

Press Release

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Results as of 30 September 2023

Stable in a challenging market environment through growth in core business and successful sales

- **7% growth in rental business – Full occupancy - Almost no rent losses – Completion of 1,800 newly built rental units.**
- **Successful continuation of sales programme - with a volume of € 1.7 billion since August; including new construction projects sold to CBRE for €357 million and a second joint venture.**
- **Sales volume of around €3.7 billion in 2023 has reduced pro forma LTV to 45.0% and pushed back debt towards the target range.**
- **Agencies confirm stable investment rating and outlook – Unsecured funding covered until end Q1 2025.**
- **Full-year 2023 guidance has been confirmed – Sustainability targets have been exceeded – Stable outlook for 2024.**

Bochum, 3 November 2023 – During the third quarter of 2023, Vonovia SE grew further in its rental business and has been successfully continuing its sales programme across all sales categories to the present day, with a volume of € 1.7 billion. In all, Vonovia achieved a sales volume of around € 3.7 billion, with a pro forma reduction of its loan-to-value ratio (LTV) due to sales to 45.0%. Its property portfolio maintained full occupancy in the face of persistently high demand. On this basis, Vonovia has confirmed its full-year 2023 guidance and has provided a stable outlook for 2024.

“We’re on course for this year. Despite difficult circumstances, we’ve succeeded in doing what we set out to do: By maintaining a reliable partnership with our customers as well with national and local government, we’ve consistently ensured that our new builds and the carbon savings in our portfolio are making a positive impact on the housing market. Our successful sales and joint venture agreements demonstrate

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the attractiveness of our portfolio and support our debt reduction,” says Rolf Buch, CEO of Vonovia SE.

Despite high construction costs, Vonovia completed 1,800 newly built residential units between January and September. In its energy upgrades, Vonovia focused on a sustainable and resource-efficient heat supply while exploring innovative upgrade solutions such as the Energiesprong principle. All this has been helping Vonovia to exceed its own carbon reduction targets for 2023.

Sales in all sales categories – New construction projects sold to CBRE for €357 million – Second venture partner agreed.

Vonovia is successfully continuing the sales programme it has announced. Now, Vonovia sold new construction projects to CBRE Investment Management for around €357 million. Some of the residential units are still awaiting completion. The buyer, a leading global property asset manager, has purchased 1,200 residential units in Berlin at a price slightly below book value.

Overall, Vonovia has already generated around €3.7 billion sales revenue for debt reduction through sales and joint venture capital, including €1.7 billion since August. Between January and November, in addition to its known sale to CBRE early this year, Vonovia conducted numerous individual transactions, selling residential units in the various sales categories as well as commercial properties. The sale of the residential units was close to or above the book value, while the sale of the commercial properties was slightly lower.

“We’ve succeeded in something that we see only rarely in the market: we’re selling properties at reasonable prices. We’ve already significantly exceeded our €2 billion sales target for this year. Our strategy is working, our business model is intact, and we’re in a position to respond flexibly to changes in our environment,” says Buch.

Vonovia has also gained a reliable joint venture partner for a minority common equity interest in a portfolio in Northern Germany. Apollo – on behalf of their affiliated and third-party insurance clients and other long-term investors – has agreed to invest €1.0 billion for a minority stake in the holding entity. The portfolio’s approx. 31,000 residential units are primarily located in Kiel, Bremen, and Lübeck.

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“This partnership creates a win-win situation: Vonovia receives equity on good terms, while investors benefit from our years of experience in property management and our extensive expertise in the housing market. For our tenants, nothing changes,” says Rolf Buch.

Closing of the transaction is expected before the end of the year if the usual conditions are met. The main terms of this investment are similar to the partnership with Apollo which Vonovia entered into in April 2023 for the Südewo Portfolio. Regarding that partnership, Vonovia also received an investment amounting to ca. €1.0 billion for a minority participation in Südewo. As in the previous transaction, Vonovia retains the option to call the minority participation.

Rating agencies have confirmed high level of creditworthiness

Due to Vonovia’s strong liquidity, successful sales and well-balanced risk profile, the rating agency Moody’s has reaffirmed the company’s BAA1 rating and positive outlook. This high level of creditworthiness has also been confirmed for Vonovia by Standard & Poor’s (BBB+ and stable outlook) and by Scope (A- and negative outlook).

“Even during volatile times, our financing remains broad and resilient, with a well-balanced maturity profile. Thanks to our strategically located residential units and efficient management platform, we’ve maintained the right balance in our risk profile,” says Philip Grosse, CFO of Vonovia SE.

