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PRESS RELEASE

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Domicil Real Estate AG prepares initial public offering

- Established specialist for the acquisition and sale of residential real estate in Germany planning stock exchange listing.
- Domicil is targeting a primary offering of c. EUR 150 million to fund its enhanced growth opportunities.
- The initial public offering (IPO) is proposed for the Regulated Market (Prime Standard) of Frankfurt Stock Exchange.
- In 2018 the investment and real estate service provider generated revenues of EUR 370 million and an EBIT of EUR 30 million.
- The planned proceeds from the IPO will pave the way for sustainable growth in the core business area of Domicil.
- Initial public offering likely to take place through to the end of 2019 subject to the market environment.
- German insurance companies Signal Iduna and Die Bayerische committed to cornerstone investments of EUR 15 million in total.

Munich, 02.10.2019 – Domicil Real Estate AG (hereinafter referred to as “Domicil” or “the company”), an established, owner-managed investment and real estate service provider focusing on the purchase and sale of residential real estate throughout the whole of Germany, is preparing an initial public offering with the listing of its shares on the Regulated Market (Prime Standard) of Frankfurt Stock Exchange.

“In recent years we have continually increased the revenues and earnings of the company. Through an initial public offering we wish to facilitate the further growth of Domicil and ensure we have greater financial flexibility and access to more favourable financing,” explains Khaled Kaissar, the founder and chief executive officer of Domicil.

The proceeds from the capital increase are intended to allow Domicil to utilise opportunities to acquire real estate and thus expand its business to a greater extent than has been possible to date. Furthermore, the debt ratio – with a loan-to-value (LTV) ratio of 80 to 90

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per cent at present – is to be lowered to approx. 50 to 60 per cent, thus allowing for higher profit margins thanks to lower financing costs.

“In recent years, we have experienced solid organic growth and in 2018 we were able to write the most successful chapter in our company’s history to date. Equity capital is the limiting factor holding back our further growth,” explains Matthias Moser, the chairman of the supervisory board of Domicil. “The existing corporate structure allows for rapid and major growth. In addition, the current market environment with low interest rates, a shortage of investment products with positive returns in real terms, and the lack of supply in economically attractive regions indicate that there will be greater demand for residential real estate as an investment and thus for our business model.”

Domicil – a fast-growing player on the German residential real estate market

Domicil specialises in the purchase and sale of residential property throughout all of Germany. Its core business is the acquisition of apartment portfolios, their conversion into condominiums and the timely selling-on to tenants, owner-occupiers and private investors (so-called single sales). Furthermore, real estate not suitable for private investors is sold to institutional clients and other portfolio owners, such as family offices, through block sales. Usually, the period of time between the purchase of a property by Domicil and the sale of the last apartment is less than 24 months.

With its attractive margins and stable cash flows, the service offering for institutional clients, which was established as an additional business area in 2018 and primarily encompasses the areas of acquisition and asset management, contributes not only to the economic success of the company but also enhances the perception and reputation of Domicil on the German residential real estate market.

Complete package for private investors

Of the apartments on offer Domicil sells around 90 per cent to private investors in the framework of individual privatisation, with a typical sales price of between EUR 100,000 and EUR 300,000. The sale of apartments takes place throughout all of Germany through external financial service providers and internal sales channels. The marketing platform developed by Domicil is one of the company’s key competitive strengths. “As part of the offering of additional risk-minimising services we extend an ‘Carefree Package’ to our customers”, adds Khaled Kaissar. “This encompasses, for example, financing consulting, the condominium owners’ association management and a rental pooling concept, which ensures monthly rent payments for the client and minimises the risk associated with vacancies.”

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The German residential real estate market continues to present attractive opportunities

In its acquisitions Domicil focuses on real estate in growth regions in Germany. The investment volume is typically between EUR 10 million and EUR 40 million per transaction. The company regards this price segment as an interesting niche as the investment volume is in a range which is too small for large portfolio owners as a rule, but which at the same time is too large for private and semi-professional investors. For Domicil this acquisition strategy offers excellent opportunities with less competitive pressure than on the residential real estate market in general.

The situation on the German residential real estate market offers an attractive backdrop for an initial public offering of Domicil: the low real estate ownership ratio of approx. 51 per cent (compared to the EU average of approx. 69 per cent) and the stable economic situation in Germany have triggered high demand for condominiums and privatisation offerings. In addition, ongoing historically low interest rates and volatile stock markets are making real estate significantly more attractive as an investment for retirement provisions. The company believes it is extremely well positioned to utilise both short-term and long-term market opportunities.

