

VONOVIA

Q1 2018 Earnings Call

May 3, 2018

Rolf Buch, CEO

Dr. A. Stefan Kirsten, CFO

Agenda



- 1. Highlights
- 2. Q1 2018 results
- 3. Housekeeping
- 4. Wrap-up
- 5. Appendix

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<h2>Operations</h2>	<ul style="list-style-type: none"> ➤ Organic rent growth of 4.2% y-o-y. ➤ Rental operating expenses reduced by 21.3% to €53.9m as a result of continued efficiency gains and eliminating the double cost structure from convert included in Q1 2017. ➤ Adj. EBITDA Operations up 5.2% y-o-y to €315.7m in Q1 2018. ➤ Adj. EBITDA Operations margin (ex. maintenance) up to 89.9% in Q1 2018 from 88.6% in FY 2017.
<h2>FFO 1</h2>	<ul style="list-style-type: none"> ➤ FFO 1 increased by 11.6% y-o-y to €243.6m in Q1 2018. ➤ On a per-share basis, FFO 1 was €0.50, up 7.9% y-o-y.
<h2>BUWOG</h2>	<ul style="list-style-type: none"> ➤ Following the change of control on March 26, 2018, the balance sheet data of BUWOG is included in Vonovia's Q1 accounts, whereas the profit and loss data and cash flows will only be included starting Q2 2018. ➤ Vonovia's stake in BUWOG as of April 30 was 77.4%. ➤ Operational integration started at the end of March and the integration of BUWOG's German operating business is expected to be fully completed by the end of this year.
<h2>Guidance</h2>	<ul style="list-style-type: none"> ➤ Increased 2018 FFO 1 guidance by more than 7% to €1,030m - €1,050m: <ul style="list-style-type: none"> ➤ €40m Vonovia stand-alone improvements expected from higher rental income, lower cost base and lower interest and tax expense ➤ €30m contribution expected from BUWOG

7.9% FFO 1 Growth on a Smaller Portfolio Base y-o-y

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- Excluding BUWOG, the average number of square meters declined by 2.9% as a result of disposals.
- On this smaller portfolio base, Adj. EBITDA Operations was up 5.2% driven by higher rental income and lower operating expenses. Combined with reduced interest expenses the FFO per share was up 7.9%.

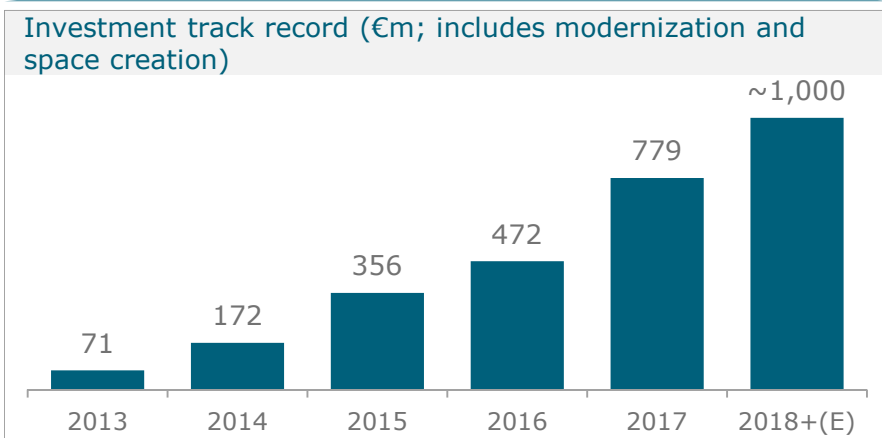
<i>Numbers excluding BUWOG</i>		Q1 2018	Q1 2017	Delta	
Average number of residential sqm	'000	21,629	22,276	-2.9%	
Average number of residential units	#	345,907	356,411	-2.9%	
Organic rent growth (y-o-y)	%	4.2	3.4	+80bps	
In-place rent (eop)	€/month/sqm	6.34	6.06	+4.6%	
Vacancy rate (eop)	%	2.7	2.7	---	
Rental income	€m	418.3	417.2	+0.3%	+€1.1m
Maintenance expenses	€m	-61.2	-63.1	-3.0%	
Operating expenses	€m	-53.9	-68.5	-21.3%	
Adj. EBITDA Rental	€m	303.2	285.6	+6.2%	+€17.6m
Adj. EBITDA Value-add Business	€m	17.8	19.8	-10.1%	
Adj. EBITDA Operations	€m	315.7	300.1	+5.2%	+€15.6m
Interest expense FFO	€m	-67.7	-76.8	-11.8%	
Current income taxes FFO 1	€m	-4.4	-5.1	-13.7%	
FFO 1	€m	243.6	218.2	+11.6%	+€25.4m
FFO 1 per share (eop NOSH)	€	0.50	0.47	+7.9%	
FFO 1 per share (avg. NOSH)	€	0.50	0.47	+7.3%	

Rent Growth Still in Acceleration Phase

Rent growth drivers (last 12M)	Q1 2018	Q1 2017	Delta
Sitting tenants (incl. subsidized rents)	1.1%	1.1%	--
New lettings	0.5%	0.5%	--
Subtotal market-driven rent growth	1.6%	1.6%	--
Modernization	2.5%	1.7%	+80bps
Subtotal I-f-I rent growth	4.1%	3.3%	+80bps
Space creation	0.1%	0.1%	--
Subtotal organic rent growth	4.2%	3.4%	+80bps

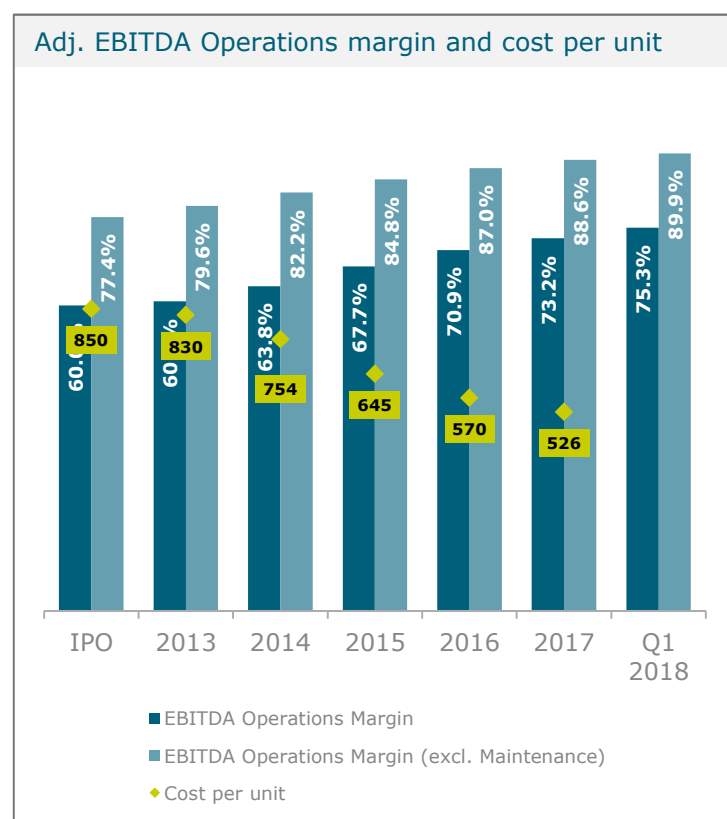
Positive rent growth trajectory

	2013	2014	2015	2016	2017	2018(E)
Market driven	1.6%	1.6%	1.7%	1.5%	1.6%	≈
Modernization	0.4%	0.9%	1.2%	1.8%	2.5%	↑
Space creation	---	---	---	---	0.1%	↑
Organic rent growth	1.9%	2.5%	2.9%	3.3%	4.2%	4.6% - 4.8%



Continued EBITDA Margin Expansion

- **6.2% EBITDA Rental growth** driven largely by ongoing efficiency gains and elimination of the convert costs that were included in Q1 2017.
- **Adj. EBITDA Operations per unit is up 8.4%** to €913 from €842 in the prior-year period.
- EBITDA Operations **margin expansion** (excl. maintenance) to **89.9%**.



€m (unless indicated otherwise)	Q1 2018	Q1 2017	Delta
Rental income	418.3	417.2	+0.3%
Maintenance expenses	-61.2	-63.1	-3.0%
Operating expenses	-53.9	-68.5	-21.3%
Adj. EBITDA Rental	303.2	285.6	+6.2%
Income	265.9	215.8	+23.2%
of which external	52.0	51.4	+1.2%
of which internal	213.9	164.4	+30.1%
Operating expenses	-248.1	-196.0	+26.6%
Adj. EBITDA Value-add Business	17.8	19.8	-10.1%
Adj. EBITDA Other ¹	-5.3	-5.3	+0.0%
Adj. EBITDA Operations	315.7	300.1	+5.2%

¹ Mainly consolidation

FFO1 per Share Up 7.9%

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- Driven by better operational performance and lower interest expenses, FFO1 per share was up 7.9% y-o-y.
- Compared to Q4 2017 the Q1 2018 FFO per share (eop) was up €0.02 (4.2%).

€m (unless indicated otherwise)	Q1 2018	Q1 2017	Delta
Adj. EBITDA Operations	315.7	300.1	+5.2%
Interest expense FFO	-67.7	-76.8	-11.8%
Current income taxes FFO 1	-4.4	-5.1	-13.7%
FFO 1	243.6	218.2	+11.6%
of which attributable to Vonovia shareholders	230.8	206.2	+11.9%
of which attributable to Vonovia hybrid capital investors	10.0	10.0	0.0%
of which attributable to non-controlling interests	2.8	2.0	+40.0%
Capitalized maintenance	-21.6	-13.6	+58.8%
AFFO	222.0	204.6	+8.5%
Adjusted EBITDA Sales	15.7	19.1	-17.8%
Current income taxes Sales	-7.4	-11.0	-32.7%
FFO 2	251.9	226.3	11.3%
FFO 1 € / share (eop NOSH)	0.50	0.47	+7.9%
FFO 1 € / share (avg. NOSH)	0.50	0.47	+7.3%

Adj. NAV per Share

- Adj. NAV per share is up 22.1% y-o-y.
- Compared to YE2017, Adj. NAV per share is down 1.1%, as expected, following the inclusion of BUWOG.
- This slight dilutive impact will reverse once the BUWOG value growth, development potential and synergies start materializing.

€m (unless indicated otherwise)	Mar 31, 2018	Dec 31, 2017	Mar 31, 2017
Equity attributable to Vonovia's shareholders	15,221.6	15,080.8	12,706.5
Deferred taxes on investment properties and assets held for sale	6,643.5	6,185.7	4,827.4
Fair value of derivative financial instruments ¹	72.5	26.9	29.0
Deferred taxes on derivative financial instruments	-21.6	-8.8	-14.3
EPRA NAV	21,916.0	21,284.6	17,548.6
Goodwill	-3,448.7	-2,613.5	-2,931.8
Adj. NAV	18,467.3	18,671.1	14,616.8
EPRA NAV €/share	45.18	43.88	37.43
Adj. NAV €/share	38.07	38.49	31.18

¹ Adjusted for effects from cross currency swaps.

