

Press Release

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2023 Financial Year

Positive developments in Vonovia's core business with disposals well above target and confident outlook for 2024 financial year

- **Overall EBITDA contribution of around €2,652 million and FFO of around €1,847 million are within guidance.**
- **Core business grows by 6.5%; 2,425 new residential units completed; 6,550 senior-friendly conversions.**
- **Disposal target significantly exceeded, at €4 billion.**
- **Unsecured financing requirements covered until third quarter of 2025.**
- **Valuation trend decreases in second half of 2023.**
- **AGM: Dividend proposal of €0.90 per share for 2023; grows by 6% compared with 2022.**
- **Adj. EBT (Adjusted Earnings Before Taxes) from 2024 leading measure of earnings; OFCF (Operating Free Cashflow) as key metric of internal financing.**
- **Expectations for 2024: disposals worth €3 billion, higher investments in energy-efficient modernization and faster expansion of solar panels.**

Bochum, 14 March 2024 - As expected, Vonovia SE's ("Vonovia") performance developed robustly in 2023. Accounting for 92% of the company's success, Vonovia's core business, the Rental segment, displayed a total growth of 6.5% in results, while the vacancy rate remained at a historical low.

In 2023, Vonovia realised disposals (including joint venture structures) with a volume of around €4 billion – twice as much as the company's initial target. "In a year characterised by global crises, we succeeded in reversing the trend and switching from growth to capital discipline,"

says Rolf Buch, CEO of Vonovia. "We were one of the first to respond to the dramatic rise in interest rates – and we'll be among the first to return to our usual policy," he adds.

Robust economic development and growth in core business

Vonovia's core business, the Rental segment, continued to develop positively. It was supported by synergies from the company's merger with Deutsche Wohnen. The Adjusted EBITDA in the Rental segment grew by 6.5% to €2,401.7 million and was higher than in the previous year, despite disposals.

As expected and due to market conditions, the Value-add, Development and Recurring Sales segments fell below the values of the previous year. In total, the Adjusted EBITDA Total was €2,652.4 million. This figure includes contributions from the development-to-hold business and the non-strategic Care segment. The corresponding Group FFO dropped to €1,847.1 million due to interest rate developments. Vonovia reported a Group FFO of €2.27 per share for 2023, meeting the guidance for the year across all key performance indicators.

As of the reporting date, the rental portfolio was effectively at capacity, with a vacancy rate of 2.0%, while the rent growth was 3.8%. The average effective monthly rent in the German residential property portfolio was €7.63 per square metre.

Based on this economic development, Vonovia in cooperation with its Supervisory Board plans to propose a dividend of €0.90 per share to its shareholders on May 8, 2024, – a figure that is 6% higher than previous year. As before, there will be the option of a cash dividend and a scrip dividend.

Carbon savings through climate protection measures and solar panel initiative until end of 2026

In the 2023 financial year, Vonovia spent around €1.5 billion (2022: €2.3 billion) on its own portfolio and new construction. Despite lower investments, the company did not cease to follow its defined climate path and carried out a range of effective energy measures: In 2023, the carbon intensity of Vonovia's building stock was 31.7 kg CO₂e/m², representing a reduction of around 3.9% compared with the previous year

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(2022: 33.0 kg CO₂e/m²). Serial approaches such as the Energiesprong principle and the effective transition from fossil fuels to sustainable energy sources contributed to the outcome.

Overall, only 2.9% of Vonovia's buildings in Germany now belong to energy efficiency classes G and H. By undertaking age-appropriate renovations on 6,550 residential units, the company is providing solutions that address demographic changes.

Vonovia will further accelerate the expansion of solar panels on its own rooftops and façades. Instead of the previously planned timeline of installing solar panels with a capacity of around 300 MWp by 2030, the company is now aiming to achieve this goal by the end of 2026. These modules will generate as much energy as two power stations. Vonovia currently provides a capacity of 53.1 MWp, with plans to install an additional 80 MWp in 2024.

In 2023, the company completed 2,425 new residential units. In 2024, Vonovia is to complete further projects of a similar scale that have already started. However, due to current conditions, it is not yet possible to determine when the construction of new projects can begin.

