	-14.8	-14.2	+4.2%
<b>Adj. EBITDA Recurring Sales</b>	<b>91.9</b>	<b>79.1</b>	<b>+16.2%</b>

<sup>1</sup> Based on sales proceeds.

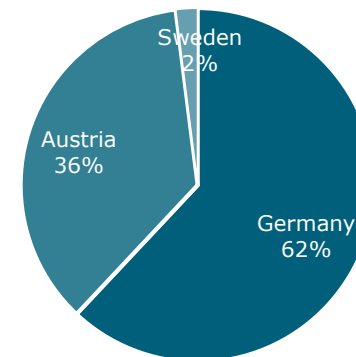
# Ramp-up of Development Business Continues

- This segment includes the contribution of to-sell and to-hold constructions of new buildings. Not included is the construction of new apartments by adding floors to existing buildings, as this happens in the context of, and is accounted for, under modernization.

Development to sell (by income)



Development to hold (by fair value)



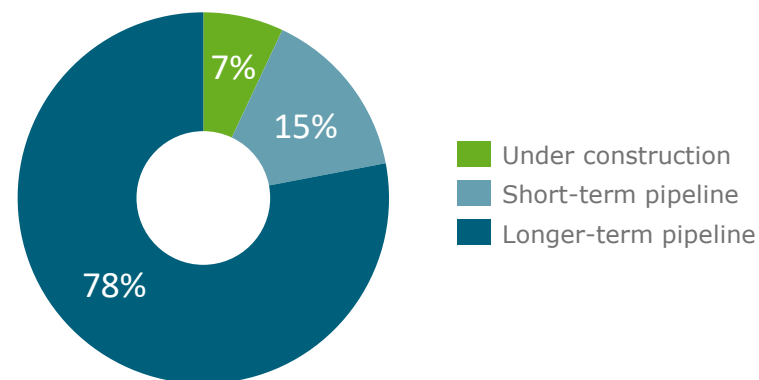
Development Segment (€m)	2019	2018	Delta
Income from disposal of "to sell" properties	249.5	225.1	+10.8%
Cost of Development to sell	-197.3	-181.8	+8.5%
Gross profit Development to sell	52.2	43.3	+20.6%
Fair value Development to hold	266.3	98.0	>100%
Cost of Development to hold	-207.4	-79.3	>100%
Gross profit Development to hold	58.9	18.7	>100%
Operating expenses Development segment	-26.6	-22.6	+17.7%
<b>Adj. EBITDA Development</b>	<b>84.5</b>	<b>39.4</b>	<b>&gt;100%</b>



## New rental apartments for our own portfolio ("to hold")

- > 1,301 units completed in 2019.
- > Total pipeline of ca. 40,000 units, of which more than 70% in Germany and the remainder in Austria and Sweden.
- > Average apartment size between 60-70 sqm and broadly in line with overall portfolio average.
- > The development to-hold investment volume is part of the overall investment program.

### Pipeline with ca. 40,000 apartments

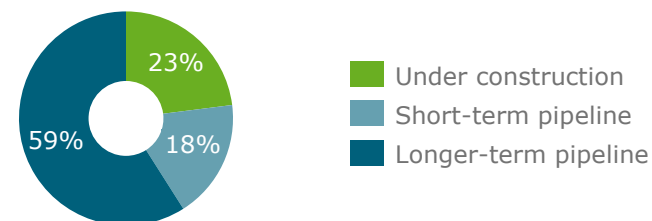


2020 target: up to 1,500 completions

## New apartments for retail disposal ("to sell")

- > 791 units completed in 2019.
- > Total pipeline volume of ca. €2.6bn (ca. 7,000 apartments), of which ca. 60% in Germany and ca. 40% in Austria.
- > Investment capital for Development to sell is not part of investment program.
- > Average apartment size between 70-80 sqm.
- > Average investment volume of ~€4.5k per sqm.
- > Expected gross margin between 20-25% on average.

### Pipeline with ca. 7,000 apartments



2020 target: up to 500 completions

# 2019 once again with Strong Value Growth

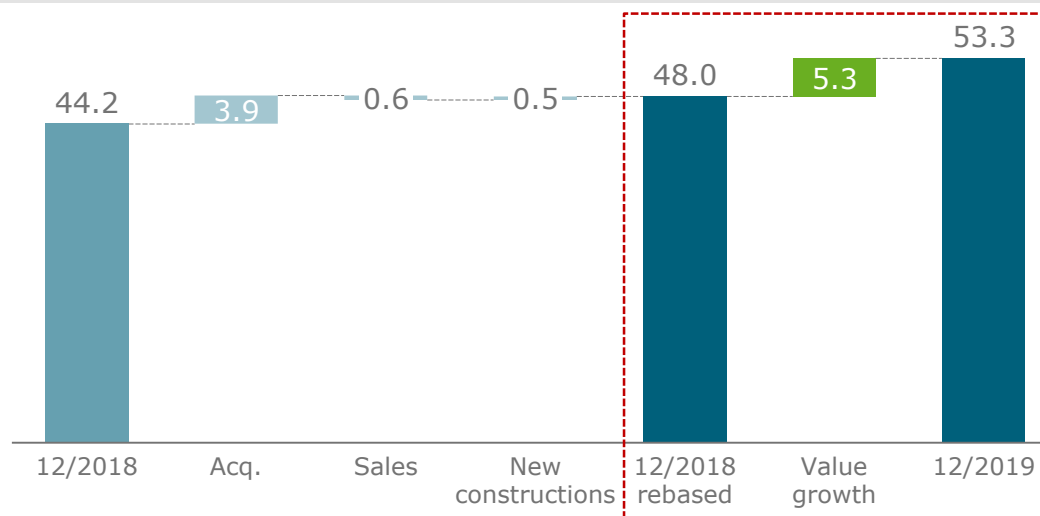
## Fair value evolution (€bn)

➢ 11.8% overall I-f-I value uplift in 2019

➢ 3.1% performance

➢ 2.2% investments and

➢ 6.5% yield compression



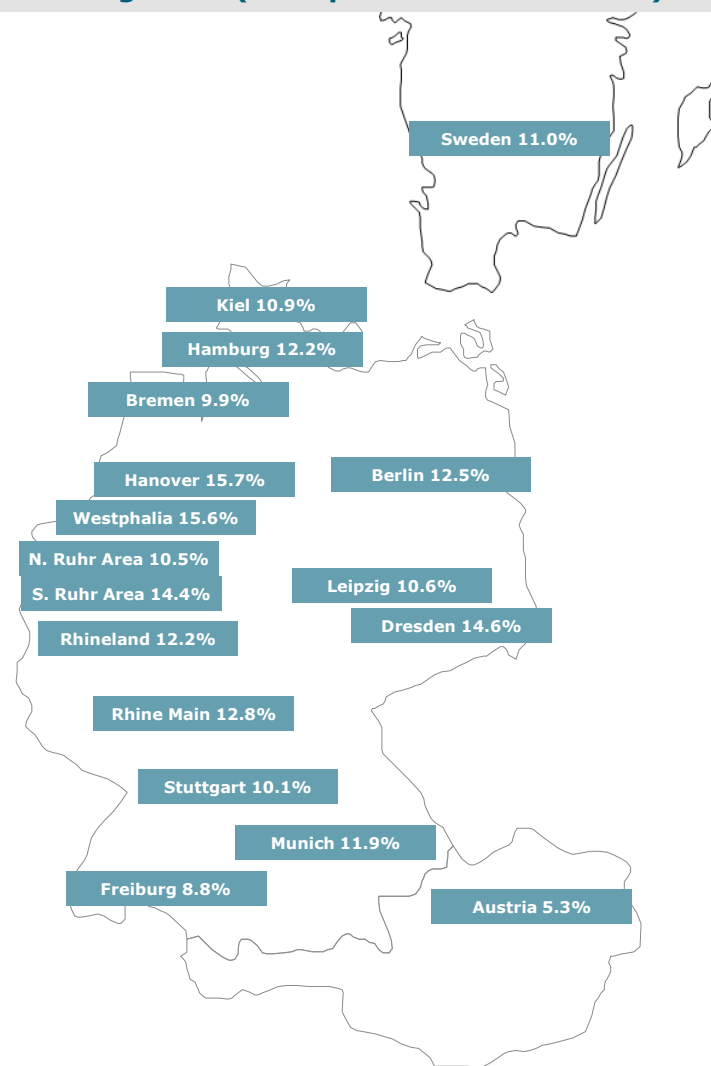
Valuation KPIs Dec. 31, 2019	Vonovia Total	Germany	Sweden	Austria
In-place rent multiple	<b>22.6x</b>	23.5x	17.1x <sup>1</sup>	24.7x <sup>1</sup>
Fair value (€/sqm)	<b>1,865</b>	1,893	1,899	1,455
Fair value (€bn)	<b>53.3</b>	44.4	5.8	3.1

Value growth drivers (€m)	2019	2018
Performance <sup>2</sup>	1,501	991
Investments	978	925
Yield compression	2,796	2,665
<b>Total</b>	<b>5,274</b>	<b>4,581</b>

<sup>1</sup> In-place rents in Austria and Sweden are not fully comparable to Germany, as Sweden includes ancillary costs and Austria includes maintenance and property improvement contributions from tenants. The data above shows the rental level unadjusted to the German definition. <sup>2</sup> Includes value uplift after modernization and new construction (2019: €342m, 2018: €194m) and currency impact from value changes in Swedish Krona (2019: +€32m, 2018: +€33m).