Smooth Maturity Profile with Diverse Funding Mix

1. Highlights

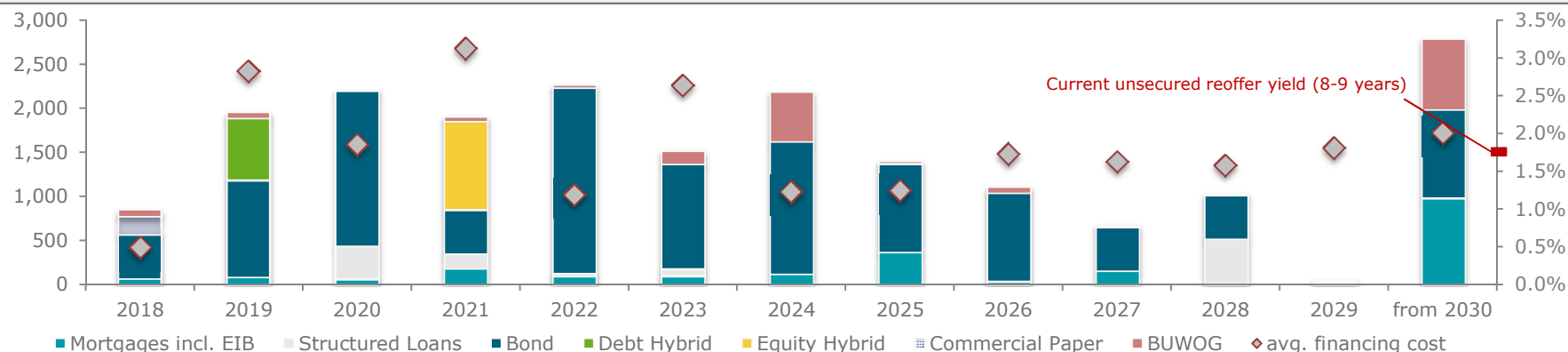
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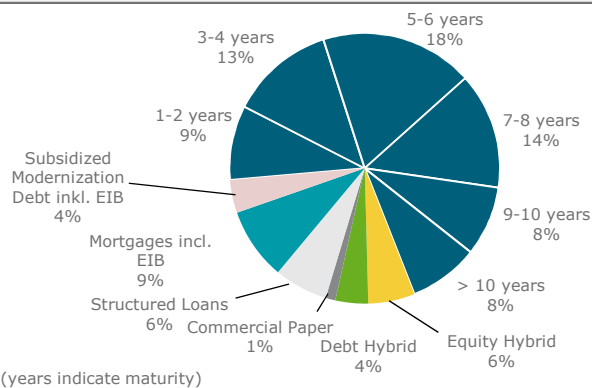
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Debt maturity profile (€m)



	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	from 2030
Weighted avg. financing cost p.a. ²	0.5%	2.8%	1.9%	3.1% ³	1.2%	2.6%	1.2%	1.2%	1.7%	1.6%	1.6%	1.8%	2.0%
% of debt maturing	4.3%	9.8%	11.0%	9.6%	11.4%	7.6%	11.0%	7.0%	5.6%	3.4%	5.2%	0.3%	14.0%

Debt structure¹



KPIs ⁴	March 31, 2018	Target
LTV	45.5%	Mid-to low forties
Unencumbered assets in %	57.1%	≥50%
Fixed/hedged debt ratio ⁵	97%	Ongoing optimization with most economic funding
Global ICR (YTD)	4.9x	
Average cost of debt	1.8%	
Weighted avg. maturity	8.7 years	
Corporate Rating (S&P)	BBB+	

¹ incl. BUWOG loans assumed as mortgages. ² Average financing cost of debt maturing in the relevant year. ³ Weighted avg. financing costs excl. Equity Hybrid. Including Equity Hybrid avg. interest rate of debt maturing in 2021 is 3.6%. ⁴ all numbers incl. BUWOG. ⁵ excl. Equity Hybrid.

LTV Temporarily at Upper End of Target Range

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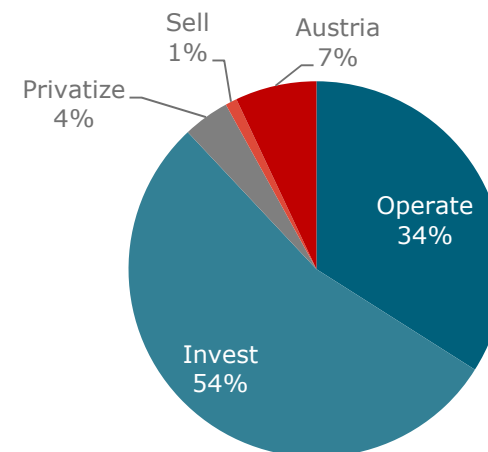
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- Following the all-debt settlement of the first acceptance period for BUWOG the LTV moved slightly above the upper end of the 40% - 45% target range.

€m (unless indicated otherwise)	Mar 31, 2018	Dec 31, 2017	Mar 31, 2017
Non-derivative financial liabilities	18,887.0	14,060.5	14,435.3
Foreign exchange rate effects	-17.8	-23.5	-194.8
Cash and cash equivalents	-829.3	-266.2	-1,007.9
Net debt	18,039.9	13,770.8	13,232.6
Sales receivables / advance payments from sales	-232.4	-201.2	-144.4
Additional loan amount for outstanding acquisitions	---	---	275.0
Adj. net debt	17,807.5	13,569.6	13,363.2
Fair value of real estate portfolio	38,485.6	33,436.3	29,607.6
Shares in other real estate companies	666.6	642.2	520.4
Adj. fair value of real estate portfolio	39,152.2	34,078.5	30,128.0
LTV	45.5%	39.8%	44.4%

Invest Cluster Offers Long-Term Organic Growth Potential

➤ BUWOG’s German properties are initially included in the “Operate” category and will be reviewed for final allocation to the “Invest” category during the annual portfolio screening in the fall.



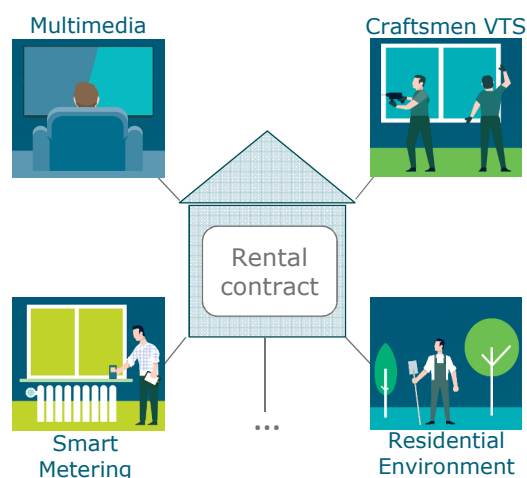
Mar 31, 2018	Residential units	In-place rent (€/sqm/month)	Vacancy rate (%)	Fair value ¹ (€bn)	% of total
Operate	129,129	6.47	2.5	12,642.0	34%
Invest	217,281	6.29	2.5	20,346.0	54%
Subtotal Strategic Clusters	346,410	6.36	2.5	32,988.6	88%
Privatize	13,590	6.18	4.0	1,464.5	4%
Sell	10,260	4.97	9.0	488.3	1%
Total Germany	370,260	6.31	2.7	34,941.4	93%
Austria	23,379	4.40	4.5	2,471.4	7%
Total Residential Portfolio	393,639	6.18	2.8	37,412.8	100%

¹ Fair value of the developed land excluding €1,072.8m, of which €391.4m for undeveloped land and inheritable building rights, €203.9m assets under construction, €404.6m development and €72.9m other.

Growing Contribution from Value-add Business

Concept

- Expansion of core business to extend the value chain by offering additional services and products that are directly linked to our customers and/or the properties and offer the same cash flow stability as the rental business.
- Insourcing of services to ensure maximum process management and cost control.
- Two types of Value-add Business
 1. External income (e.g. multimedia, smart metering)
 2. Internal savings (e.g. craftsmen, resi environment)
- New initiatives always follow same low risk pattern of
 - Prototype development
 - Proof of concept in pilot phase
 - Roll-out across portfolio

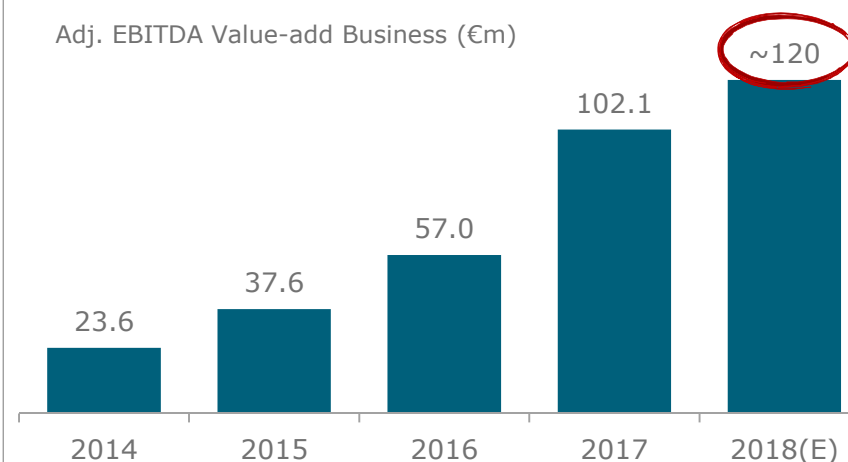


Economics

- NAV does not account for Vonovia's Value-add Business.
- Applying the impairment test WACC¹ to the 2018E Adj. EBITDA Value-add Business translates into an additional value of ~€5.3 per share (~14% on top of Q1 Adj. NAV).

Penetration	
Multimedia	ca. 80%
Smart metering	ca. 23%
Residential environment ²	ca. 30%
Energy	<1%
Craftsmen VTS	ca. 70% (maintenance) ca. 40% (modernization) target is around 70% to allow for enough flexibility in the volumes and to enable continuous benchmarking to market prices

Adj. EBITDA Value-add Business (€m)



¹ Pre-tax WACC of 4.68% as per Dec. 31, 2017. ² Gardening and landscaping work

Sales – Steady Cash Flow at Attractive Margins

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- In spite of value growth of the portfolio, privatization fair value step-ups still came out to 27.6% for Q1 2018 (adjusted for the small block sales in this segment the fair value step-up was 32.8%).
- The sell portfolio disposals saw a record fair value step-up of 15.9% in Q1 2018, driven largely by two block sales, as we are utilizing the high market liquidity to profitably dispose of our Sell Portfolio.
- The income and fair value figures of the Sell Portfolio for the prior-year period include a substantial amount of commercial property sales.

	<u>Privatize Portfolio</u>		<u>Sell Portfolio</u>		<u>TOTAL</u>	
	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017
€m (unless indicated otherwise)						
Residential units sold	594	535	1,149	1,157	1,743	1,692
Income from disposals	67.1	72.0	46.9	420.2	114.0	492.2
Fair value of disposals	-52.6	-54.9	-40.5	-410.9	-93.1	-465.8
Adj. profit from disposals	14.5	17.1	6.4	9.3	20.9	26.4
Fair value step-up (%)	27.6%	31.1%	15.9%	2.3%		
Selling costs					-5.2	-7.3
Adj. EBITDA Sales					15.7	19.1

Increased Guidance

- All guidance elements are excluding BUWOG, except for FFO 1, FFO 1 per share and dividend.
- For H1 results on Aug. 31 we will present an update on all guidance elements including BUWOG.
- Based on an apples-to-apples definition, we estimate BUWOG's FFO 1 contribution for 2018 to be €30m.

	2017 Actuals	2018 Guidance Initial (Nov. 2017)	2018 Guidance Update (May 2018)
Organic rent growth (eop)	4.2%	4.6% - 4.8%	4.6% - 4.8% ✓
Vacancy (eop)	2.5%	<2.5%	<2.5% ✓
Rental Income (€m)	1,667.9	1,660 - 1,680	1,670 - 1,690 ↑
FFO1 (€m)	920.8	960 - 980	1,030 - 1,050 (1,000 - 1,020 VNA stand-alone) ↑
FFO1 (€/share, eop)	1.90	1.98 - 2.02²	2.12 - 2.16² (2.06 - 2.10 ² VNA stand-alone) ↑
Maintenance (€m)	346.2	~360	~360 ✓
Modernization & Investments (€m)	778.6	~1,000	~1,000 ✓
Privatization (number of units)	2,608	~2,300	~2,300 ✓
FV step-up (Privatization)	32.7%	~30%	~30% ✓
Non-core (number of units)	11,780	opportunistic	opportunistic ✓
FV step-up (Sell Portfolio)	7.9%	>0%	~5% ↑
Dividend/share	€1.32 ¹	~70% of FFO1	~70% of FFO1 ↑

¹ Proposed to the 2018 Annual General Meeting. ² Based on current number of 485.1m shares outstanding.