"We would prefer to start the construction of new buildings today rather than tomorrow. In many metropolises, the situation is becoming more and more challenging for anyone looking for an apartment. Berlin is a frequently cited example, partly also because of its rent freeze which has had exactly the opposite effect of what was intended. We need a more up-to-date regulatory framework, because when there are heavy burdens to carry, they should be placed on strong shoulders, rather than weak ones," says Buch.

Vonovia's social and environmental efforts are reflected in its Sustainability Performance Index (SPI), which reached 111% in 2023. This was primarily attributed to a reduction in carbon intensity, the implementation of low-barrier (partial) upgrades, and a high level of employee satisfaction. Again, the 100% target was clearly exceeded.

Unsecured financing requirements covered until the third quarter of 2025; investor base successfully broadened

Vonovia has successfully expanded and diversified its financing strategy. For the first time, at the beginning of the year, the company issued an

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unsecured bond totalling £400 million (€456 million) on the UK financial market, thereby leveraging arbitrage advantages of around 30 basis points compared to Eurobonds – after full currency hedging. This debut was followed by Vonovia’s first Swiss franc bond worth CHF 150 million (€159 million), offering arbitrage advantages of 10 basis points over Eurobonds. Both bonds show that Vonovia can successfully tap into new markets, including those traditionally dominated by domestic players.

“Thanks to our investment strategy, an ambitious disposal programme and new joint ventures, we effectively reduced the pressure on our balance sheet. Our access to capital remains excellent in a continuous challenging environment. We’ve also maintained a robust position with our ratings, reflecting our good investment grade level,” says Philip Grosse, CFO at Vonovia.

Philip Grosse, who has been responsible for the finance department as a member of the Management Board since January 2022, has extended his contract with Vonovia ahead of schedule by a further three years until January 2028.

Valuation trend decreases in the second half of 2023

As at the reporting date, Vonovia’s portfolio comprised around 546,000 residential units and had a market value of €83.9 billion. The 6.6% decline in the value of the residential property portfolio in the first half of 2023 and the 4.2% decline in the second half of the year can be attributed to changes in market conditions and to the disposals. This trend significantly weakened over the course of the year.

“A growing number of analysts are confident that values may have bottomed out now, and many are expecting the first interest rate cut as early as this year, seeing that inflation has reached its lowest level for two and a half years. These are important signals for us. Once the market has stabilised, we will shift our focus back to an increase in earnings,” says Buch.

The pro forma loan-to-value (LTV) debt ratio stands at 46.7%, while the relevant benchmark is still a target range of 40% to 45%.

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Guidance for 2024

From 2024, Vonovia will be making a clearer distinction in the management system between focus on earnings and focus on liquidity and will replace the Group FFO. This is the company's way of reflecting the current market environment and the resulting need to manage its liquidity.

Going forward, Vonovia will transition from Adjusted EBITDA to earnings before taxes (Adjusted EBT), establishing this as the key earnings indicator. Adjusted EBT is a standard performance indicator for companies; as such, it offers high levels of transparency and allows for comparisons to be drawn with other industries. As key indicator of internal financing and, as a result, liquidity management, Vonovia will also be reporting its operating free cash flow (OFCF) in the future.

Dividend growth based on a stable operating business will remain a key element for Vonovia. The replacement of the FFO requires a new basis for the dividend from 2024 onwards. The goal is a robust dividend to orientate towards the Adjusted EBT and to secure sufficient financing for investments.

As in the past years, shareholders are to have the option of a cash dividend and a scrip dividend.

For the current financial year, Vonovia is expecting to see an Adj. EBITDA range of €2.55 to €2.65 billion, the Adj. EBT will be in a range of €1.70 to €1.80 billion. From 2024 onwards, Vonovia will show the Care segment of Deutsche Wohnen within the balance sheet among Discontinued Operations since it is due for disposal. Also, while new construction will still be included in the valuation of Vonovia's own portfolio, it will no longer be included in the EBITDA. The SPI is again expected to achieve a target of 100%.

Furthermore, Vonovia intends to significantly step up its investments to around €1 billion, to invest in the expansion of solar panels, among other things. In 2024, Vonovia is aiming to realise €3 billion in disposals.