2019 I-f-I	YC + Performance	Invest
Dresden	12.2%	2.4%
Hanover	12.2%	3.5%
Rhine Main	11.6%	1.2%
Munich	11.0%	0.9%
Berlin	11.1%	1.4%
Hamburg	10.2%	1.9%
Rhineland	10.2%	2.0%
Leipzig	9.6%	1.1%
Westphalia	9.0%	6.5%
Southern Ruhr	9.5%	4.9%
Stuttgart	9.0%	1.1%
Kiel	9.1%	1.7%
Northern Ruhr	7.2%	3.3%
Freiburg	7.8%	1.0%
Bremen	5.5%	4.4%
Other Strategic Locations	8.9%	2.0%
<b>Total German Strategic Portfolio</b>	<b>10.2%</b>	<b>2.2%</b>
Non-strategic Locations	1.2%	0.8%
<b>Vonovia Germany</b>	<b>10.0%</b>	<b>2.2%</b>
<b>Vonovia Sweden</b>	<b>8.2%</b>	<b>2.8%</b>
<b>Vonovia Austria</b>	<b>4.6%</b>	<b>0.7%</b>
<b>Vonovia</b>	<b>9.6%</b>	<b>2.2%</b>

## Total value growth (YC + performance + invest)

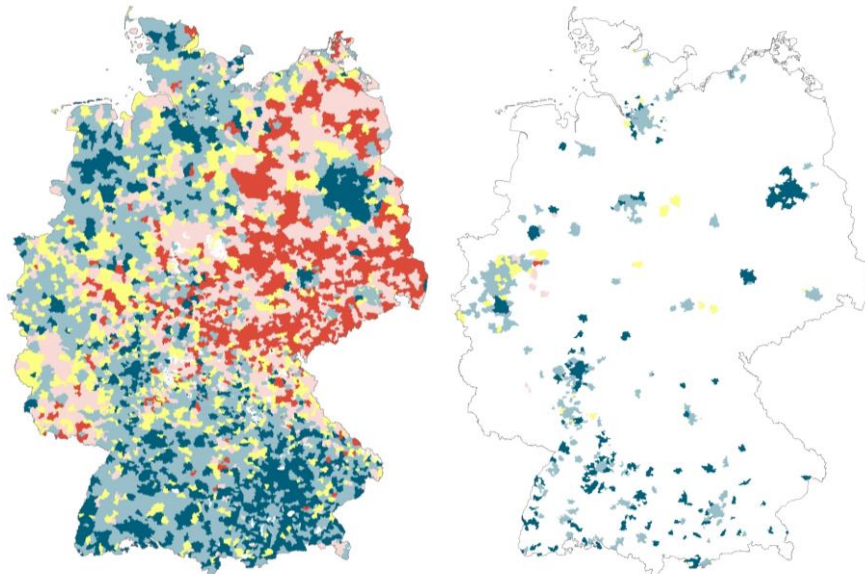


## Growing and shrinking regions<sup>1</sup>

- The German Federal Office for Construction and Urban Development (BBSR) has analyzed all cities and counties in Germany on the basis of the average development in terms of population growth, net migration, working population (age 20-64), unemployment rate and trade tax revenue.
- The results fully confirm our portfolio management strategy.

Germany (market)

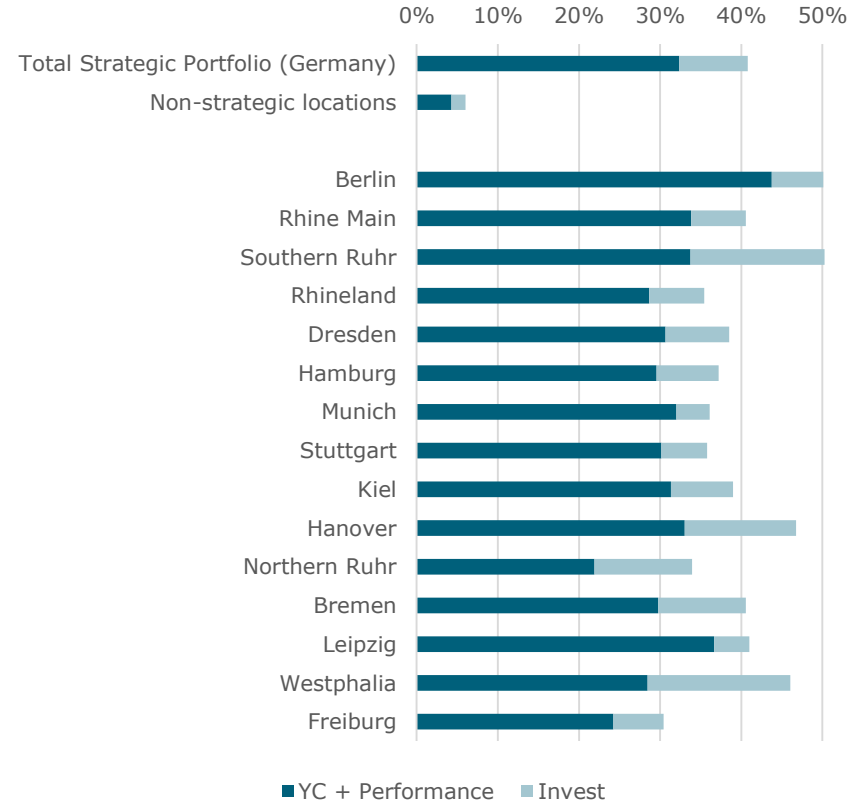
Strategic Portfolio (Vonovia)



■ Shrinking (above average) 
 ■ Shrinking 
 ■ No clear direction 
 ■ Growing 
 ■ Growing (above average)

## Aggregate total value growth 2017 – 2019 (%)<sup>2</sup>

- Total aggregate value growth of 41% in Strategic locations vs. 6% in Non-strategic Locations between 2017 and 2019.
- Individual Regional Markets have all seen substantial value growth in a range between ca. 30%-50%.



<sup>1</sup> Source: BBSR (<https://gis.uba.de/maps/resources/apps/bbsr/index.html?lang=de>) <sup>2</sup> Simple addition of 2017-2019 valuation results excluding compound interest effects

# Adj. NAV Growth of +15.7% per share

- Adj. NAV increased by 21.1% to €28.2bn.
- Adj. NAV per share increased by 15.7% on a 4.7% higher number of shares.

€m (unless indicated otherwise)	Dec. 31, 2019	Dec. 31, 2018	
Equity attributable to Vonovia's shareholders	19,308.3	17,880.2	
Deferred taxes on investment properties	10,288.9	8,161.1	
Fair value of derivative financial instruments <sup>1</sup>	79.8	87.2	
Deferred taxes on derivative financial instruments	-22.4	-23.5	
EPRA NAV	29,654.6	26,105.0	
Goodwill	-1,492.7	-2,842.4	
<b>Adj. NAV</b>	<b>28,161.9</b>	<b>23,262.6</b>	<b>+21.1%</b>
EPRA NAV €/share	<b>54.69</b>	50.39	
<b>Adj. NAV €/share</b>	<b>51.93</b>	44.90	<b>+15.7%</b>
Number of shares (eop)	542.3	518.1	

<sup>1</sup> Adjusted for effects from cross currency swaps.

# LTV well within Target Range

- Against the background of the **stable cash flows** and the **strong long-term fundamentals** in our portfolio locations, largely driven by a **structural supply/demand imbalance**, we see continued upside potential for our property values and do not see material long-term downside risks for our portfolio.
- We remain committed to our LTV target range of 40-45%.

€m (unless indicated otherwise)	Dec 31, 2019	Dec 31, 2018
Non-derivative financial liabilities	23,574.9	20,136.0
Foreign exchange rate effects	-37.8	-33.5
Cash and cash equivalents	-500.7	-547.7
Net debt	23,036.4	19,554.8
Sales receivables/prepayments	21.4	-256.7
<b>Adj. net debt</b>	<b>23,057.8</b>	<b>19,298.1</b>
Fair value of real estate portfolio	53,316.4	44,239.9
Shares in other real estate companies	149.5	800.3
<b>Adj. fair value of real estate portfolio</b>	<b>53,465.9</b>	<b>45,040.2</b>
<b>LTV</b>	<b>43.1%</b>	<b>42.8%</b>
LTV (incl. perpetual hybrid)	45.0%	45.1%
<b>Net debt/EBITDA multiple<sup>1</sup></b>	<b>11.5x</b>	<b>11.4x</b>

<sup>1</sup> Adj. net debt quarterly average over Adj. EBITDA Total (LTM), adj. for IFRS 16 effect.

Our primary objective in Sweden is to show that Vonovia's business model of a scalable operating platform and efficiencies can be replicated in a similar market and that over time the KPIs in Sweden will develop on a comparable upward trajectory

## Hembla Acquisition Update

- Jan 9, 2020: Final result of the tender offer (95.3% of voting rights and 94.1% of share capital) with subsequent settlement.
- Jan 10, 2020: De-listing of Hembla shares completed.
- Squeeze-out proceedings initiated and expected to take around one year (acquisition of 100% is already fully financed).