FFO 1 and Other Sources of Earnings

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- FFO 1 is Vonovia’s lead earnings KPI and includes the contribution of the Rental and Value-add Segments.
- FFO 1 is the basis for the dividend level.
- This approach overshadows the fact that Vonovia’s business model has additional sources of earnings that contribute to the overall cash flow of the company.



The broader range of earnings contributions is a competitive advantage over the peer group.

¹ plus Adj. EBITDA Other

- Vonovia's **Annual General Meeting 2018** will take place in Bochum on **May 9**.
- Following the high acceptance levels last year, Vonovia's Supervisory Board resolved on May 2 to offer to shareholders the **choice between a scrip dividend and a cash dividend** at the upcoming AGM.
- Upon approval of the allocation of the 2017 net profit by the AGM, the **timeline**¹ for the cash and scrip dividend would be as follows:
 - May 11: Publication of rights issue, dividend announcement and start of subscription period
 - May 25: Determination of reference price / subscription price
 - May 28: End of subscription period
 - June 7: Payment date for cash dividend
 - June 12: Capital increase related to the scrip dividend
 - June 14: Settlement date for scrip dividend

¹ All dates are indicative and subject to change.

Offer

- On May 3, 2018, Vonovia announced a cash tender offer for Victoria Park, a listed Swedish residential company.

Financing

- Vonovia's offer reflects an enterprise value of Victoria Park of approx. €1.7bn.
- In the context of this transaction, we expect to raise up to €1bn in the equity markets, depending on timing and market conditions.

Further information

- A separate investor presentation and other relevant information are published on the dedicated transaction website <http://en.vonovia-k.de>.

Ownership

- As of April 30, Vonovia owned 77.4% of all outstanding BUWOG shares. This includes the 73.8% tendered in the first acceptance period, conversion of 99.8% of the convertible bonds tendered and shares acquired in the market following the end of the first acceptance period.

Second acceptance period underway

- Mandatory second acceptance period ends on June 18.

Next steps

- Vonovia expects to be able to realize the communicated synergies on the basis of the current stake.
- Austrian Takeover Law allows for a squeeze out in case the majority owner holds 90% of the shares or more.

Integration

- Operational integration started at the end of March and the integration of BUWOG's German operating business is expected to be fully completed by the end of this year.



Operations remain on strong trajectory – dynamic start into 2018.



Increased guidance reflects strong business fundamentals.



BUWOG integration is fully on track and will deliver first results already in 2018.



Within the parameters of its communicated strategy, Vonovia is continuing to seek opportunities for sustainable shareholder value creation in Germany and in selected European metropolitan areas.

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Financial Calendar 2018

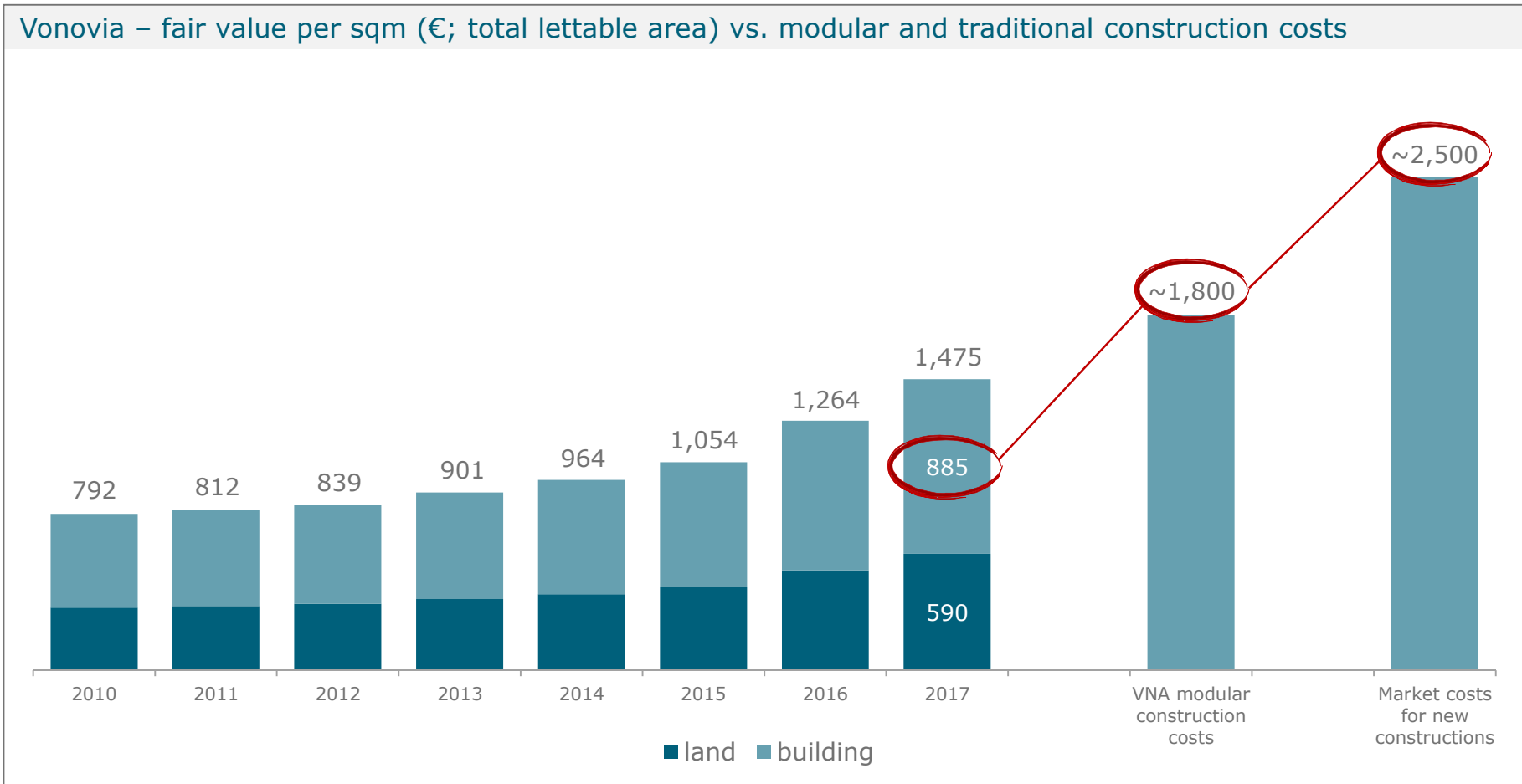
May 3	Interim results 3M 2018
May 9	Annual General Meeting in Bochum
May 14&15	Roadshow, London (Société Générale)
May 17	Roadshow, Frankfurt (Kepler Cheuvreux)
May 23	Berenberg Conference, Tarrytown New York ¹
May 24&25	Roadshow, Toronto and Chicago (Exane) ¹
May 29	Kepler Cheuvreux German & Austrian Property Day, Paris ¹
May 30	Kempen European Seminar, Amsterdam
June 4-5	Capital Markets Day, Berlin
Jun 6	DB Access Conference, Berlin
Jun 7	GS European Financial Conference, Frankfurt ¹
Jun 14	Exane European CEO Conference, Paris
Aug 31	Interim results 6M 2018
Sep 24	GS/Berenberg German Corporate Conference, Munich
Sep 26	Baader Investment Conference, Munich ¹
Sep 26	BofAML Global Real Estate Conference, New York
Sep 27&28	Roadshow North America
Dec 6	Interim results 9M 2018

¹ IR only

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Conservative Valuation Levels

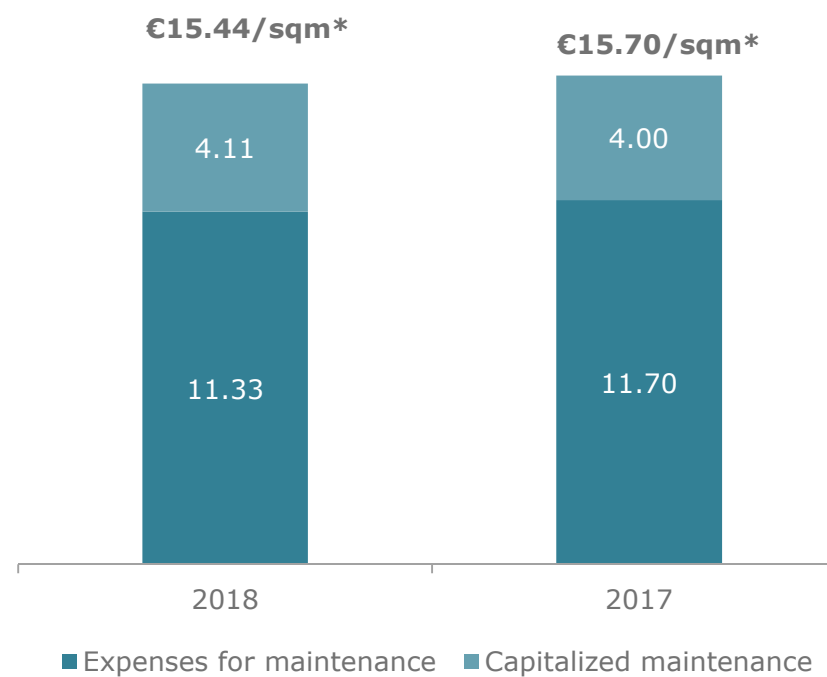
- In-place values are still way below replacement values, in spite of accelerating valuation growth in recent years.



Note: VNA 2010 – 2014 refers to Deutsche Annington Portfolio at the time; construction costs excluding land. The land value refers to share of total fair value allocated to land.
 Source for market costs: Arbeitsgemeinschaft für zeitgemäßes Bauen e.V.

Maintenance

€m (unless indicated otherwise)	Q1 2018	Q1 2017	Delta
Expenses for maintenance	61.2	63.1	-3.0%
Capitalized maintenance	22.2	14.1	57.4%
Total	83.4	77.2	8.0%
Maintenance capitalization ratio	27%	18%	5.0%



*Actual number of residential sqm excluding BUWOG

Reconciliation IFRS Profit to FFO

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€m (unless indicated otherwise)	Q1 2018	Q1 2017	Delta
IFRS PROFIT FOR THE PERIOD	129.2	130.7	-1.1%
Financial result ¹	83.0	83.0	-
Income taxes	78.2	83.0	-5.8%
Depreciation and amortization	9.0	7.1	26.8%
Net income from fair value adjustments of investment properties	-	-	-
= EBITDA IFRS	299.4	303.8	-1.4%
Non-recurring items	27.9	13.9	>100%
Total period adjustments from assets held for sale	4.1	1.5	>100%
Financial income from investments in other real estate companies	-	-	-
= ADJUSTED EBITDA	331.4	319.2	3.8%
Adjusted EBITDA Sales	-15.7	-19.1	-17.8%
= ADJUSTED EBITDA OPERATIONS	315.7	300.1	5.2%
FFO interest expense ²	-67.7	-76.8	-11.8%
Current income taxes FFO1	-4.4	-5.1	-13.7%
= FFO1	243.6	218.2	11.6%
Capitalized maintenance	-21.6	-13.6	58.8%
= AFFO	222.0	204.6	8.5%
Current income taxes Sales	-7.4	-11.0	-32.7%
FFO2 (FFO1 incl. Adjusted EBITDA Sales / Current income taxes Sales)	251.9	226.3	11.3%
FFO1 per share in € (eop NOSH)	0.50	0.47	7.9%
AFFO per share in € (eop NOSH)	0.46	0.44	4.9%
Number of shares (million) eop	485.1	468.8	3.5%

¹ Excluding income from investments. ² Including financial income from investments in other real estate companies.