In the coming years Domicil plans to considerably expand the acquisition of properties. In this respect the company expects that the ongoing lack of supply and the construction of new apartments in insufficient numbers will lead to a further demand and price increase for existing apartments. The proceeds from the IPO will ensure that the company has the required capital available for the desired growth and that it is able to utilise opportunities in a flexible manner.

Highlights from the 2018 financial year

The 2018 financial year was very successful for Domicil: in the past financial year Domicil generated consolidated revenues of EUR 366.6 million, thereof EUR 346.0 million from the sale of real estate. In 2018 Domicil posted earnings before interest and taxes (EBIT) of EUR 29.9 million and a net annual profit of EUR 12.2 million.

In total more than 2,000 apartments were sold. In the area of single sales it was possible to more than double turnover, from EUR 64.9 million to EUR 133.3 million. Other earnings drivers were block sales totalling EUR 212.7 million. In the relatively new field of asset management sales of EUR 2.1 million were attained.

Within the asset management sector, Domicil was able, among other things, to conclude one of the largest real estate transactions of the year in Germany in 2018 for the Danish pension fund PFA. The gross investment volume amounted to approx. EUR 750 million for

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31 residential properties with more than 3,000 residential units. Domicil is purchasing the assets for a residential fund which was structured and issued together with the UniCredit subsidiary Wealthcap in 2018. In the meantime, this is now invested for the main part with a target investment volume of EUR 200 million. Depending upon the opportunities for investment in attractive yield/risk ratios, the cooperation is to be expanded within the first three years.

First six months of 2019 confirm positive trend

In the first six months of 2019 the company posted sales of EUR 83.4 million. This figure is in fact lower than that for the first six months of 2018, which was positively impacted by block sales. In its core business segment, single sales, Domicil was however able to increase sales by more than 57 per cent, from EUR 49.5 million to EUR 78.2 million at a gross margin of 38.6 per cent. The EBIT in the first six months of 2019 were EUR 10.4 million; the consolidated result for the period was EUR 4.8 million. All in all it is expected that the current financial year will be slightly below 2018 because only a small number of acquisitions was possible in 2018 due to the low level of additional funding capacity following the EUR 371 million property purchases in 2017.

“The growth trend at Domicil in recent years has been consistently positive. We have now reached a point, at which it makes sense to increase the equity capital ratio through an initial public offering to ensure that we are able to realise further growth and materialise on the business opportunities we are seeing in our market,” explains Khaled Kaissar. “Our success is based on the possibility to utilise the opportunities offered by the market. We will achieve the necessary financial flexibility to be able to implement this on a larger scale in the future through the initial public offering.”

Further information on the initial public offering

The main focus of the public offering in the framework of the IPO is the placement of c. EUR 150 million in new shares from a capital increase against cash contributions to finance further growth of Domicil. In addition, shares from the personal holding of Mr. Khaled Kaissar shall be sold and further shares be made available for the purpose of a market standard greenshoe option. The founder, CEO and current sole shareholder Khaled Kaissar will remain the largest shareholder in Domicil after the successful initial public offering. The offering is to be concluded by the end of this year subject to market conditions.

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SIGNAL IDUNA Gruppe and the insurance group Die Bayerische, a long-standing business partner of Domicil, have committed to purchasing shares totalling EUR 15 million via their investment companies in the initial public offering. The company considers the envisaged investment of the two renowned insurance companies a testament to the faith placed in the further development of Domicil.

It is planned that the stock is listed on the Regulated Market (Prime Standard) of Frankfurt Stock Exchange.

Citigroup is acting as the Sole Global Coordinator and Joint Bookrunner for the planned transaction. Baader Bank has been mandated as Joint Bookrunner.

About Domicil Real Estate AG

Domicil Real Estate Group is a medium-sized investment and real estate service provider with its registered office in Munich. Its core business is the purchase and sale of residential real estate throughout the whole of Germany. The focus is placed on the acquisition of mid-size to large portfolios of apartments and the prompt resale to tenants, owner-occupiers and private investors. This can encompass individual apartments as well as entire properties and portfolios. Furthermore, Domicil makes its competence available to institutional clients across all areas of the value-added chain – from the purchase, through the portfolio and asset management, to the subsequent exit. Further information: www.domicil-group.de

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