## Business Update

- Victoria Park and Hembla have a very complementary geographical footprint, and this creates a strong platform for further growth in Sweden. The project to harmonize the relevant systems and to establish one common operating platform that we can continue to develop is underway and fully on track. This will create a strong foundation for building future scale, drawing from our experience and expertise in Germany.
- Our positive view of the Swedish residential markets has been confirmed with our expectations fully met and in some cases even exceeded.
- ~€200m targeted investment volume in Sweden for 2020 (part of overall €1.3-€1.6bn for the group); predominantly earmarked for proven Optimize Apartment strategy.

- The Berlin State Parliament passed the Berlin-specific rent freeze final legislation on Jan. 30, 2020, as expected, and it became law on Feb. 23.
- According to statements made by the federal-level CDU, a sufficient number of members of parliament support legal action against the legislation and are expected to file a law suit directly with the Federal Constitutional Court (“Normenkontrollklage”) before the parliamentary summer break. Similarly, the opposition in the Berlin Parliament has declared its intention to sue the Berlin Senate in front of the Berlin State Constitutional Court.
- Our process is underway to submit letters to all tenants in Berlin to inform them about their relevant rental levels in line with the rent freeze legislation.
- We continue to believe that the spillover risk into other jurisdictions is extremely low. We consider this to remain a Berlin-specific situation which will not be copied by other states (except in the unlikely event that the Federal Constitutional Court were to rule largely in favor of the legislation).



	2019 Actuals	2020 Guidance
Organic rent growth (eop)	3.9%	~3.5 - 4.0% (largely depending on one-off reduction of in-place rents in Berlin to 120% of rent ceiling)
Rental Income	€2,074.9m	€~2.3bn
Recurring Sales (# of units)	2,607	~2,500
FV step-up Recurring Sales	41.3%	~30%
Adj. EBITDA Total (€m)	1,760.1	1,875 – 1,925
Group FFO (€m)	1,218.6	1,275 – 1,325
Dividend (€/share)	1.57 <sup>1</sup>	70% of Group FFO per share
Investments (€m)	1,489.5	1,300 – 1,600

<sup>1</sup>To be proposed to the Annual General Meeting in May 2020.  
Note: 2019 includes Hembla for two months; 2020 includes Hembla for the full year.



Our performance in all four business segments remains strong, and we are confident in our ability to deliver on our 2020 guidance and beyond.



The market fundamentals are still very supportive for continued sustainable earnings and value growth.



Our business and geographic footprint are broad and robust enough to manage the elevated impact of political and regulatory influence.



We are convinced that our efforts around stakeholder reconciliation and ESG are crucial for the long-term success of Vonovia.



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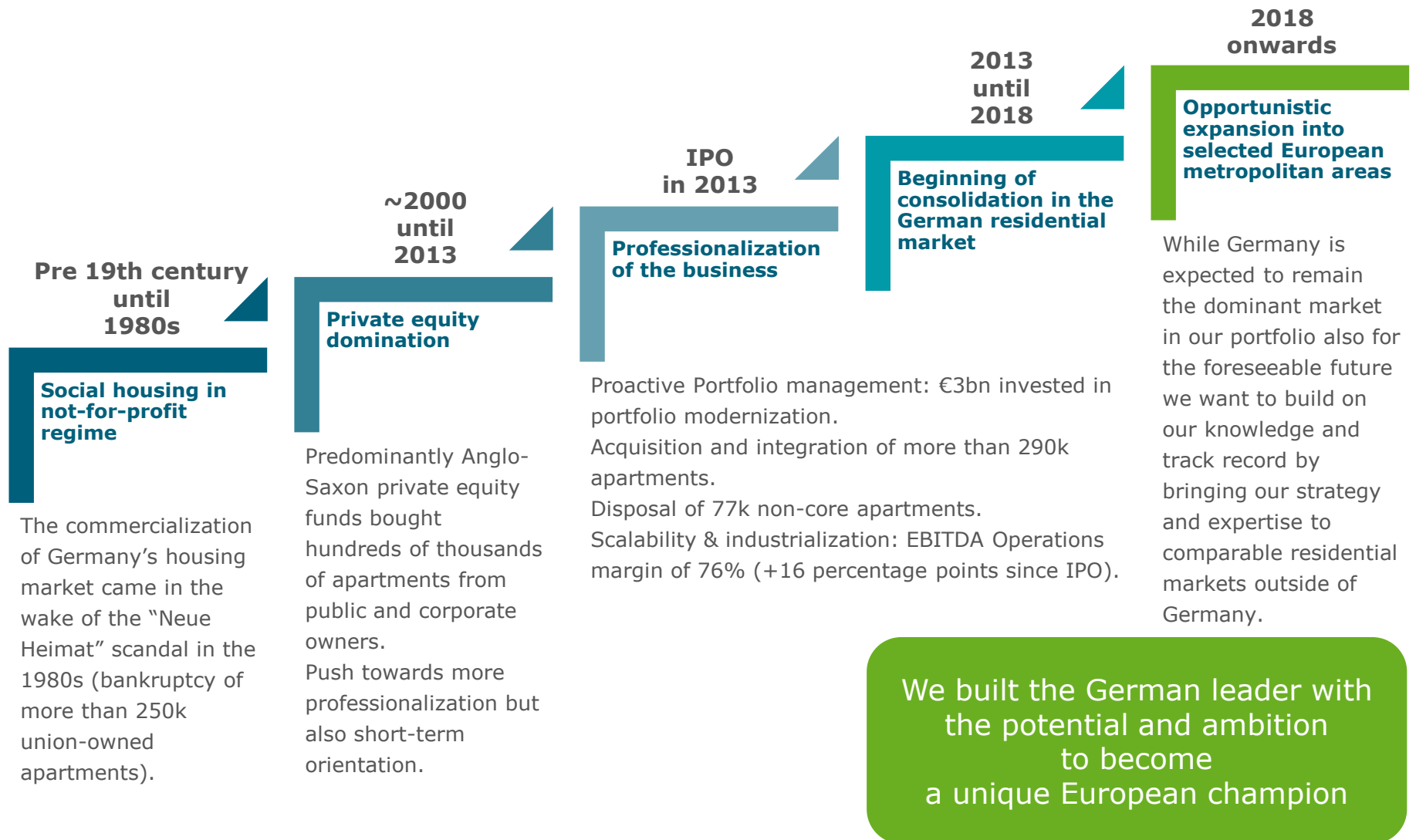
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# Illustrative Overview of Investment Program Funding

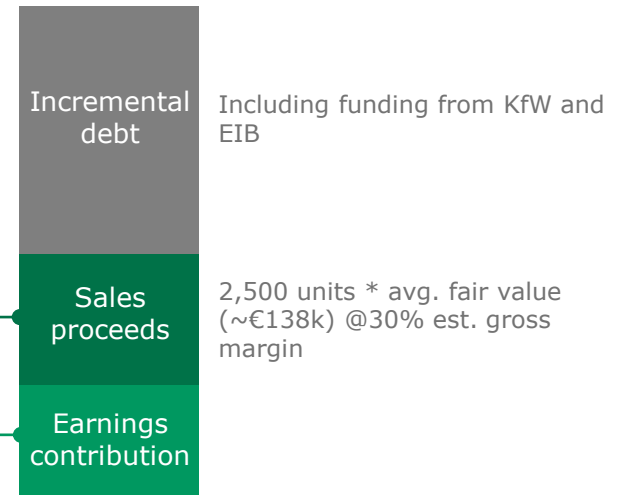
	<b>Rental Income</b>
-	Maintenance expenses
-	Operating expenses
+	EBITDA Value-add
+	EBITDA Recurring Sales
+	EBITDA Development
=	<b>Total EBITDA</b>
-	Interest expenses
-	Current income taxes
-	Consolidation/non-cash items
=	<b>Group FFO</b>

- > Comprehensive investment program to drive organic growth and portfolio improvements
- > Size of investment program is calibrated to remain within LTV target range
- > Funded with retained cash, proceeds from recurring sales plus (often subsidized) loans

~70% for dividend <sup>1</sup>		~30%
cash	scrip	retained earnings

-	Capitalized maintenance
-	Hybrid coupon & minorities
-	One-offs
=	<b>Earnings available for investment program</b>