IFRS P&L

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€m (unless indicated otherwise)	Q1 2018	Q1 2017	Delta
Income from property letting	589.3	586.7	0.4%
Other income from property management	10.7	10.0	7.0%
Income from property management	600.0	596.7	0.6%
Income from disposal of properties	114.0	492.2	-76.8%
Carrying amount of properties sold	-105.8	-476.7	-77.8%
Revaluation of assets held for sale	8.7	9.4	-7.4%
Profit on disposal of properties	16.9	24.9	-32.1%
Net income from fair value adjustments of investment properties	---	---	---
Capitalized internal expenses	105.6	85.4	23.7%
Cost of materials	-280.2	-274.3	2.2%
Personnel expenses	-111.8	-102.0	9.6%
Depreciation and amortization	-9.0	-7.1	26.8%
Other operating income	24.3	26.5	-8.3%
Other operating expenses	-63.0	-59.7	5.5%
Financial income	9.6	7.3	31.5%
Financial expenses	-85.0	-84.0	1.2%
Earnings before taxes	207.4	213.7	-2.9%
Income taxes	-78.2	-83.0	-5.8%
Profit for the period	129.2	130.7	-1.1%
Attributable to:			
Vonovia's shareholders	116.4	116.6	-0.2%
Vonovia's hybrid capital investors	7.5	7.4	1.4%
Non-controlling interests	5.6	6.7	-16.4%
Earnings per share (basic and diluted) in €	0.24	0.25	-4.0%

IFRS Balance Sheet (1/2 – Total Assets)

VONOVIA

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€m (unless indicated otherwise)	Mar. 31, 2018	Dec. 31, 2017	Delta
Assets			
Intangible assets	3,479.9	2,637.1	32.0%
Property, plant and equipment	209.7	177.6	18.1%
Investment properties	37,860.8	33,182.8	14.1%
Financial assets	733.9	698.0	5.1%
Other assets	21.9	13.8	58.7%
Deferred tax assets	10.3	10.3	
Total non-current assets	42,316.5	36,719.6	15.2%
Inventories	6.5	6.2	4.8%
Trade receivables	377.8	234.9	60.8%
Financial assets	12.7	0.5	>100%
Other assets	210.6	98.4	>100%
Income tax receivables	41.9	47.9	-12.5%
Cash and cash equivalents	829.3	266.2	>100%
Real Estate Inventories	300.2	0	>100%
Assets held for sale	80.7	142.6	-43.4%
Total current assets	1,859.7	796.7	>100%
Total assets	44,176.2	37,516.3	17.8%

IFRS Balance Sheet (2/2 – Total Equity and Liabilities)

VONOVIA

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€m (unless indicated otherwise)	Mar. 31, 2018	Dec. 31, 2017	Delta
Equity and liabilities			
Subscribed capital	485.1	485.1	0.0%
Capital reserves	5,966.3	5,966.3	0.0%
Retained earnings	8,587.9	8,471.6	+1.4%
Other reserves	182.3	157.8	+15.5%
Total equity attributable to Vonovia's shareholders	15,221.6	15,080.8	0.9%
Equity attributable to hybrid capital investors	1,011.5	1,001.6	+1.0%
Total equity attributable to Vonovia's shareholders and hybrid capital investors	16,233.1	16,082.4	+0.9%
Non-controlling interests	637	608.8	+4.6%
Total equity	16,870.1	16,691.2	+1.1%
Provisions	612.4	607.2	0.9%
Trade payables	0.8	2.4	-66.7%
Non derivative financial liabilities	17,571	12,459.4	+41.0%
Derivatives	59.2	8.7	>100%
Liabilities from finance leases	94.6	94.7	-0.1%
Liabilities to non-controlling interests	31.5	24.9	+26.5%
Financial liabilities from tenant financing	35.3	0	+35.3%
Other liabilities	49.9	65.3	-23.6%
Deferred tax liabilities	5,689.6	5,322.6	+6.9%
Total non-current liabilities	24,144.3	18,585.2	29.9%
Provisions	408.8	376.5	8.6%
Trade payables	176.1	130.7	34.7%
Non derivative financial liabilities	1,316	1,601.1	-17.8%
Derivatives	865.6	4.4	>100%
Liabilities from finance leases	4.7	4.6	2.2%
Liabilities to non-controlling interests	7.0	9.0	-22.2%
Financial liabilities from tenant financing	116.9	7.7	>100%
Other liabilities	266.7	105.9	>100%
Total current liabilities	3,161.8	2,239.9	41.2%
Total liabilities	27,306.1	20,825.1	31.1%
Total equity and liabilities	44,176.2	37,516.3	17.8%

IFRS Cash Flow

€m (unless indicated otherwise)	Q1 2018	Q1 2017	Delta
Cash flow from operating activities	262.7	241.9	+8.6%
Cash flow from investing activities	-2,500.3	-773.2	>100%
Cash flow from financing activities	2,800.7	-1.6	>100%
Net changes in cash and cash equivalents	563.1	-532.9	>100%
Cash and cash equivalents at the beginning of the period	266.2	1,540.8	-82.7%
Cash and cash equivalents at the end of the period	829.3	1,007.9	-17.7%

Income from Property Management

€m (unless indicated otherwise)	Q1 2018	Q1 2017	Delta
Rental income ¹	419.3	418.3	+0.2%
Ancillary cost	170.0	168.4	+1.0%
Income from Property Letting	589.3	586.7	+0.4%
Other income from property management	10.7	10.0	+7.0%
Income from property management	600.0	596.7	+0.6%

¹ Rental income under IFRS definition. Includes €1.0m of rental income attributable to Value-add Business.

Cost of Materials

€m (unless indicated otherwise)	Q1 2018	Q1 2017	Delta
Expenses for ancillary costs	156.9	158.0	-0.7%
Expenses for maintenance	101.5	92.5	9.7%
Other cost of purchased goods and services	21.8	23.8	-8.4%
Total cost of materials	280.2	274.3	2.2%

All Strategic Markets Show Upward Potential



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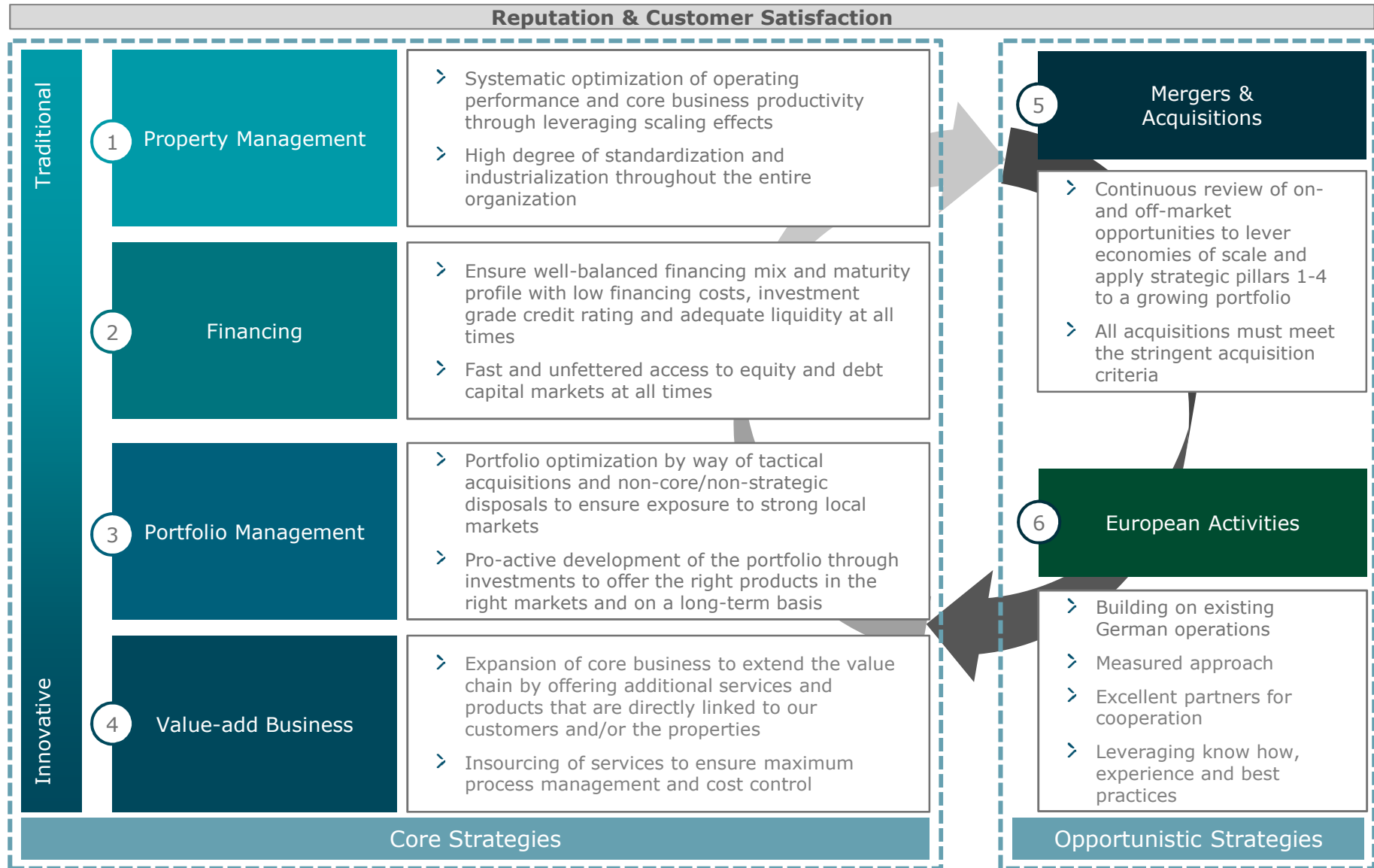
4. Wrap-up

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Regional Market	Fair value		In-place rent									
	(€m)	(€/sqm)	Residential units	Living area ('000 sqm)	Vacancy (%)	Total (p.a., €m)	Residential (p.a., €m)	Residential (€/sqm/month)	Organic rent growth (%)	Multiple (in-place rent)	Average rent growth forecast CBRE (5 yrs) (%)	Average rent growth (%) from Optimize Apartments
Berlin	5,938.8	2,046	43,997	2,804	1.9	223	211	6.40	3.7	26.6	4.3	49.1
Rhine Main Area (Frankfurt, Darmstadt, Wiesbaden)	3,534.3	1,953	27,900	1,780	1.5	169	163	7.76	3.8	21.0	3.5	41.9
Rhineland (Cologne, Düsseldorf, Bonn)	3,250.3	1,587	29,727	1,990	2.8	167	159	6.87	3.4	19.4	3.1	27.5
Southern Ruhr Area (Dortmund, Essen, Bochum)	2,911.5	1,062	43,881	2,682	3.3	184	178	5.71	4.5	15.8	2.9	30.8
Dresden	2,892.2	1,237	38,568	2,193	2.7	160	149	5.84	5.8	18.1	3.7	34.5
Hamburg	2,222.0	1,713	19,823	1,264	1.6	105	101	6.75	4.7	21.1	3.3	42.9
Munich	1,819.3	2,774	9,695	638	1.2	63	59	7.80	3.3	29.0	4.8	52.1
Stuttgart	1,742.3	1,896	14,128	889	1.7	84	80	7.59	2.8	20.9	3.1	39.7
Kiel	1,740.7	1,239	23,391	1,347	2.1	100	94	5.94	5.3	17.5	3.2	39.9
Northern Ruhr Area (Duisburg, Gelsenkirchen)	1,425.8	862	26,449	1,634	3.6	106	103	5.44	4.2	13.4	2.4	25.0
Hanover	1,423.9	1,375	16,129	1,016	2.7	77	74	6.25	5.3	18.4	2.9	40.2
Bremen	918.9	1,237	11,905	722	3.2	48	46	5.47	3.1	19.1	3.6	29.4
Leipzig	765.1	1,233	9,168	588	4.5	42	39	5.79	3.4	18.4	2.9	26.0
Westphalia (Münster, Osnabrück)	673.3	1,085	9,471	613	2.4	42	41	5.72	4.9	16.0	3.0	37.2
Freiburg	546.4	1,955	4,046	277	1.4	24	23	7.07	4.0	22.9	4.1	44.4
Other Strategic Locations	2,493.1	1,294	29,857	1,878	2.9	142	136	6.24	5.1	17.5	3.3	39.5
Total Strategic Locations Germany	34,298.0	1,491	358,135	22,315	2.5	1,736	1,656	6.35	4.2	19.8	3.4	36.4
Austria	2,471.4	1,292	23,379	1,746	4.5	106	88	4.40	-	23.4	n/a	n/a

Note: * Fair value of the developed land excluding € 1,072.8 million, of which € 391.4 million for undeveloped land and inheritable building rights granted, € 203.9 million for assets under construction, € 404.6 million for development and € 72.9 million for other.