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Financial Key Figures in € million	2022*	2023	Change in %
Total Segment Revenue	5,566.2	5,151.1	-7.5
Adjusted EBITDA Total (incl. Nursing and Dev. to hold)	2,763.1	2,652.4	-4.0
Adjusted EBITDA Total (continued operations)	2,606.1	2,583.8	-0.9
Adjusted EBITDA Rental	2,254.3	2,401.7	6.5
Adjusted EBITDA Value-add	126.7	105.5	-16.7
Adjusted EBITDA Recurring Sales	135.1	63.4	-53.1
Adjusted EBITDA Development	90.0	13.2	-85.3
Group FFO (incl. Nursing and Dev. to hold)	2,035.6	1,847.1	-9.3
Group FFO (continued operations)	1,981.6	1,801.6	-9.1
Group FFO per share (continued operations) in €**	2.51	2.23	-11.1
EBT	-604.6	-9,185.2	
Adjusted EBT	1,997.3	1,866.2	
Profit for the period (incl. valuation)	-669.4	-6,756.2	
Total cost of maintenance, modernization and new construction (to hold)	2,266.3	1,484.5	-34.5
thereof for maintenance	856.5	722.5	-15.6
thereof for modernization	837.4	470.8	-43.8
thereof for new construction (to hold)	572.4	291.2	-49.1
LTV in %	45.1	47.3	2.2 pp
LTV pro forma in %	45.1	46.7	1.6 pp

Key Balance Sheet Figures in € million	31.12.2022	31.12.2023	Change in %
Fair value of real estate portfolio	94,694.5	83,927.7	-11.4
EPRA NTA	45,744.5	38,140.9	-16.6
EPRA NTA per share in €***	57.48	46.82	-18.5

Non-financial Key Figures*	2022	2023	Change in %
Number of units managed	621,303	617,343	-0.6
thereof own apartments	548,524	545,919	-0.5
thereof apartments owned by others	72,779	71,424	-1.9
Number of apartments sold	19,760	3,838	-80.6
thereof Recurring Sales	2,710	1,590	-41.3
thereof Non Core/other	17,050	2,248	-86.8
Number of new apartments completed	3,749	2,425	-29.4
thereof own apartments	2,071	1,309	-36.8
thereof apartments for sale	1,678	1,116	-33.5
Vacancy rate (in %)	2.0	2.0	-
Monthly in-place rent in €/m ²	7.49	7.74	3.3
SPI in %****	103	111	7.8
CO ₂ intensity in Germany in kg CO ₂ e/sqm	33.0	31.7	-3.9
Number of employees	12,117	11,977	-1.2

* comparable according to current key-figure definition/segmentation 2023.

** Based on the weighted average number of shares carrying dividend rights.

*** Based on the shares carrying dividend rights on the reporting date.

****2022 excl. Deutsche Wohnen. 2023 incl. Deutsche Wohnen (excl. nursing and SYNIVIA).

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The full annual report can be found at the following web addresses:

EN: <https://report.vonovia.com/2023/q4/en/>

Further details, photographic material and video footage can be found in the [Media Library](#).

Financial calendar 2024:

30.04.2024: Interim Statement for the First Quarter 2024

08.05.2024: Annual General Meeting

02.08.2024: Half-Year Report 2024

06.11.2024: Interim Statement for the Third Quarter 2024

About Vonovia

Vonovia SE is Europe's leading private residential real estate company. Vonovia currently around 546,000 residential units in all attractive cities and regions in Germany, Sweden and Austria. It also manages around 71,400 apartments. Its portfolio is worth approximately € 83.9 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 Bochum based company has been listed on the stock exchange since 2013. Since September 2015 Vonovia has been a constituent in the DAX. Vonovia SE is also a constituent of additional national and international indices, including DAX 50 ESG, Dow Jones Sustainability Index Europe, STOXX Global ESG Leaders, EURO STOXX ESG Leaders 50, FTSE EPRA/NAREIT Developed Europe, and GPR 250 World. Vonovia has a workforce of approximately 12,000 employees.

Additional Information:

Approval: Regulated Market/Prime Standard, Frankfurt Stock Exchange

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Common code: 094567408

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