€1.3bn – €1.6bn

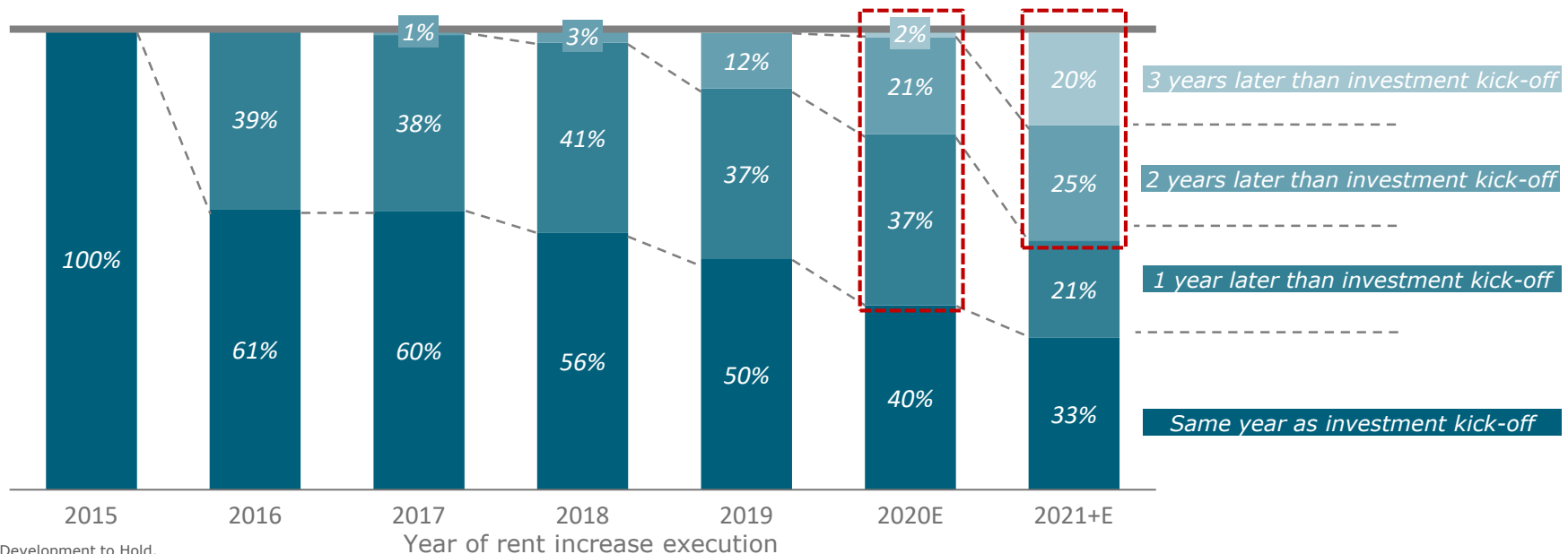


Investment Program

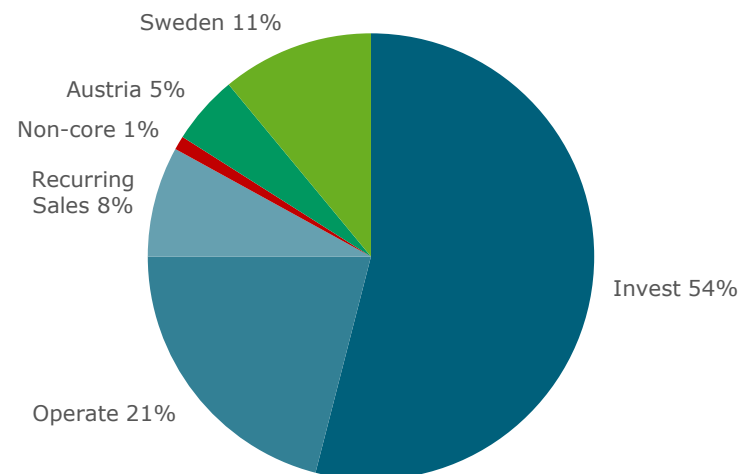
<sup>1</sup> Average historic cash/scrip ratio has been 55%/45% since inception in 2016

- Increasingly **comprehensive investment projects** incl. neighborhood developments and new construction result in **more extended periods between investment and full rent growth realization.**
- 2% of 2017 investment program rent growth, 41% of 2018 investment program rent growth and 62% of 2019 investment program rent growth for an **aggregate incremental rental income of ~ €54m p.a.** are **still in the pipeline** as investments are underway but not fully completed.

## Year-by-year rent growth materialization from investment programs



- **54% of German portfolio earmarked for investment strategy**, safeguarding long-term sustainability of our Optimize Apartment and Upgrade Building investment strategy.
- **2,177 non-core units sold in 2019 with a fair value step-up of 15.8%.**



Dec 31, 2019	Fair value <sup>1</sup>			Residential	In-place rent
	(€bn)	% of total	(€/sqm)	units	(€/sqm/month)
Operate	10,954	21%	1,893	85,125	7.17
Invest	27,921	54%	1,890	238,235	6.64
Strategic	38,875	75%	1,891	323,360	6.78
Recurring Sales	3,887	8%	2,021	28,153	6.90
Non-core	514	1%	1,333	4,195	6.26
<b>Vonovia Germany</b>	<b>43,276</b>	<b>84%</b>	<b>1,893</b>	<b>355,708</b>	<b>6.79</b>
Vonovia Sweden	5,642	11%	1,899	38,065	9.46
Vonovia Austria	2,655	5%	1,455	22,463	4.64
<b>Vonovia Total</b>	<b>51,573</b>	<b>100%</b>	<b>1,865</b>	<b>416,236</b>	<b>6.93</b>

Note: In-place rents in Austria and Sweden are not fully comparable to Germany, as Sweden includes ancillary costs and Austria includes maintenance and property improvement contributions from tenants. The table above shows the rental level unadjusted to the German definition.

<sup>1</sup> Fair value of the developed land excluding €2,038.0m, of which €547.5m for undeveloped land and inheritable building rights granted, €387.9m for assets under construction, €531.9m for development, €294.6m IFRS 16 effect and €276.1m for other.

Regional Market	Fair value <sup>1</sup>		In-place rent							Purchase power index (market data) <sup>2</sup>	Market rent increase forecast Valuation (% p.a.)	Average rent growth (LTM, %) from Optimize Apartment
	(€m)	(€/sqm)	Residential units	Vacancy (%)	Total (p.a., €m)	Residential (p.a., €m)	Residential (€/sqm/month)	Organic rent growth (LTM, %)	Multiple (in-place rent)			
Berlin	7,450.0	2,677	42,241	1.2	228	217	6.84	3.7	32.6	81.3	1.8	48.8
Rhine Main Area (Frankfurt, Darmstadt, Wiesbaden)	4,432.0	2,484	27,488	1.4	178	172	8.32	3.8	24.9	105.9	1.8	34.2
Southern Ruhr Area (Dortmund, Essen, Bochum)	3,850.5	1,417	43,579	3.1	198	192	6.19	5.0	19.5	89.1	1.5	31.3
Rhineland (Cologne, Düsseldorf, Bonn)	3,822.7	1,969	28,523	2.3	169	161	7.26	3.0	22.7	100.8	1.7	28.9
Dresden	3,584.8	1,563	38,519	3.4	168	158	6.23	3.9	21.4	82.6	1.7	26.6
Hamburg	2,762.2	2,148	19,818	1.8	110	106	7.16	3.6	25.0	98.9	1.6	38.9
Munich	2,283.3	3,493	9,668	1.0	66	62	8.24	2.9	34.6	123.7	1.9	46.1
Stuttgart	2,122.9	2,382	13,796	1.4	86	82	8.04	3.6	24.7	105.7	1.8	36.2
Kiel	2,101.9	1,523	23,220	2.2	105	100	6.38	4.1	20.1	74.8	1.7	35.7
Hanover	1,873.5	1,790	16,287	2.5	84	81	6.74	4.1	22.3	90.3	1.7	35.4
Northern Ruhr Area (Duisburg, Gelsenkirchen)	1,696.9	1,061	25,608	3.2	110	107	5.82	3.3	15.4	81.4	1.2	25.1
Bremen	1,182.3	1,597	11,853	3.1	52	49	5.94	5.1	22.8	84.3	1.8	39.3
Leipzig	958.3	1,544	9,185	2.8	44	42	6.11	2.5	21.6	76.3	1.8	26.2
Westphalia (Münster, Osnabrück)	903.2	1,449	9,473	3.2	46	45	6.23	4.9	19.8	90.9	1.5	38.8
Freiburg	657.2	2,355	4,043	1.1	25	25	7.50	3.0	25.9	86.9	1.7	40.1
Other Strategic Locations	2,899.8	1,673	26,778	3.1	138	133	6.75	3.4	21.0	-	1.6	33.0
<b>Total Strategic Locations Germany</b>	<b>42,581.5</b>	<b>1,903</b>	<b>350,079</b>	<b>2.4</b>	<b>1,807</b>	<b>1,733</b>	<b>6.79</b>	<b>3.8</b>	<b>23.6</b>	<b>-</b>	<b>1.7</b>	<b>33.9</b>
Non-Strategic Locations	694.7	1,409	5,629	7.0	35	29	6.35	0.5	20.0	-	1.7	23.4
<b>Germany total</b>	<b>43,276.2</b>	<b>1,893</b>	<b>355,708</b>	<b>2.5</b>	<b>1,842</b>	<b>1,761</b>	<b>6.79</b>	<b>3.7</b>	<b>23.5</b>	<b>100.0</b>	<b>1.7</b>	<b>33.9</b>
Sweden	5,642.0	1,899	38,065	2.3	331	303	9.46	5.3	17.1	-	2.0	-
Austria	2,654.9	1,455	22,463	4.7	107	89	4.64	4.1	24.7	-	1.6	-
<b>Total Vonovia</b>	<b>51,573.1</b>	<b>1,865</b>	<b>416,236</b>	<b>2.6</b>	<b>2,280</b>	<b>2,154</b>	<b>6.93</b>	<b>3.9</b>	<b>22.6</b>	<b>-</b>	<b>1.7</b>	<b>n/a</b>