Proven 4+1 Strategy is Evolving into 4+2 Strategy

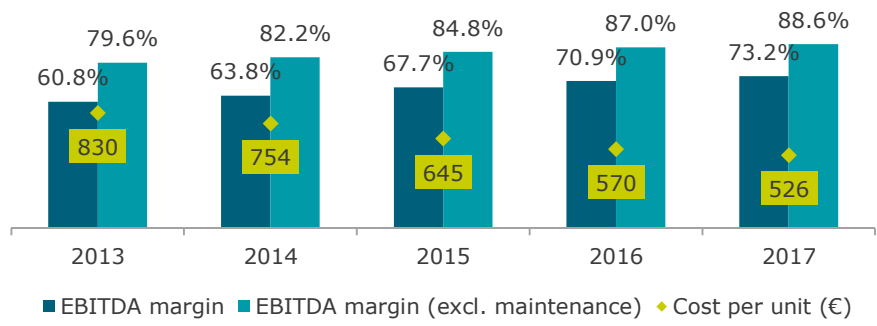
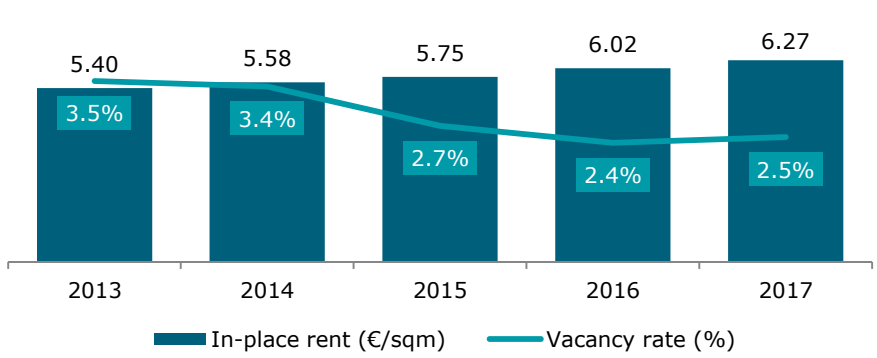


Core Strategies with Impeccable Track Record

1. Property Management



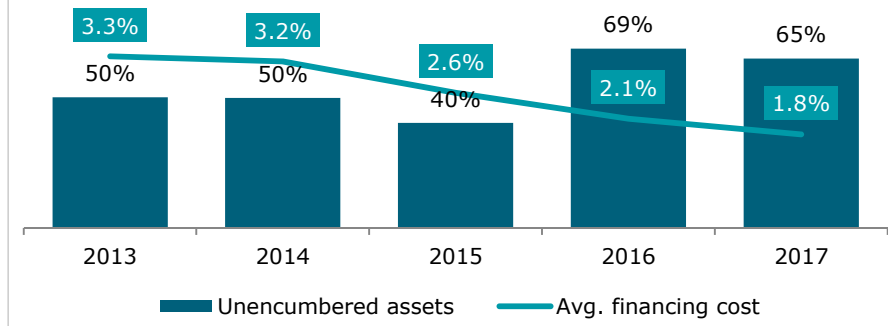
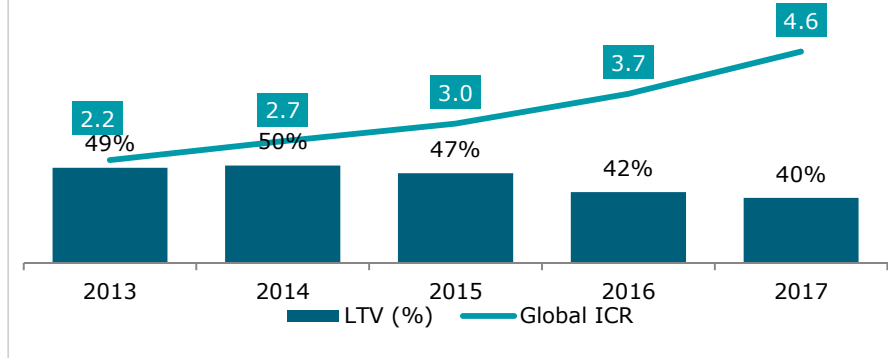
- Operating KPIs fully under control
- Steady efficiency gains through economies of scale, digitization, standardization and process optimization



2. Financing



- Lower leverage
- Reduced interest expense
- Increased unencumbrance ratio and debt diversity
- Well-established player in the corporate bond market



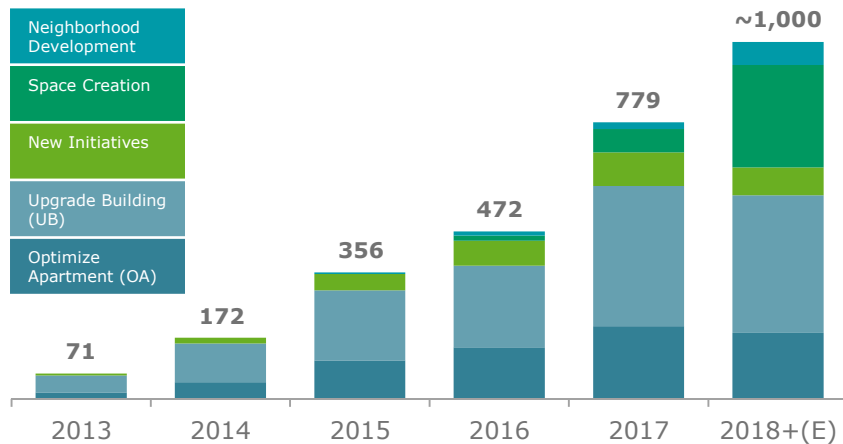
Core Strategies with Impeccable Track Record...

3. Portfolio Management



- More than 51k non-core units sold since IPO (28% of IPO portfolio volume)
- Number of portfolio locations reduced by 29%; portfolio now concentrated across 15 growth regions
- Investment program grown from €71m for 2013 to €1bn for 2018 and annually going forward

Investment track record (€m; includes modernization and space creation)

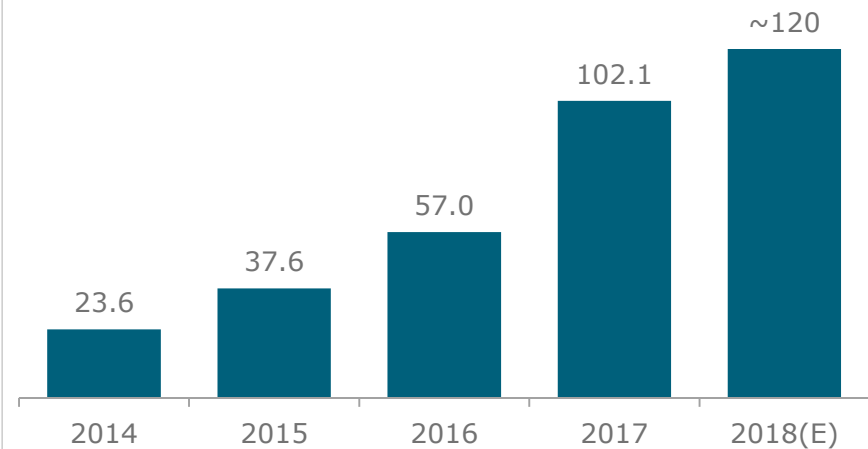


4. Value-add Business

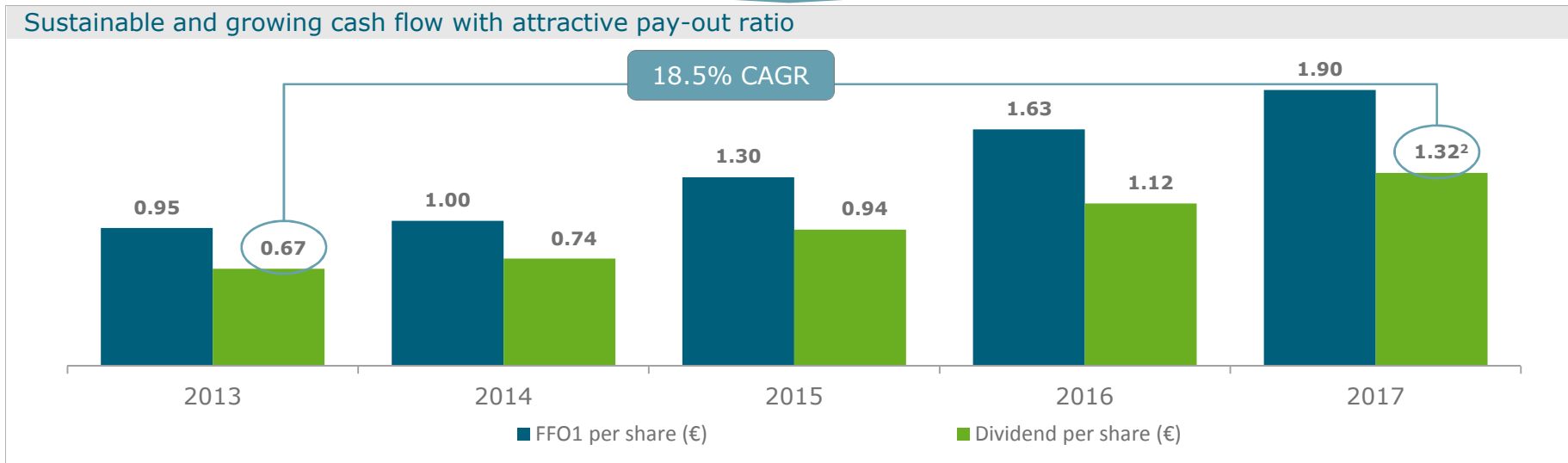
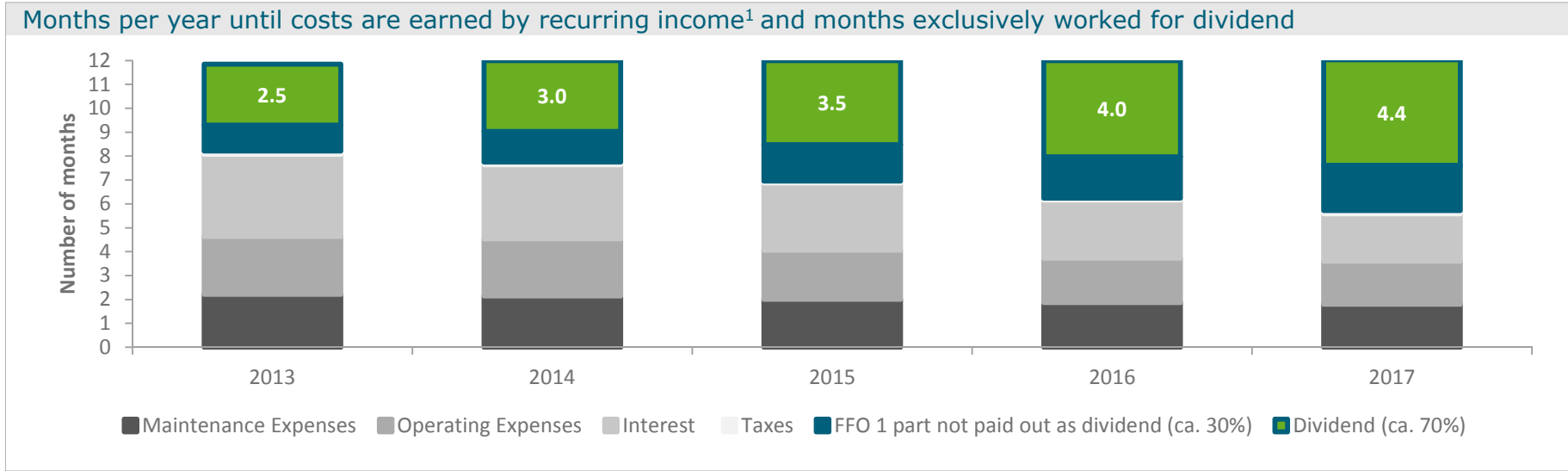


- Insourcing of services to increase customer satisfaction and extend the value chain
- Leveraging the B-to-C nature of the business and the long-term customer relationship
- Most dynamic and innovative part of the business

Adj. EBITDA Value-add Business (€m)



...Leading to Sustainable FFO 1 Growth and an Attractive Dividend Policy



¹ Rental income + EBITDA Value-add Business and Other; excluding sales effects. ² Proposed to the Annual General Meeting 2018.