Both the current joint venture and the sales are having a positive impact on Vonovia’s LTV, i.e. the ratio between its debts and property values. As of 30 September 2023, its pro forma value was at 45.0% due to sales and thus at the upper end of the target range of 40-45%. At the same time, its unsecured financing requirement is now covered until the end of Q1 2025.

7% growth in rental business

Vonovia’s core business in the Rental segment continued to develop positively, mainly driven by a low vacancy rate and by synergies resulting from the merger with Deutsche Wohnen. EBITDA from the Rental segment reached €1,803.3 million, marking a 7% increase compared with the previous year (9M 2022: €1,685.3 million).

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Buch comments: "We're maintaining the positive progress of our core business, which constitutes around 90% of our overall business and remains by far the most significant item on our balance sheet and an anchor for our long-term stability," says Buch.

As expected, the Value-add, Development and Recurring Sales segments were below the previous year's figures. This was due to the market environment as well as lower sales compared with the previous year, increased construction, higher energy costs and a decline in investment volume.

In the first nine months of 2023, Vonovia's segment revenues, as a reflection of sales, totalled €4,232.3 million, showing a decrease compared with the same period in 2022 (9M 2022: €4,606.3 million). EBITDA remained at €2,010.0 million and thus slightly below the level of 2022 (9M 2022: €2,110.1 million).

Vonovia's Group FFO, the indicator for operational profitability, was €1,446.0 million and therefore somewhat lower than the year before (9M 2022: €1,577.8 million). Vonovia reported a Group FFO of €1.78 per share.

As of the reporting date, the rental portfolio was effectively at capacity, with a vacancy rate of 2.1%. Owing to inflation, the market-related rent increase, based on the rental price index, was 2% (9M 2022: 1%). Upgrade investments for the purpose of higher energy efficiency led to a 1.1% increase (9M 2022: 1.6%), while investments in new builds and additional floors created a further 0.7% (9M 2022: 0.7%).

As at the reporting date (30 September 2023), Vonovia owned a total of 548,000 flats. The market value of this property portfolio was around €88.7 billion (31 December 2022: €94.7 billion), following its reassessment during the first and second quarters of 2023. After a €3.4 billion decline in Q1, the impairment was €2.7 billion in Q2.

The EPRA NTA (net tangible assets) figure, which represents the company's long-term value as a going concern, stood at €41.1 billion, marking a 10% decrease from its December 2022 value of €45.7 billion. As of September 30, 2023, the per-share EPRA NTA stood at €50.51.

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1,800 residential units completed – New HR manager – Customer satisfaction continues to be high

During the first nine months of the year, Vonovia completed 1,800 residential units, i.e. around 260 more than during the same period in 2022. In Berlin, the company set up a sustainable construction project comprising 167 flats and single-family houses in modular timber construction.

Vonovia's goal is to continue providing affordable housing, although new projects are currently only progressing up to the planning stage. While in the past, construction costs per square metre were €3,000, they have now risen to €5,000, including the cost of the land. The average rental price in Vonovia's German portfolio is currently €7.58 per square metre.

"We will and we want to continue building," says Rolf Buch. "However, we can only do so if there's a change in construction costs and funding. We need skilled workers and developers. New construction mustn't grind to a halt, as a standstill would make it that much harder to get going again."

As Vonovia sees it, the 14-point plan adopted by the German government at the Housing Summit to stimulate new construction is merely an initial signal, mainly because it lacks specifics and funding commitments. Also, Vonovia sees it as a positive development that the EH40 standard will not be introduced for new builds, at least for the time being. As a result, it will be possible to avoid up to 10% construction costs.

On 1 October 2023, Ruth Werhahn assumed responsibility for the new HR department as Vonovia's Chief Human Resources Officer (CHRO) and became a Member of the Management Board of Vonovia SE.

The latest customer survey showed that customer satisfaction continues to be high. The decisive factors are, above all, Vonovia's good infrastructure, friendly and helpful staff and satisfaction among tenants with their residential units. This also had a positive impact on their payment motivation, with 99.9% of all customers paying their rent on time.

Energiesprong improves the energy balance of buildings to A+

Following Vonovia's adjustments to its investment strategy in response to its financial environment, the company spent only €1,021.7 million on

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maintenance, upgrades and new construction services during the first nine months of 2023, a figure that was lower than the corresponding period in the previous year (9M 2022: €1,739.8 million). In its energy upgrades, Vonovia continues to prioritise measures with a clearly positive impact on its energy balance, and its carbon savings are already higher than expected. In 2024, Vonovia is planning to increase its investment volume, thus increasing, in particular, its roll-out of energy upgrades in its existing buildings and the senior-friendly modification of residential units. It is also set to step up the expansion of solar panels and the installation of heat pumps.