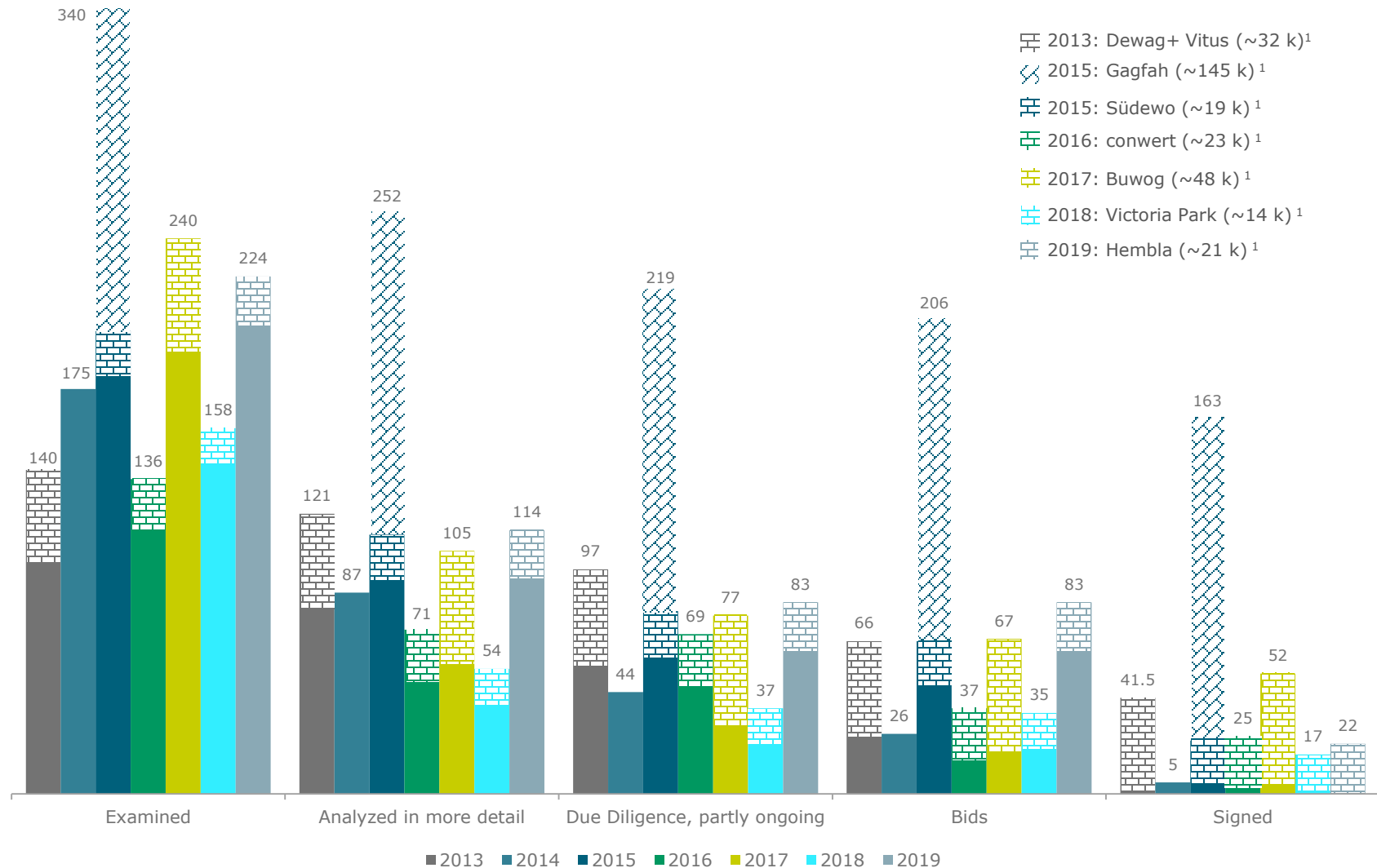
Note: In-place rents in Austria and Sweden are not fully comparable to Germany, as Sweden includes ancillary costs and Austria includes maintenance and property improvement contributions from tenants. The table above shows the rental level unadjusted to the German definition.

<sup>1</sup> Fair value of the developed land excluding €2,038.0m, of which €547.5m for undeveloped land and inheritable building rights granted, €387.9m for assets under construction, €531.9m for development, €294.6m IFRS 16 effect and €276.1m for other. <sup>2</sup> Source: GfK (2020). Data refers to the specific cities indicated in the tables, weighted by the number of households where applicable.



# Acquisitions – Opportunistic but Disciplined

## Acquisition pipeline ('000 units)



<sup>1</sup>Acquisitions are shown for all categories in the year the acquisition process started.

# Acquisition Track Record

## Larger acquisitions

Year	Deal	Residential units #	Locations	Fair Value		
				@ Acquisition	Dec-19	Δ
2014	DEWAG	11,300	Berlin, Hamburg, Cologne, Frankfurt/Main	€1,344	€2,492	85%
	VITUS	20,500	Bremen, Kiel	€807	€1,545	92%
2015	GAGFAH	144,600	Dresden, Berlin, Hamburg	€889	€1,824	105%
	FRANCONIA	4,100	Berlin, Dresden	€1,044	€2,106	102%
	SÜDEWO	19,400	Stuttgart, Karlsruhe, Mannheim, Ulm	€1,380	€2,197	59%
2016	GRAINGER	2,400	Munich, Mannheim	€1,501	€2,467	64%
2017	CONWERT (Germany & Austria)	23,400	Berlin, Leipzig, Potsdam, Vienna	€1,353	€2,051	52%
	thereof Germany	21,200	Berlin, Leipzig, Potsdam	€1,218	€1,952	60%
	thereof Austria	2,200	Vienna	€1,986	€2,564	29%
	PROIMMO	1,000	Hanover	€1,617	€1,879	16%
2018	BUWOG (Germany & Austria)	48,300	Berlin, Lübeck, Vienna, Villach	€1,244	€1,507	21%
	thereof Germany	27,000	Berlin, Lübeck, Kiel	€1,330	€1,728	30%
	thereof Austria	21,300	Vienna, Villach, Graz	€1,157	€1,295	12%
	VICTORIA PARK (Sweden)	14,000	Stockholm, Malmö, Gothenburg	SEK15,286	SEK18,131	19%
2019	AKELIUS (Sweden)	2,300	Stockholm, Gothenburg	SEK25,933	SEK27,164	5%
	HEMBLA (Sweden)	21,400	Stockholm	SEK20,157	SEK20,157	0%
<b>Total</b>		<b>312,700</b>				

Note: Excluding smaller tactical acquisitions.

# Acquisition of Project Developer BienRies in Rhine Main Metropolitan Region

## Transaction

- › Acquisition of 100% of the shares in Bien-Ries AG, a residential project developer in the Rhine Main metropolitan region
- › Purchase agreement signed on March 3 with closing expected early Q2 2020
- › Small synergy contribution from avoiding dual corporate and overhead structures and full integration into Buwog development business and IT infrastructure

## Rationale

- › Build up Buwog development capabilities and know how in Rhine Main metropolitan region

## Benefits

- › Excellent network in Rhine Main Metropolitan Region
- › Well connected to local authorities
- › High level of operational skills and expertise

## Ideal fit

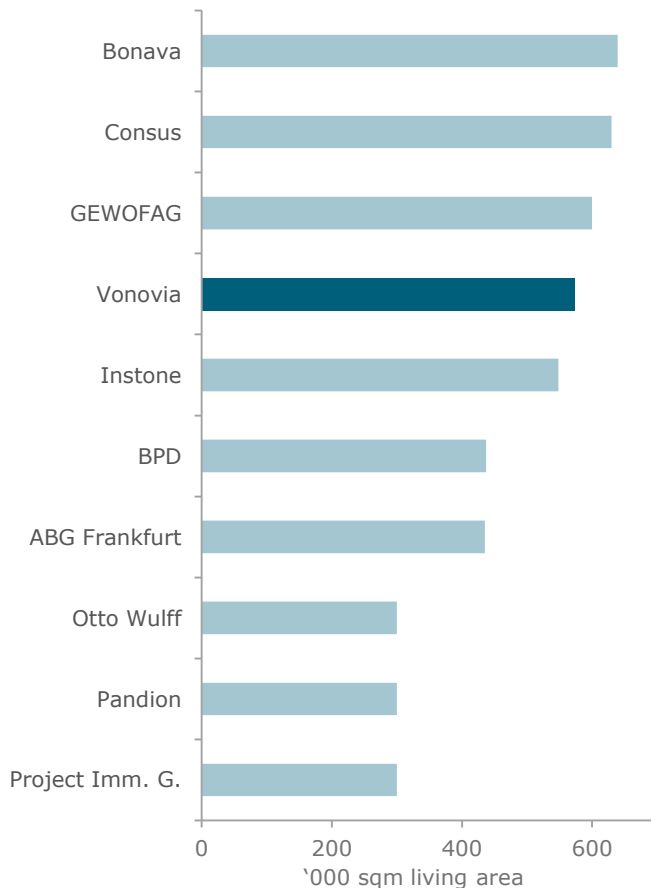
- › Rhine Main metropolitan region is highly complementary to current Buwog footprint in Hamburg, Berlin and Leipzig
- › Development approach and general mindset similar to Buwog
- › Focus is on apartments for medium income, not high end

## Project pipeline

- › Total project pipeline of ca. 2,500 apartments with varying degrees of completion. We estimate ca. 1/3 of the total volume suitable for Development to Hold