Historical Key Figures (1/2)

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Financial Key Figures (€m, unless stated otherwise)	2017	2016	2015	2014	2013
Rental income	1,667.9	1,538.1	1,414.6	789.3	728.0
Adjusted EBITDA Operations	1,224.2	1,094.0	957.6	503.4	442.4
Adjusted EBITDA Rental	1,150.0	1,046.2	924.4	482.6	433.0
Adjusted EBITDA Value-add Business	102.1	57.0	37.6	23.6	10.5
Adjusted EBITDA Other	-27.9	-9.2	-4.4	-2.8	-1.1
Income from disposal of properties	1,206.4	1,227.9	726.0	287.3	353.5
Adjusted EBITDA Sales	110.8	92.5	71.1	50.1	27.7
Adjusted EBITDA	1,335.0	1,186.5	1,028.7	553.5	470.1
EBITDA IFRS	1,271.8	1,083.7	838.4	500.3	431.0
FFO1	920.8	760.8	608.0	286.6	223.5
thereof attributable to Vonovia shareholders	866.2	713.4	555.5	275.1	218.4
thereof attributable to Vonovia hybrid capital investors	40.0	40.0	33.0	-	-
thereof attributable to Non-controlling interests	14.6	7.4	19.5	11.5	5.1
FFO2	1,012.4	823.8	662.1	336.7	251.2
AFFO	835.1	689.2	520.5	258.3	203.5
FFO1 per share in €	1.90	1.63	1.30	1.00	0.95
Income from fair value adjustments of investment properties	3,434.1	3,236.1	1,323.5	371.1	553.7
EBT	4,007.4	3,859.8	1,734.5	589.1	689.6
Profit for the period	2,566.9	2,512.9	994.7	409.7	484.2
Cash flow from operating activities	946.0	828.9	689.8	453.2	259.6
Cash flow from investing activities	-1,350.1	416.4	-3,239.8	-1,177.9	171.3
Cash flow from financing activities	-870.5	-2,812.4	4,093.1	1,741.7	-353.2
Maintenance and modernization	1,124.8	792.4	686.3	345.5	228.4
thereof for maintenance expenses and capitalized maintenance	346.2	320.1	330.7	173.8	157.6
thereof for modernization	778.6	472.3	355.6	171.7	70.8

The key figures of prior years have been adjusted to match the definitions of the 2017 fiscal year. The key figures per share are based on the shares carrying dividend rights on the corresponding reporting date. Values for 2013 and 2014 are TERP-adjusted.

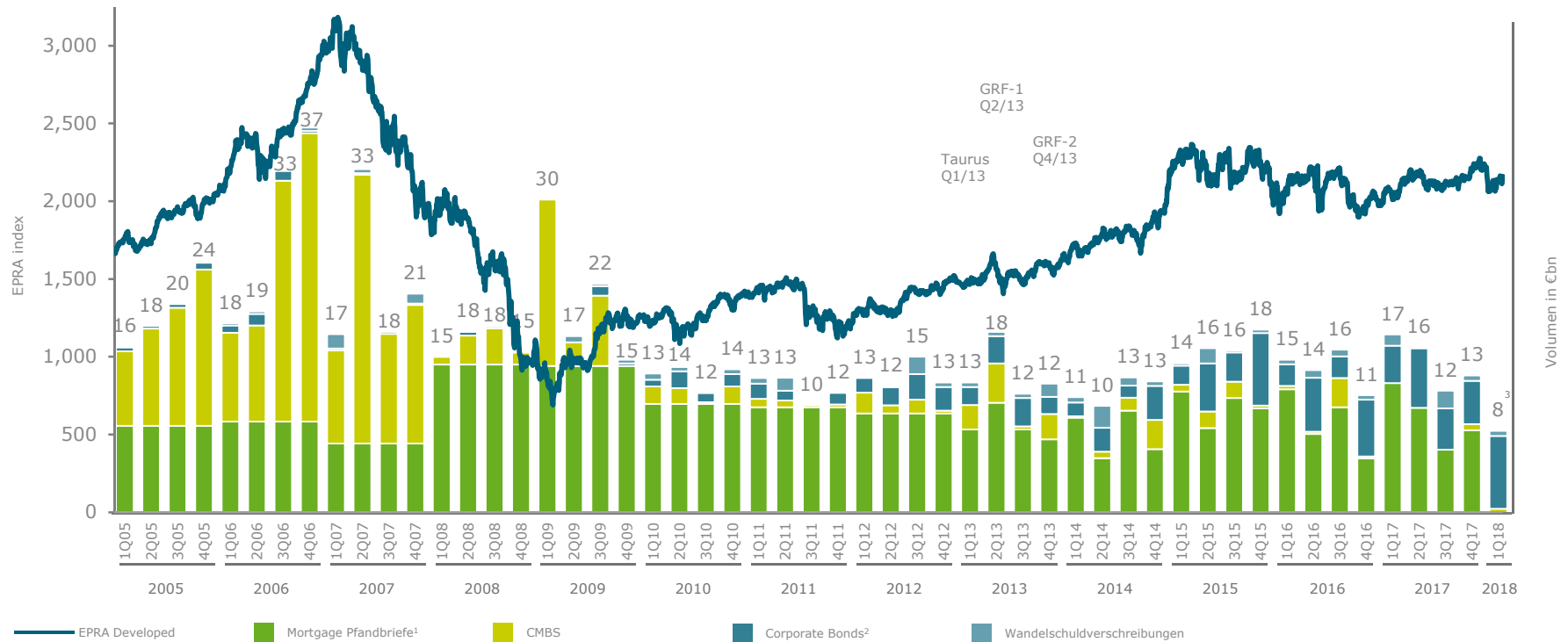
Historical Key Figures (2/2)

Key Balance Sheet Figures (€m, unless stated otherwise)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec 31, 2014	Dec 31, 2013
Fair value of real estate portfolio	33,436.3	27,115.6	24,157.7	12,759.1	10,326.7
Adjusted NAV	18,671.1	14,328.2	11,273.5	6,472.0	5,123.4
Adjusted NAV per share in €	38.49	30.75	24.19	22.67	21.74
LTV (%)	39.8	41.6	46.9	49.3	48.1
Non-Financial Key Figures	2017	2016	2015	2014	2013
Number of units managed	409,275	392,350	397,799	232,246	201,737
thereof own apartments	346,644	333,381	357,117	203,028	175,258
thereof apartments owned by others	62,631	58,969	40,682	29,218	26,479
Number of units bought	24,847	2,815	168,632	31,858	0
Number of units sold	11,780	26,631	15,174	4,081	6,720
thereof Privatize	2,608	2,701	2,979	2,238	2,576
thereof Sell	9,172	23,930	12,195	1,843	4,144
Vacancy rate (in %)	2.5	2.4	2.7	3.4	3.5
Monthly in-place rent in €/sqm	6.27	6.02	5.75	5.58	5.40
Monthly in-place rent organic growth (%)	4.2	3.3	2.9	2.5	1.9
Number of employees	8,448	7,437	6,368	3,850	2,935
EPRA Key Figures	2017	2016	2015	2014	2013
EPRA NAV	21,284.6	17,047.1	13,988.2	6,578.0	5,123.4
EPRA NAV per share in €	43.88	36.58	30.02	23.04	21.74
EPRA NNAV	14,657.5	12,034.4	9,739.8	-	-
EPRA Earnings	573.1	450.0	329.2	-	-
EPRA Net Initial Yield in %	3.7	4.1	4.5	-	-
EPRA "topped-up" Net Initial Yield in %	3.7	4.1	4.5	-	-
EPRA Vacancy rate in %	2.3	2.2	2.5	3.0	3.1
EPRA Cost Ratio (incl. direct vacancy costs) in %	26.2	28.4	31.9	-	-
EPRA Cost Ratio (excl. direct vacancy costs) in %	24.7	27.0	30.2	-	-

The key figures of prior years have been adjusted to match the definitions of the 2017 fiscal year. The key figures per share are based on the shares carrying dividend rights on the corresponding reporting date. Values for 2013 and 2014 are TERP-adjusted.

Cyclicality of Debt Instruments Requires Diversification

Debt-Issuances in the European Real Estate Sector 2005 – 2018 YTD (€bn)



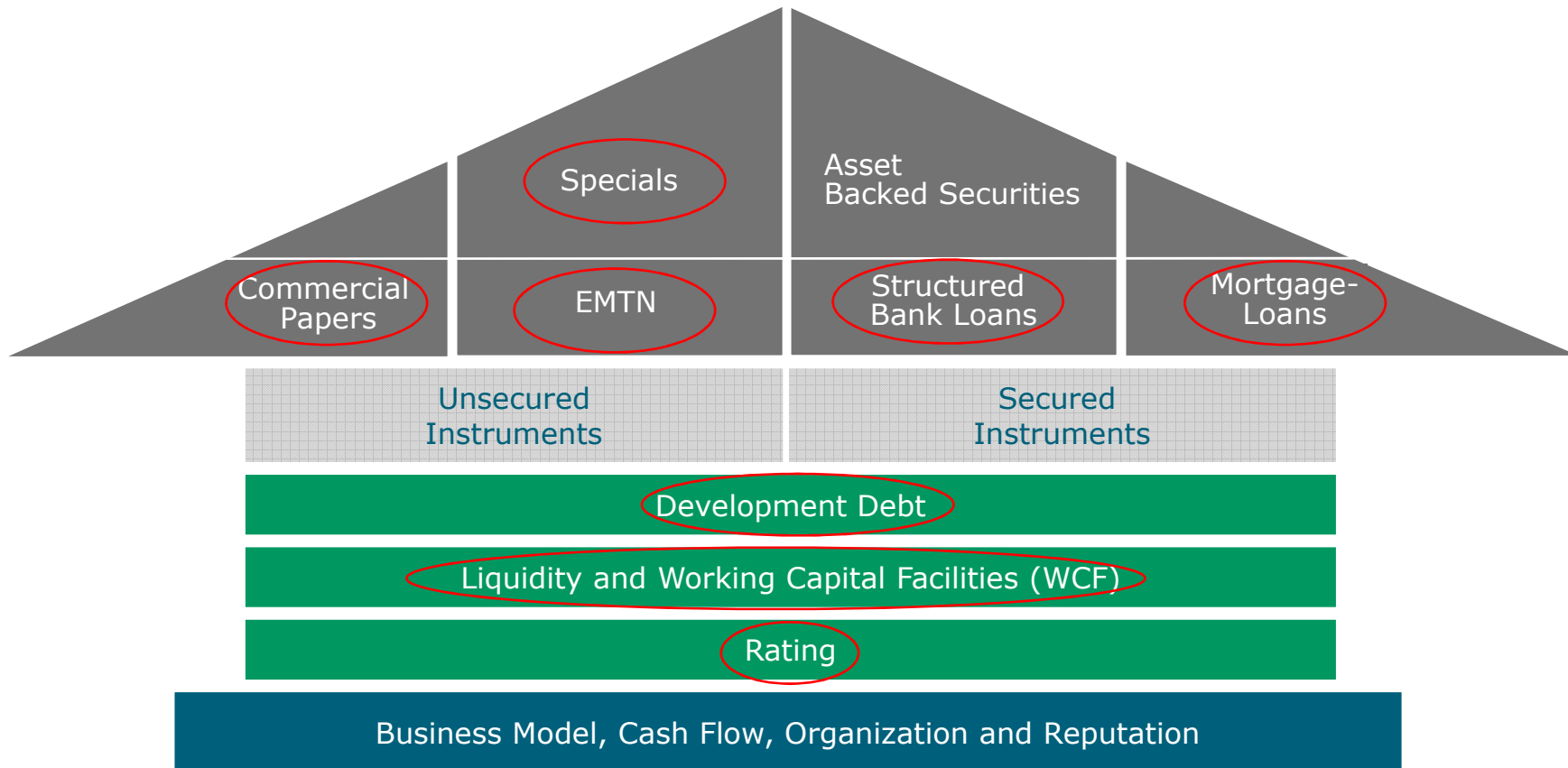
Source: Dealogic, Bloomberg, Broker research, Deutsche Bundesbank, Verband deutscher Pfandbriefbanken (VdP), FactSet as of April 4, 2018

