

## » PRESS RELEASE

**Annual result as at 31 December 2017**

### **Deutsche Wohnen: record result and strong increase in value thanks to focused portfolio strategy**

- › Portfolio appreciates by EUR 2.4 billion as a result of sustained dynamic market development
- › EPRA NAV increases by 20% to EUR 35.74 per share
- › FFO I increases by 13% to about EUR 432 million or EUR 1.23 per share
- › Positive outlook for 2018: FFO I forecast at about EUR 470 million

**Berlin, 23 March 2018.** Deutsche Wohnen concluded the financial year 2017 with a group profit of EUR 1.8 billion (+9% as against 2016). The result marks a new record in the company's history and is in keeping with the successes of previous years. Thanks to valuation gains and a strong operating performance, which all business segments contributed to, Deutsche Wohnen was able to increase its key performance indicators again in the reporting year: Funds from Operations (FFO I) increased as a result of acquisitions and operating improvements in the portfolio by 13% to EUR 432.3 million (previous year: EUR 383.9 million). FFO I per share increased by 8% to EUR 1.23 or 18% on a diluted basis taking the successful refinancing of outstanding convertible bonds into consideration. FFO II (incl. disposals) increased by 10% to EUR 482.6 million (previous year: EUR 438.2 million) and by 5% per share to EUR 1.37. The loan-to-value ratio (LTV) fell to 34.5% as at the reporting date (31 December 2016: 37.7%) and is therefore slightly below the target range of 35% to 40%. The EPRA NAV (undiluted) increased significantly in comparison with the previous year by 20% to EUR 35.74 per share (31 December 2016: EUR 29.68 per share).

#### **Market dynamics in metropolitan areas result in further value gain**

As a result of the dynamic market development, in particular, in German metropolitan areas and conurbations, Deutsche Wohnen also recorded significant valuation gains of EUR 2.4 billion in its real estate portfolio in the financial year 2017. "The current market dynamic shows very clearly that we made the right choice in our strategic focus very early on. We can see the largest valuation uplift – of almost EUR 2.2 billion – in the portfolio in our Core+ segment, with Greater Berlin accounting for about EUR 2.0 billion of this figure. However, the positive performance of our Core locations also enabled us to record an appreciation in

value of approximately EUR 0.2 billion,” explains Philip Grosse, CFO of Deutsche Wohnen SE.

As at 31 December 2017, the Deutsche Wohnen portfolio was valued at EUR 1,886 per sqm (previous year: EUR 1,580 per sqm). This corresponds to 24.6 times the annual rental income or 19 times on the basis of our current new-letting rents. The Berlin residential holdings, which make up about three quarters of the total portfolio, are valued at EUR 2,090 per sqm, which corresponds to 27.1 times the rental income or 20 times the new-letting rents.

### **Successful strategy confirmed in key operating figures**

As at 31 December 2017, the Deutsche Wohnen portfolio comprised more than 163,000 residential and commercial units with a fair value of approximately EUR 18.9 billion (excluding Nursing and Assisted Living). The average in-place rent across the total portfolio amounted to EUR 6.40 per sqm as at the reporting date, with a vacancy rate of 2.0%. On a like-for-like basis, Deutsche Wohnen experienced rental growth of 4.4%.

The successful portfolio strategy is also reflected in the key operating figures. In the reporting year, Deutsche Wohnen succeeded in increasing the rental income to EUR 744.2 million (previous year: EUR 704.5 million), while the Net Operating Income (NOI) amounted to EUR 567.5 million (previous year: EUR 545.7 million). Despite increased investments in the operating platform, the company was able to keep the NOI margin – adjusted for maintenance expenses – at the same level as the previous year at about 90%. Adjusted EBITDA, excluding earnings from Disposals, improved by 9% to EUR 574.0 million (previous year: EUR 527.4 million). The adjusted EBITDA margin increased from 74.9% to 77.1% and underlines the operating efficiency of the business model.

Earnings from Disposals dropped slightly to EUR 50.3 million (previous year: EUR 54.3 million). In total, the sales volume of residential units dropped by 34%. At the same time, the average sales price increased by approximately 32%, so that the decline in volume was almost completely compensated for. At 23%, the average sales margin was at a similar level to the previous year (22%), despite the appreciation of the real estate portfolio.

### **Extensive investment programme increases portfolio quality**

Up to the year 2022, within the framework of its major investment programme of over EUR 1 billion, Deutsche Wohnen will modernise and carry out energy-efficient refurbishment work on about 30,000 residential units. Moreover, existing space reserves will be utilised through redensification and new construction to create new housing in a number of cities, including Berlin, Dresden, Leipzig and Frankfurt.

Michael Zahn, CEO of Deutsche Wohnen SE: “Our portfolios are located where people are drawn to: in metropolitan areas and conurbations. Here, the markets are extremely tight and the demand for accommodation is correspondingly high. It is, therefore, not enough to simply provide housing. We must find substantial

answers to the question: How do we want to live tomorrow? Demographic change, sensible energy management, property-based services or smart homes are essential key factors here.”

### **Strong performance convinces the capital market**

Deutsche Wohnen's good performance is also acknowledged on the capital market. The price of Deutsche Wohnen shares developed outstandingly well in 2017. With an increase of about 25%, the share again clearly outperformed the German indices DAX and MDAX as well as the benchmark EPRA Europe. The market capitalisation of Deutsche Wohnen SE increased by approximately 30% to EUR 12.9 billion in the year under review, making Deutsche Wohnen SE the third largest publicly listed real estate company in Europe. Subject to the consent of the Annual General Meeting, the dividend for the financial year 2017 amounts to EUR 0.80 per share, an increase of 8% compared with the previous year.

### **Positive outlook for 2018**

Given the positive outlook for the German residential property market, particularly in the metropolitan areas, the company is expecting a further rise in the value of its real estate portfolio in 2018 and a resulting increase in EPRA NAV compared with 2017.

In addition, for the financial year 2018 Deutsche Wohnen is forecasting an FFO I of about EUR 470 million and an adjusted EBITDA (without disposals) of about EUR 615 million, whereby the loan-to-value ratio (LTV) shall remain in the target range of 35% to 40%.

### **Deutsche Wohnen**

Deutsche Wohnen is one of the largest publicly listed residential property companies in Germany and Europe with a business focus on managing and developing its portfolio, which focuses on residential properties. As at 31 December 2017, the portfolio comprised a total of 163,134 units, of which 160,668 are residential units and 2,466 are commercial properties. Deutsche Wohnen is listed on the MDAX of Deutsche Börse and is additionally traded on the leading indices EPRA/NAREIT, STOXX® Europe 600 and GPR 250.

### **Important notice**

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