### In our responsibility as Germany's largest landlord we have come a long way in our effort to be part of the solution

#### Largest homebuilders in Germany<sup>1</sup>



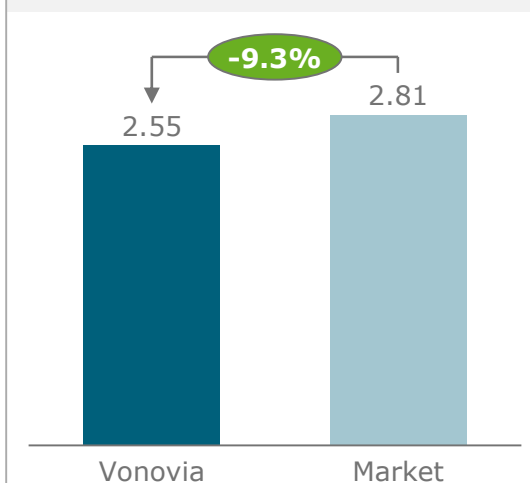
"We welcome this project because it creates new smaller apartments for students and senior citizens and larger apartments for families in a very popular location."  
*Dorothee Dubrau, Director for Housing and Urban Development in Leipzig.*  
 Source: Bild (German daily)

"Let's check out how subsidies are being put to use. Especially when you not only think of a single building but of the whole neighborhood. This is how Essen's run-down northern neighborhood has been turned into the *Elting Viertel*. Great!"  
*Jan Heinisch, CDU and Deputy Minister of Construction and Urban Development in NRW.*  
 Source: Facebook

"More affordable housing in NRW, right where people need it. Vonovia is adding a floor in Essen using modular timber construction. Our NRW building code provides the legal framework. Thanks to the modular approach the construction period for the new apartments is only a few weeks."  
*Stephen Paul, Liberal Party FDP and Member of the NRW State Parliament.*  
 Source: Facebook

Q: "Do you see private owners [...] as a partner or an enemy?"  
 A: "Actually, in their role as landlords they are natural partners, and we have a pretty good working relation with Vonovia. However, when a company [...] does not even accept the Mietspiegel we have a massive conflict."  
*Interview with Berlin's Senator for Housing and Urban Development, Katrin Lompscher.*  
 Source: Tagesspiegel (Berlin daily) on Sep. 30, 2019

#### Average ancillary expenses (€/sqm)<sup>2</sup>



<sup>1</sup> Top 7 cities, includes projects completed between 2016 and 2023 (expected), Data source: bulwiengesa, company data. <sup>2</sup> 2017 data, source for market is German Tenant Association (published Oct. 3, 2019)

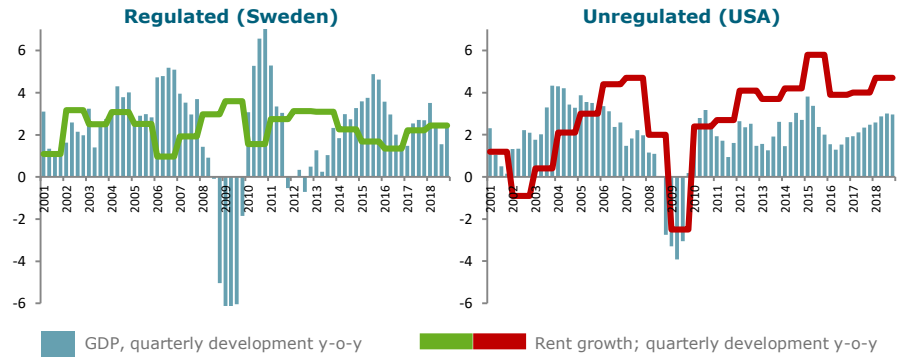
# Long-term Structural Support from Fundamental Residential Market Trends (Sweden)

The market fundamentals in Sweden are very comparable to Germany

High degree of similarities in terms of urbanization, rental regulation, supply/demand imbalance and gap between in-place values and replacement values

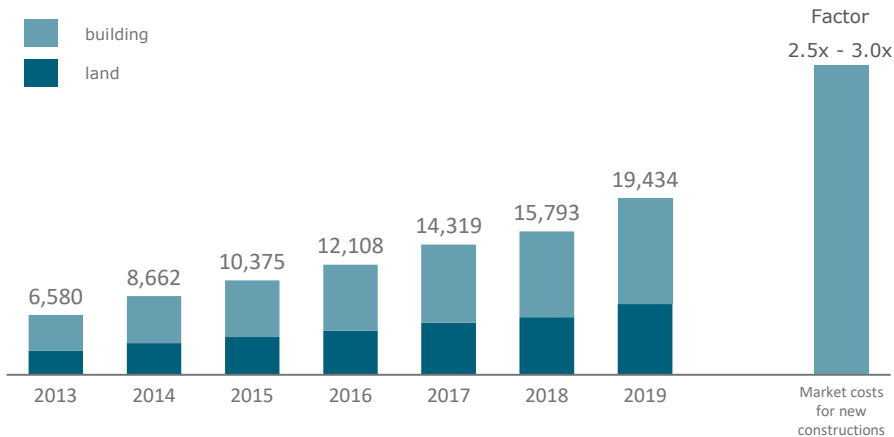
## Robust rent growth in regulated environments<sup>1</sup>

Rent growth in **regulated markets** follows a sustainable upward trajectory and is largely independent from GDP developments; rents in **unregulated markets go up and down** broadly in line with the GDP development



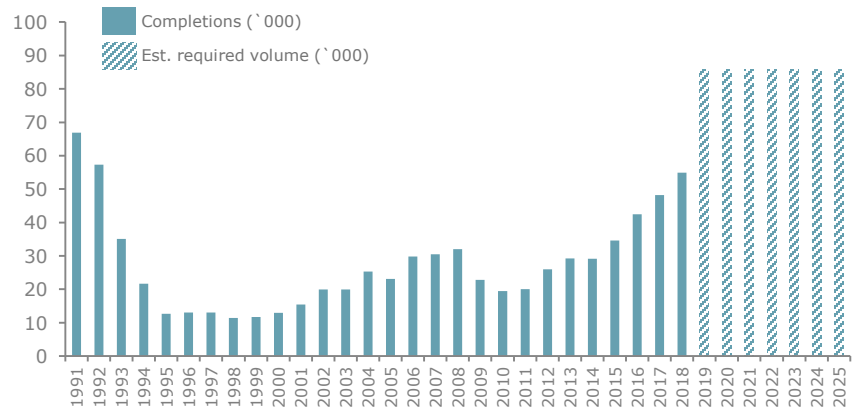
## Large gap between in-place values and replacement costs<sup>2</sup>

**Victoria Park<sup>3</sup>** – fair value/sqm (SEK; total lettable area) vs. construction costs



## Structural supply/demand imbalance

Sweden's average annual residential completions of the last five years fall short of estimated required volumes



<sup>1</sup> Sources: REIS, BofA Merrill Lynch Global Research, OECD, Statistics Sweden. Note: Due to lack of q-o-q rent growth data for the US and Sweden, the annual rent growth for a year is assumed to also be the q-o-q rent growth of that year. <sup>2</sup> Note: The land value refers to the share of total fair value allocated to land. Allocation between building and land in Sweden assumed to be similar to Germany. Sources: Swedish National Board of Housing, Building and Planning, Statistics Sweden. <sup>3</sup> 2019 includes portfolio acquired from Akelius.

# Residential Market Fundamentals (Germany)

## Household Sizes and Ownership Structure

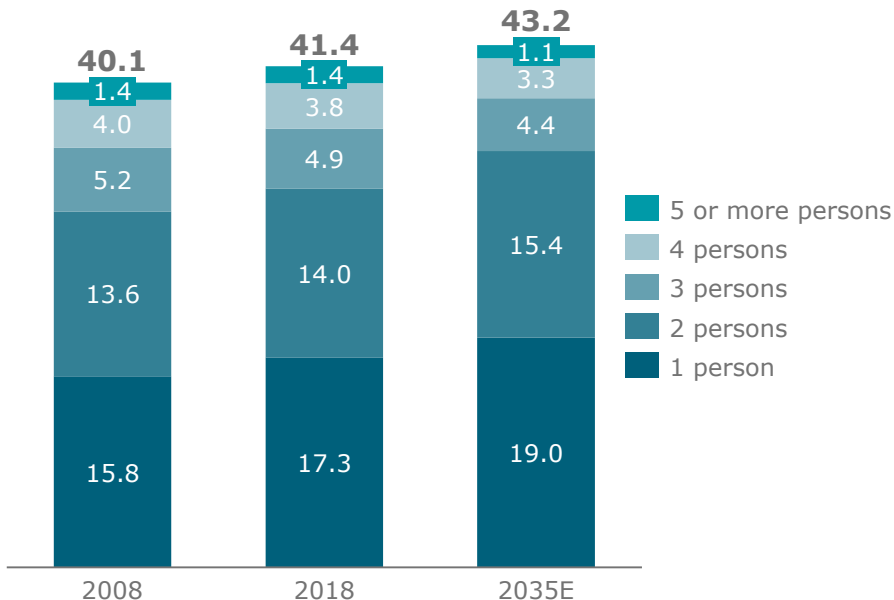
### Growing number of smaller households

- While the overall population in Germany is expected to slightly decline, the number of households is forecast to grow until at least 2035 with a clear trend towards smaller households.
- The household growth is driven by various demographic and social trends including divorce rates, employment mobility etc.