¹ Quarterly Mortgage Pfandbrief issuances for 2005-2012 based on equal distribution of annual issuances based on VdP data; 2013 -3Q2017 figures based on Deutsche Bundesbank

² Corporate bond issuance volume includes senior unsecured and hybrid bonds ≥ €50mm, issued in EUR in Western Europe

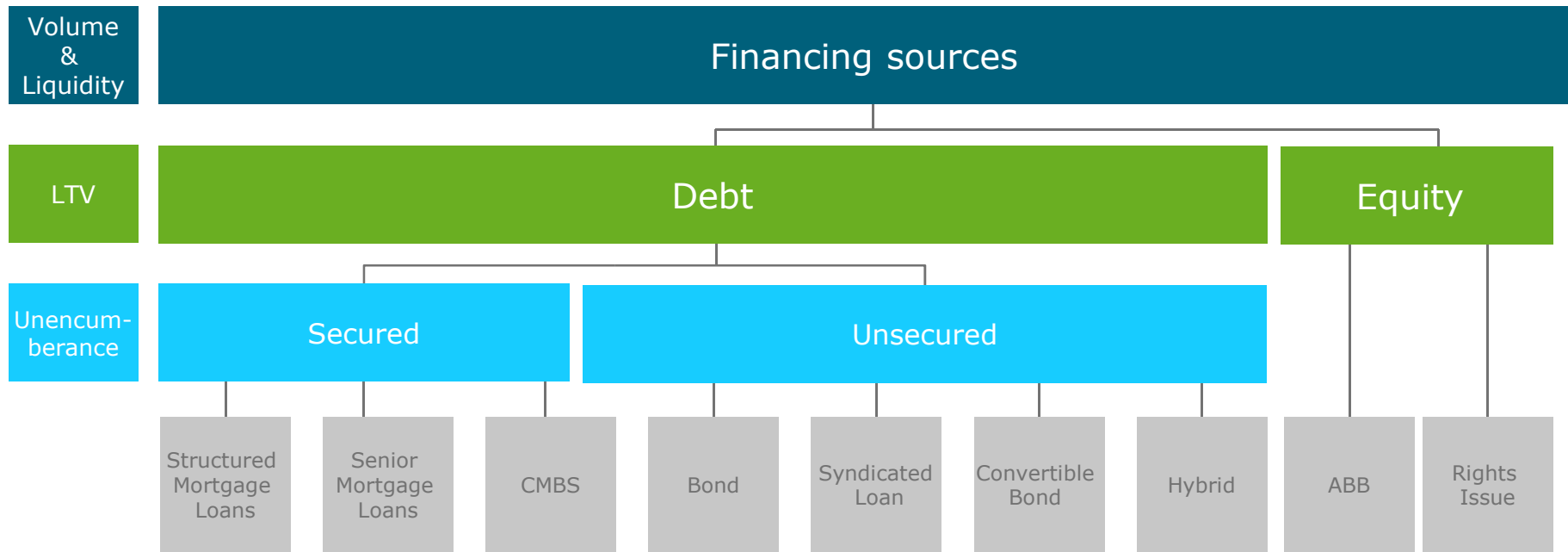
³ Excludes Mortgage Pfandbriefe in 1Q18 as data not yet available.

Vonovia's House of Debt Financing



Currently used by Vonovia

Decision Tree Financing Sources



Covenants and KPIs (March 31, 2018)

> Bond KPIs

Covenant	Level	Mar 31, 2018
LTV		
Total Debt / Total Assets	<60%	43%
Secured LTV		
Secured Debt / Total Assets	<45%	12%
ICR		
Last 12M EBITDA / Last 12M Interest Expense	>1.80x	4.8x
Unencumbered Assets		
Unencumbered Assets / Unsecured Debt	>125%	202%

> Rating KPIs

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

Corporate Investment grade rating

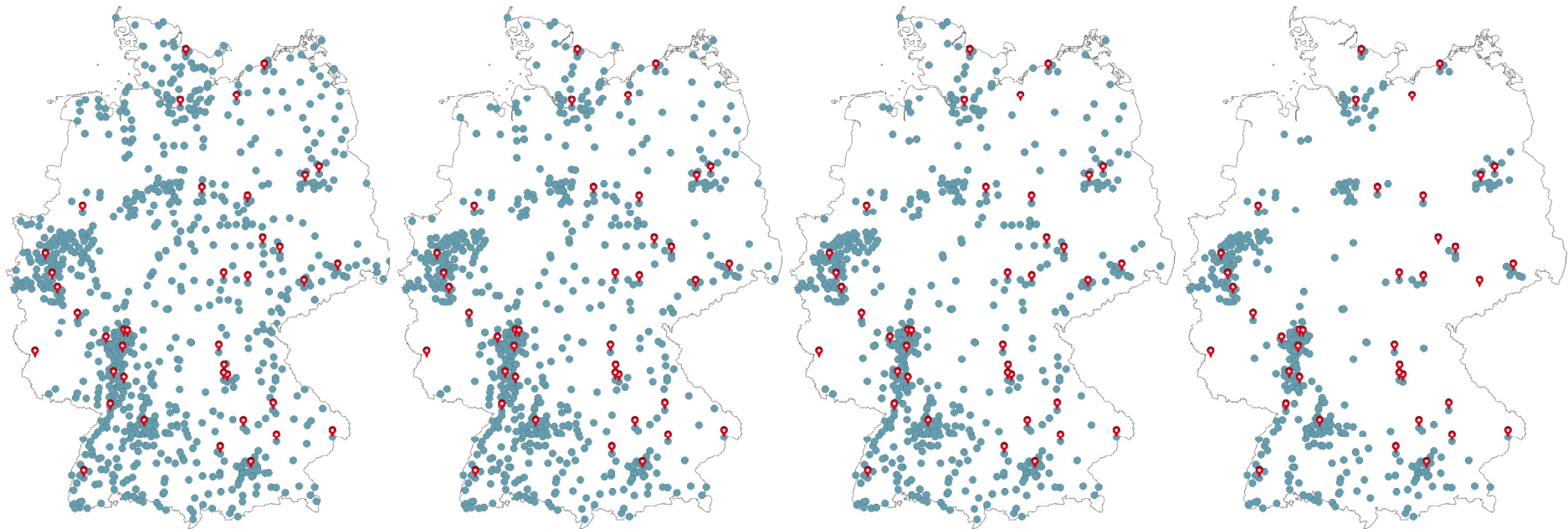
Rating agency	Rating	Outlook	Last Update
Standard & Poor's	BBB+	Stable	19 Dec 2017

Bond ratings

Name	Tenor & Coupon	ISIN	Amount	Issue price	Coupon	Final Maturity Date	Rating
Bond 002 (EUR-Bond)	6 years 3.125%	DE000A1HNNW52	€ 600m	99.935%	3.125%	25 July 2019	BBB+
Bond 004 (USD-Bond)	10 years 5.000%	US25155FAB22	USD 250m	98.993%	4.580% ¹	02 Oct 2023	BBB+
Bond 005 (EMTN)	8 years 3.625%	DE000A1HRVD5	€ 500m	99.843%	3.625%	08 Oct 2021	BBB+
Bond 006 (Hybrid)	60 years 4.625%	XS1028959671	€ 700m	99.782%	4.625%	08 Apr 2074	BBB-
Bond 007 (EMTN)	8 years 2.125%	DE000A1ZLUN1	€ 500m	99.412%	2.125%	09 July 2022	BBB+
Bond 008 (Hybrid)	perpetual 4%	XS1117300837	€ 1,000m	100.000%	4.000%	perpetual	BBB-
Bond 009A (EMTN)	5 years 0.875%	DE000A1ZY971	€ 500m	99.263%	0.875%	30 Mar 2020	BBB+
Bond 009B (EMTN)	10 years 1.500%	DE000A1ZY989	€ 500m	98.455%	1.5000%	31 Mar 2025	BBB+
Bond 010B (EMTN)	5 years 1.625%	DE000A18V138	€ 1,250m	99.852%	1.625%	15 Dec 2020	BBB+
Bond 010C (EMTN)	8 years 2.250%	DE000A18V146	€ 1,000m	99.085%	2.2500%	15 Dec 2023	BBB+
Bond 011A (EMTN)	6 years 0.875%	DE000A182VS4	€ 500m	99.530%	0.875%	10 Jun 2022	BBB+
Bond 011B (EMTN)	10 years 1.500%	DE000A182VT2	€ 500m	99.165%	1.5000%	10 Jun 2026	BBB+
Bond 012 (EMTN)	2 years 3M EURIBOR+0.380%	DE000A185WC9	€ 500m	100.000%	0.140% hedged	13 Sep 2018	BBB+
Bond 013 (EMTN)	8 years 1.250%	DE000A189ZX0	€ 1,000m	99.037%	1.250%	06 Dec 2024	BBB+
Bond 014A (EMTN)	5 years 0.750%	DE000A19B8D4	€ 500m	99.863%	0.750%	25 Jan 2022	BBB+
Bond 014B (EMTN)	10 years 1.750%	DE000A19B8E2	€ 500m	99.266%	1.750%	25 Jan 2027	BBB+
Bond 015 (EMTN)	8 years 1.125%	DE000A19NS93	€ 500m	99.386%	1.125%	08 Sep 2025	BBB+
Bond 016 (EMTN)	2 years 3M EURIBOR+0.350%	DE000A19SE11	€ 500m	100.448%	3M EURIBOR+0.350%	20 Nov 2019	BBB+
Bond 017A (EMTN)	6 years 0.750%	DE000A19UR61	€ 500m	99.330%	0.750%	15 Jan 2024	BBB+
Bond 017B (EMTN)	10 years 1.500%	DE000A19UR79	€ 500m	100.805%	1.500%	14 Jan 2028	BBB+
Bond 018A (EMTN)	4.75 years 3M EURIBOR+0.450%	DE000A19X793	€ 600m	100.000%	0.793% hedged	22 Dec 2022	BBB+
Bond 018B (EMTN)	8 years 1.500%	DE000A19X8A4	€ 500m	99.188%	1.500%	22 Mar 2026	BBB+
Bond 018C (EMTN)	12 years 2.125%	DE000A19X8B2	€ 500m	98.967%	2.125%	22 Mar 2030	BBB+
Bond 018D (EMTN)	20 years 2.750%	DE000A19X8C0	€ 500m	97.896%	2.750%	22 Mar 2038	BBB+