In Witten, Vonovia carried out upgrades on 112 residential prototype units under the Energiesprung principle. This included equipping apartment buildings with prefabricated façade modules that feature a glass-covered honeycomb structure. Furthermore, the company installed solar panels on roofs and façades to provide neighbourhoods with green electricity. After the upgrade, the buildings significantly improved in energy efficiency, moving from a low-energy class E to the top-tier class A+.

Above all, such gradual refurbishment can be an effective way to upgrade existing buildings with straightforward architecture and poor energy efficiency classes. 1.4% of Vonovia's buildings in Germany are in energy efficiency class H, and 3.2% are in class G.

Full-year 2023 guidance has been confirmed – Carbon reduction targets have been exceeded – Stable outlook for 2024.

Vonovia has confirmed its forecasts for its Group FFO and thus its full-year 2023 guidance as being between €1.75 and €1.95 billion. Due to lower investments and the market environment, Vonovia is expecting its EBITDA to be at the lower end of the bandwidth between €2.6 and €2.85 billion. Measuring progress in sustainability, the Sustainability Performance Index (SPI) is likely to be between 105 and 110%. Vonovia is therefore expecting to achieve or exceed its 2023 targets in terms of carbon savings, customer and staff satisfaction and (partial) barrier-free upgrades.

For 2024, despite further planned sales, Vonovia is expecting its rental business to achieve revenues that will be on the same level as the results forecast for 2023. The EBITDA, too, is likely to reach the level of 2023. Due to higher taxes and interest, the FFO is likely to be moderately lower than in 2023.

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Financial Key Figures* in € million	9M 2022	9M 2023	Change in %
Total Segment Revenue	4,606.3	4,232.3	-8.1
Adjusted EBITDA Total	2,110.1	2,010.0	-4.7
Adjusted EBITDA Rental	1,685.3	1,803.3	7.0
Adjusted EBITDA Value-add	125.3	73.3	-41.5
Adjusted EBITDA Recurring Sales	112.8	51.6	-54.3
Adjusted EBITDA Development	122.1	28.0	-77.1
Adjusted EBITDA Nursing	64.6	53.8	-16.7
Group FFO	1,577.8	1,446.0	-8.4
Group FFO per share in €**	1.98	1.78	-10.1
Results from the valuation of investment properties	3,137.6	-6,318.9	-
Profit for the period	2,211.7	-3,808.9	-
Total cost of maintenance, modernization and new construction (to hold)	1,739.8	1,021.7	-41.3
thereof for maintenance	594.8	493.4	-17.0
thereof for modernization	631.3	358.7	-43.2
thereof for new construction (to hold)	513.7	169.6	-67.0

Key Balance Sheet Figures in € million	31.12.2022	30.09.2023	Change in %
Fair value of real estate portfolio	94,694.5	88,693.7	-6.3
EPRA NTA	45,744.5	41,148.3	-10.0
EPRA NTA per share in €**	57.48	50.51	-12.1
LTV in % ***	45.1 %	45.0%	0.2 pp

Non-financial Key Figures*	9M 2022	9M 2023	Change in %
Number of units managed	621,396	618,679	-0.4
thereof own apartments	549,010	547,998	-0.2
thereof apartments owned by others	72,386	70,681	-2.4
Number of apartments sold	18,598	1,713	-90.8
thereof Recurring Sales	1,853	958	-48.3
thereof Non Core/other	16,745	755	-95.5
Number of new apartments completed	1,543	1,799	16.6
thereof own apartments	907	1,292	42.4
thereof apartments for sale	636	507	-20.3
Vacancy rate (in %)	2.1	2.1	-
Monthly in-place rent in €/m ²	7.47	7.67	2.7
Rent increase organically in %	3.3	3.8	0.5 pp
Number of employees	15,851	15,798	-0.3

* Prior-year values 2022 comparable according to current key-figure definition/segmentation 2023.

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

*** pro forma

The full half-year report can be found at the following web addresses:

EN: <https://report.vonovia.de/2023/q3/en/>

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

Financial calendar 2024:

15.03.2024: Presentation of the 2023 key business figures

30.04.2024: Interim Statement for the First Quarter 2024

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 548,000 residential units in all attractive cities and regions in Germany, Sweden and Austria. It also manages around 70,700 apartments. Its portfolio is worth approximately € 88.7 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 15,800 employees.

Additional Information:

Approval: Regulated Market/Prime Standard, Frankfurt Stock Exchange

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Common code: 094567408

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