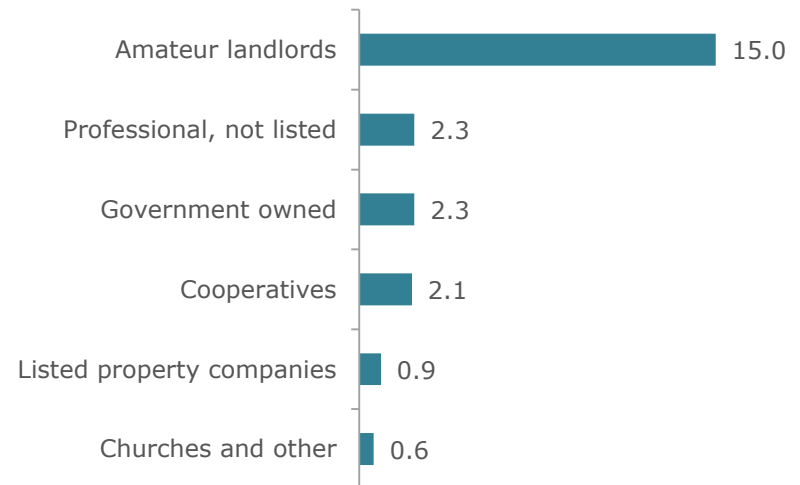
### Fragmented ownership structure

- Germany is the largest housing market in Europe with ~42m housing units, of which ~23m are rental units.
- Ownership structure is highly fragmented and majority of owners are non-professional landlords.
- Listed sector represents ~4% of total rental market.

Distribution of household sizes (million)



Ownership structure (million units)



Sources: German Federal Statistics Office, GdW (German Association of Professional Homeowners). 2035E household numbers are based on trend scenario of the German Federal Statistics Office.

# Covenants and KPIs (Dec. 31, 2019)

## > Bond KPIs

Covenant	Level	Dec. 31, 2019
<b>LTV</b> Total Debt / Total Assets	<60%	<b>42%</b>
<b>Secured LTV</b> Secured Debt / Total Assets	<45%	<b>15%</b>
<b>ICR</b> Last 12M EBITDA / Last 12M Interest Expense	>1.80x	<b>4.9x</b>
<b>Unencumbered Assets</b> Unencumbered Assets / Unsecured Debt	>125%	<b>196%</b>

## > S&P Rating KPIs

Covenant	Level (BBB+)
<b>Debt to Capital</b> Total Debt / Total Equity + Total Debt	<60%
<b>ICR</b> Last 12M EBITDA / Last 12M Interest Expense	>1.80x

## > Scope Rating KPIs

Covenant	Level (A-)
<b>Loan to Value ratio</b>	<45%

## Corporate Investment grade rating

Rating agency	Rating	Outlook	Last Update
Scope	A-	Stable	13 Dec 2019
Standard & Poor's	BBB+	Stable	23 Sep 2019

## Bond ratings

Name	Tenor & Coupon	ISIN	Amount	Issue price	Coupon	Final Maturity Date	Rating	
							Scope	S&P
Bond 004 (USD-Bond)	10 years 5.000%	US25155FAB22	USD 250m	98.993%	4.580% <sup>(1)</sup>	02 Oct 2023	A-	BBB+
Bond 005 (EMTN)	8 years 3.625%	DE000A1HRVD5	€ 500m	99.843%	3.625%	08 Oct 2021	A-	BBB+
Bond 007 (EMTN)	8 years 2.125%	DE000A1ZLUN1	€ 500m	99.412%	2.125%	09 July 2022	A-	BBB+
Bond 008 (Hybrid)	perpetual 4%	XS1117300837	€ 1,000m	100.000%	4.000%	perpetual	BBB	BBB-
Bond 009A (EMTN)	5 years 0.875%	DE000A1ZY971	€ 301m <sup>(2)</sup>	99.263%	0.875%	30 Mar 2020	A-	BBB+
Bond 009B (EMTN)	10 years 1.500%	DE000A1ZY989	€ 500m	98.455%	1.5000%	31 Mar 2025	A-	BBB+
Bond 010B (EMTN)	5 years 1.625%	DE000A18V138	€ 752m <sup>(2)</sup>	99.852%	1.625%	15 Dec 2020	A-	BBB+
Bond 010C (EMTN)	8 years 2.250%	DE000A18V146	€ 1,000m	99.085%	2.2500%	15 Dec 2023	A-	BBB+
Bond 011A (EMTN)	6 years 0.875%	DE000A182VS4	€ 500m	99.530%	0.875%	10 Jun 2022	A-	BBB+
Bond 011B (EMTN)	10 years 1.500%	DE000A182VT2	€ 500m	99.165%	1.5000%	10 Jun 2026	A-	BBB+
Bond 013 (EMTN)	8 years 1.250%	DE000A189ZX0	€ 1,000m	99.037%	1.250%	06 Dec 2024	A-	BBB+
Bond 014A (EMTN)	5 years 0.750%	DE000A19B8D4	€ 500m	99.863%	0.750%	25 Jan 2022	A-	BBB+
Bond 014B (EMTN)	10 years 1.750%	DE000A19B8E2	€ 500m	99.266%	1.750%	25 Jan 2027	A-	BBB+
Bond 015 (EMTN)	8 years 1.125%	DE000A19NS93	€ 500m	99.386%	1.125%	08 Sep 2025	A-	BBB+
Bond 017A (EMTN)	6 years 0.750%	DE000A19UR61	€ 500m	99.330%	0.750%	15 Jan 2024	A-	BBB+
Bond 017B (EMTN)	10 years 1.500%	DE000A19UR79	€ 500m	99.439%	1.500%	14 Jan 2028	A-	BBB+
Bond 018A (EMTN)	4.75 years 3M EURIBOR+0.450%	DE000A19X793	€ 600m	100.000%	0.793% hedged	22 Dec 2022	A-	BBB+
Bond 018B (EMTN)	8 years 1.500%	DE000A19X8A4	€ 700m <sup>(3)</sup>	99.188%	1.500%	22 Mar 2026	A-	BBB+
Bond 018C (EMTN)	12 years 2.125%	DE000A19X8B2	€ 500m	98.967%	2.125%	22 Mar 2030	A-	BBB+
Bond 018D (EMTN)	20 years 2.750%	DE000A19X8C0	€ 500m	97.896%	2.750%	22 Mar 2038	A-	BBB+
Bond 019 (EMTN)	5 years 0.875%	DE000A192ZH7	€ 500m	99.437%	0.875%	03 Jul 2023	A-	BBB+
Bond 020 (EMTN)	6.5 years 1.800%	DE000A2RWZZ6	€ 500m	99.836%	1.800%	29 Jun 2025	A-	BBB+
Bond 021A (EMTN)	10 years 0.500%	DE000A2R7JD3	€ 500m	98.965%	0.500%	14 Sep 2029	A-	BBB+
Bond 021B (EMTN)	15 years 1.125%	DE000A2R7JE1	€ 500m	99.822%	1.125%	14 Sep 2034	A-	BBB+
Bond 022A (EMTN)	3.5 years 0.125%	DE000A2R8NC5	€ 500m	99.882%	0.125%	06 Apr 2023	A-	BBB+
Bond 022B (EMTN)	8 years 0.625%	DE000A2R8ND3	€ 500m	98.941%	0.625%	07 Oct 2027	A-	BBB+
Bond 022C (EMTN)	20 years 1.625%	DE000A2R8NE1	€ 500m	98.105%	1.625%	07 Oct 2039	A-	BBB+

<sup>(1)</sup> EUR-equivalent Coupon

<sup>(2)</sup> Nominal amount outstanding after Liability Management in Sep 2019

<sup>(3)</sup> Nominal amount incl. tap bond €200m in Feb 2020



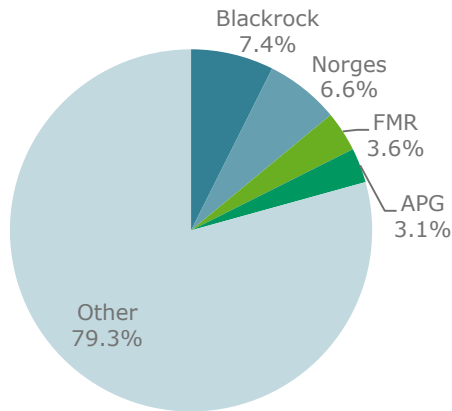
# Liquid Large-cap Stock

Equity Story

Business Overview

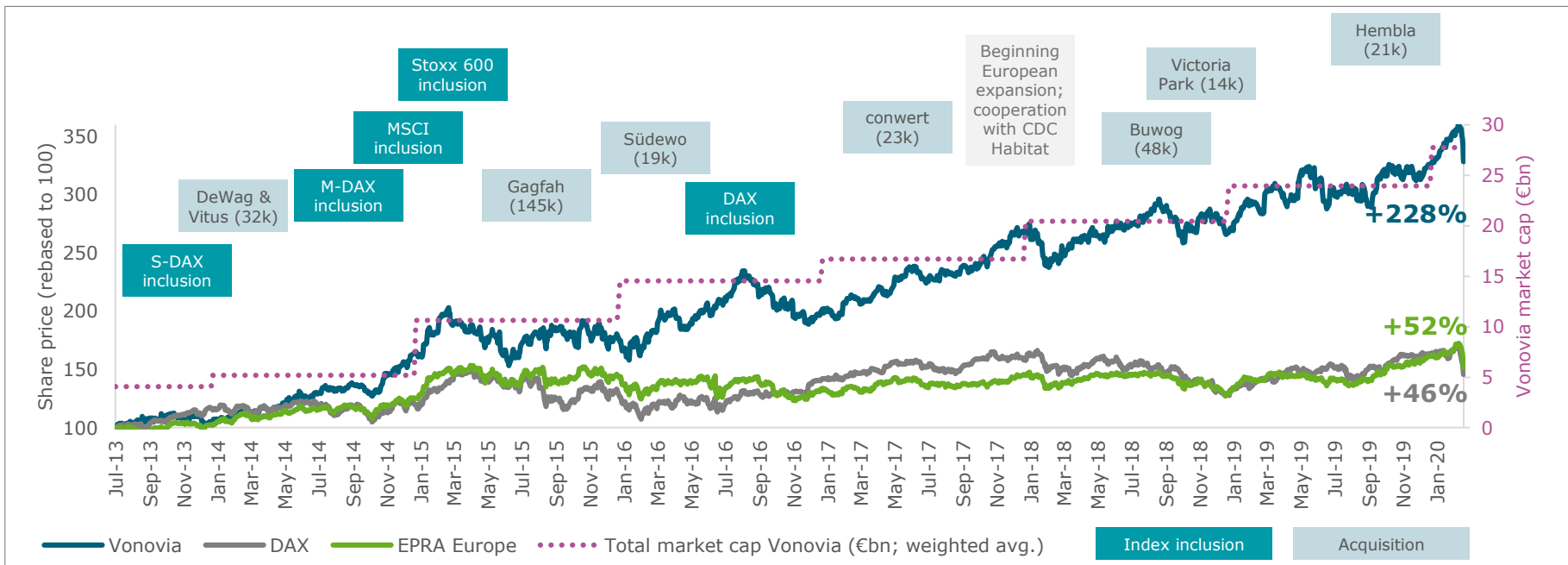
Performance Update (FY2019)

Additional Information



According to German law the lowest threshold for voting rights notifications is at 3%

First day of trading	July 11, 2013
No. of shares outstanding	542.3 million
Free float	93.4%
ISIN	DE000A1ML7J1
Ticker symbol	VNA
Share class	Registered shares with no par value
Main listing	Frankfurt Stock Exchange
Market segment	Regulated Market, Prime Standard
Major indices	DAX, Stoxx Europe 600, MSCI, GPR 250 World, FTSE EPRA/NAREIT Europe, GPTMS150



Source: Factset, company data; VNA performance is total shareholder return (share price plus dividends reinvested)

## Fixed Remuneration (incl. Pension)

- Monthly fixed compensation paid in 12 equal installments
- Annual pension contribution (alternative: cash payout)

## Bonus / STIP

- Criteria/Targets: Group FFO, adj. NAV/share, adj. EBITDA Total, personal targets agreed with SVB
- Bonus Cap at predetermined amount
- Payout: Cash

## LTIP

- Annually granted remuneration component in the form of virtual shares
- Criteria/Targets: relative TSR, adj. NAV/share, Group FFO/share, Customer Satisfaction Index (CSI)
- Performance Period: 4 years
- Payout: Cash
- Cap: 250% of grant value

Management Board remuneration is based on three pillars



## Total remuneration cap

### Share Holding Provision



- Mandatory share ownership
- 100% of annual fixed remuneration (excl. pension) (accumulation on a pro rata basis during first 4 years)

## Bonus / STIP

### Targets set by Supervisory Board

Group FFO target  
40%

Adj. NAV/share target  
15%

Adj. EBITDA Total  
target  
15%

Personal targets  
agreed with SVB  
30%

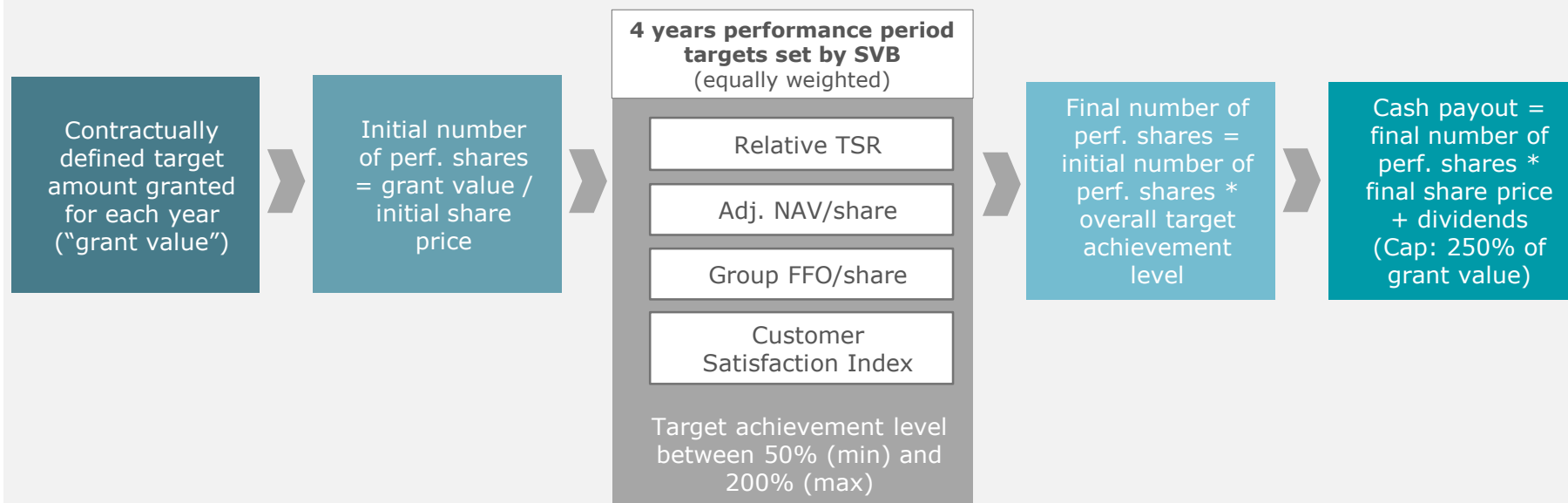
- Bonus cap at predetermined amount
- Cash payout

### Rationale

- **Group FFO** is the key figure for managing the sustained operational earnings power of our business.
- **Adj. NAV/share** as standard figure for the value of our property assets (calculation according to EPRA best practice standards, after corrections for goodwill).
- **Adj. EBITDA Total:** aggregate EBITDA across the four segments, reflecting the sustainable earnings strength of the business before interest, taxes, depreciation and amortization.
- **Personal targets** related to individual department responsibilities or overlapping targets (e.g. integration projects).

## LTIP

Annually granted long-term remuneration component in the form of virtual shares (“performance shares”)



### Rationale

- **LTIP** aims to ensure that remuneration structure focuses on sustainable corporate development.
- **Relative TSR** is from an investor perspective a well-established and accepted performance measure, focusing on share return, relative to a selected peer group. Hence, it is adequate for comparison with relevant competitors.
- **Customer Satisfaction Index (CSI):** Based on customer surveys and reflects how our services are perceived and accepted by our customers.
- **Shareholder alignment** safeguarded by (i) relative performance targets (Group FFO/share and Adj. NAV/share) as well as (ii) calculation method which takes actual share price performance into account.



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## App & Website



<https://investors.vonovia.de>



## Financial Calendar 2020

<b>Mar 5</b>	<b>Full-year results 2019</b>
Marc 6	Full-year roadshow, Frankfurt (Commerzbank) <i>virtual RS</i>
Mar 09 & 10	Full-year roadshow, London (Morgan Stanley) <i>virtual RS</i>
Mar 11	Full-year roadshow, Paris (Bank of America Merrill Lynch) <i>virtual RS</i>
Mar 12	Full-year roadshow, Amsterdam (Kempen) <i>virtual RS</i>
Mar 17 & 18	Non-deal roadshow, Kopenhagen & Helsinki (Hauck & Aufhäuser) <sup>1</sup>
Mar 24	Deutschlandkonferenz, Baden-Baden (Bankhaus Lampe) <sup>1</sup>
Mar 26 & 27	European Real Estate Conference, London (Bank of America Merrill Lynch)
Apr 1	Non-deal roadshow, Edinburgh (Berenberg) <sup>1</sup>
Apr 2	German Real Estate Forum, London (Commerzbank) <sup>1</sup>
<b>May 5</b>	<b>Interim results 3M 2020</b>
<b>May 13</b>	<b>Annual General Meeting</b>
May 19 & 20	European Property Seminar, Amsterdam (Kempen)
May 27	Best of Europe One-on-One Conference, New York City (UBS) <sup>1</sup>
June 04	DB Access Berlin Conference, Berlin (Deutsche Bank)
June 09	European CEO Conference, Paris (Exane)
June 10	European Financials Conference, Rome (Goldman Sachs)
June 17	German & Austrian Property Day, Paris (KeplerCheuvreux) <sup>1</sup>
June 18	Europe & EEMEA Property Conference, London (Morgan Stanley)
June 26	Vonovia 7 <sup>th</sup> Capital Market Day, Vienna (dinner on June 25)
<b>Aug 5</b>	<b>Interim results H1 2020</b>
Sept 03	Corporate Conference 2020, Frankfurt (Commerzbank) <sup>1</sup>
Sept 21	German Corporate Conference 2020, Munich (Berenberg & Goldman Sachs)
Sept 23	Investment Conference 2020, Munich (Baader) <sup>1</sup>
<b>Nov 4</b>	<b>Interim results 9M 2020</b>

The most up-to-date financial calendar is always available online.

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