¹ EUR-equivalent Coupon

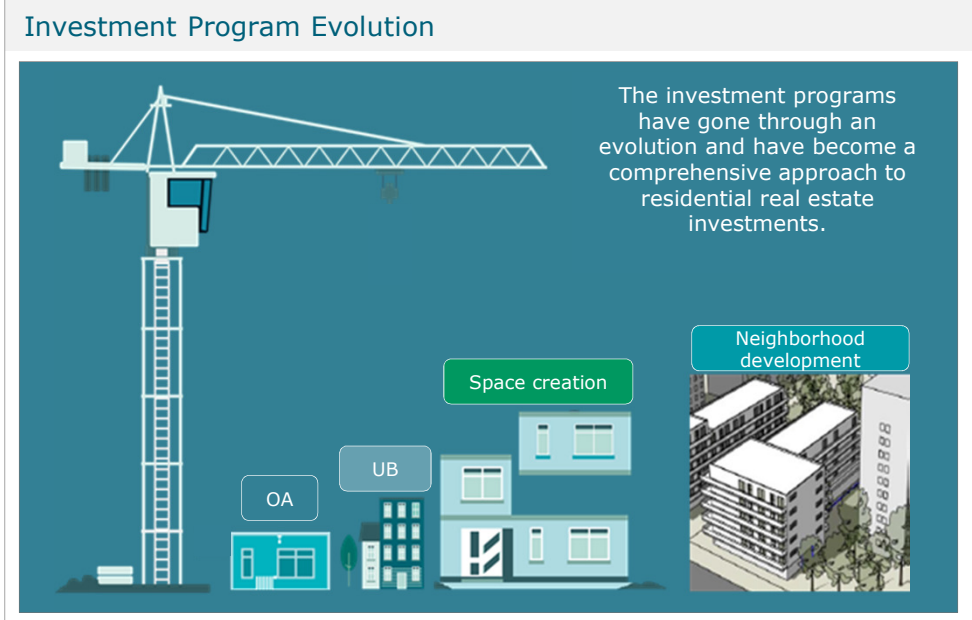
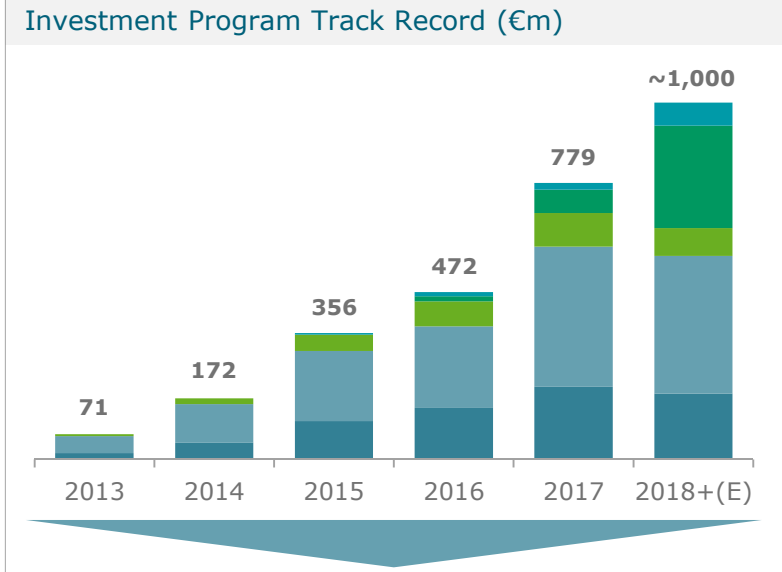
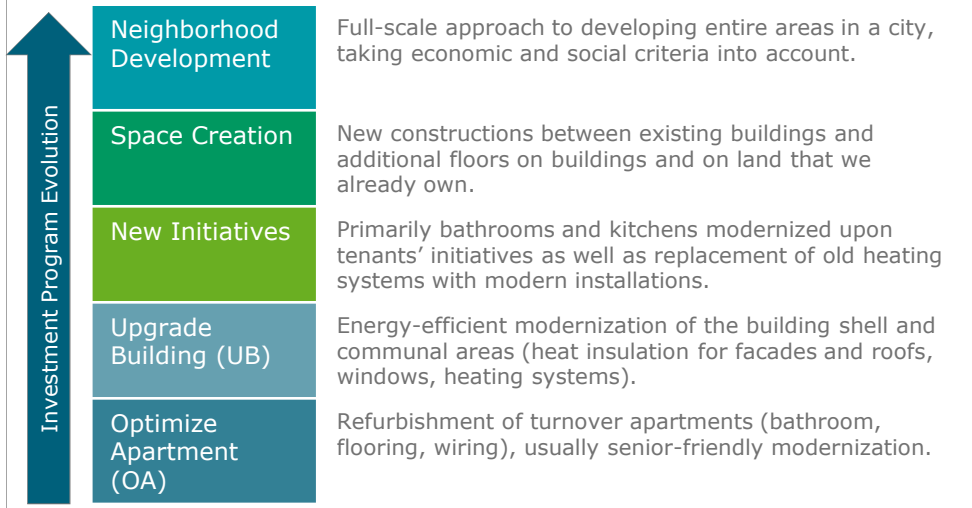
Substantial Reduction of Portfolio Locations



● Vonovia location

★ High-influx cities ("Schwarmstädte"). For more information: http://investoren.vonovia.de/websites/vonovia/English/4050/financial-reports-_-presentations.html

Investment Program on an Increasingly Broader Footing



- > The investment program has not only grown in size but also in complexity.
- > While a **yield-to-cost** calculation is appropriate for investments that generate relatively quick pay-back periods, such as OA or UB, the larger investments space creation and neighborhood development generate value only over a longer period of time.
- > For these types of projects, an **IRR** calculation is more adequate and after using it for internal reporting purposes already from the program inception, we will now use this metric in the external reporting as well.
- > The **target IRR** for the **overall investment** program is **>8%**.
- > OA and UB will continue to be measured against a 7% yield-to-cost target.

Modular Construction

Wood 



Max. 3-4 floors
 Full flexibility re room sizes
 Light-weight framework construction



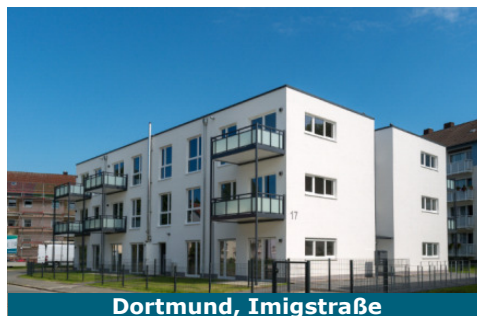
Bochum, Insterburgerstraße

Floor space: 897 sqm
 14 apartments
 Completion: December 2016
 Costs: ~€1,800 per sqm

Steel 



Max. 7 floors possible
 Full flexibility re room sizes
 Medium-weight framework construction



Dortmund, Imigstraße

Floor space: 1,156 sqm
 19 apartments
 Completion: July 2017
 Costs: ~€1,850 per sqm

Concrete 



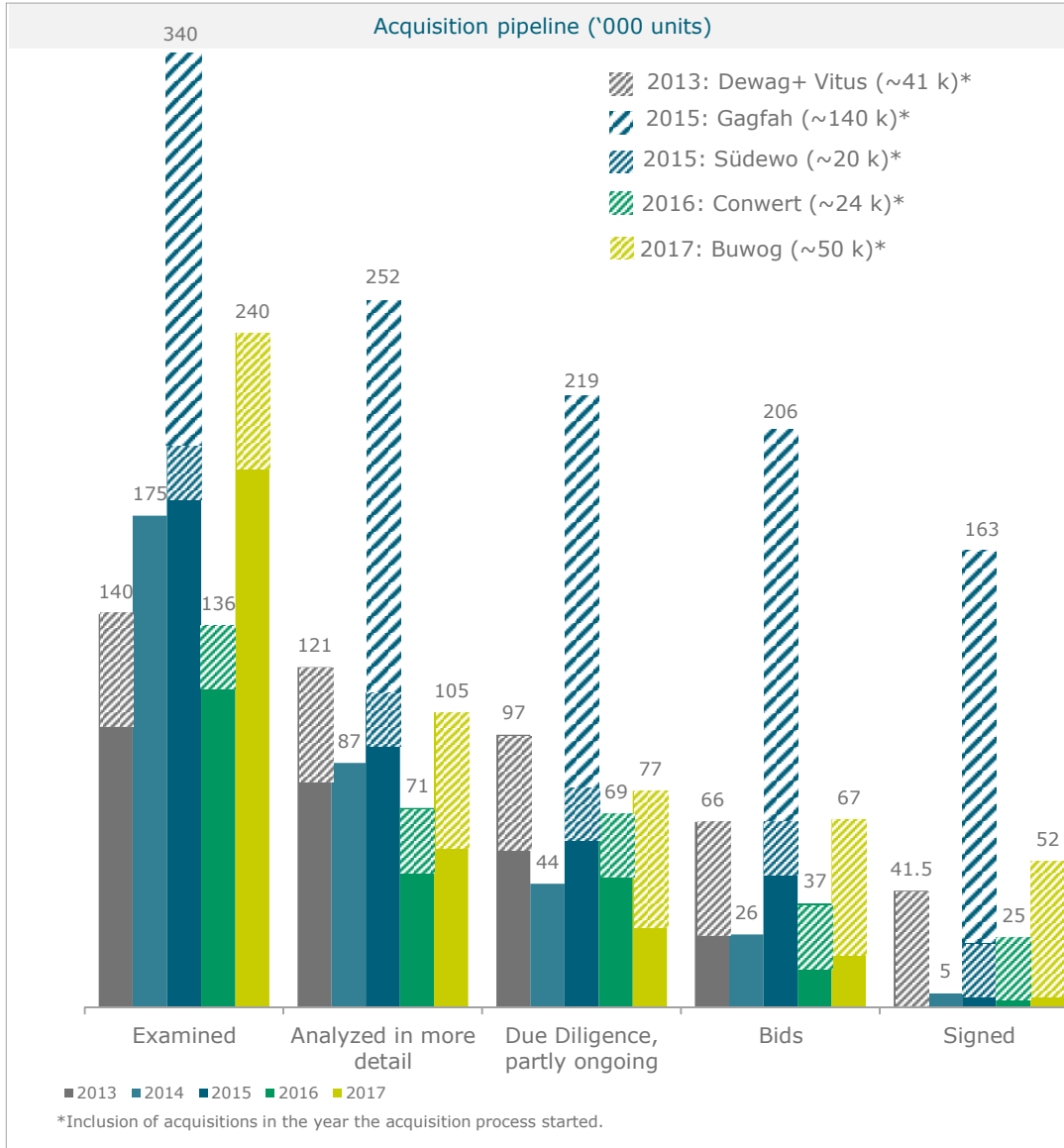
More than 7 floors possible
 Less flexibility re room sizes
 Heavy-weight framework construction



Bayreuth, Am Schwarzen Steg

Floor space: 1,280 sqm
 20 apartments
 Completion: March 2018
 Costs: €1,900 per sqm

Acquisitions – Opportunistic but Disciplined



Acquisition criteria

- No quantitative acquisition target.
- No management incentive for external growth.
- Any potential acquisition must meet all four stringent acquisition criteria assuming a 50/50 equity/debt financing.

Strategic fit

FFO/share accretive

NAV/share non-dilutive

BBB+ Rating (stable)

If You Want to Know Where Germans Live - Follow the Light

Illustration of Germany at Night

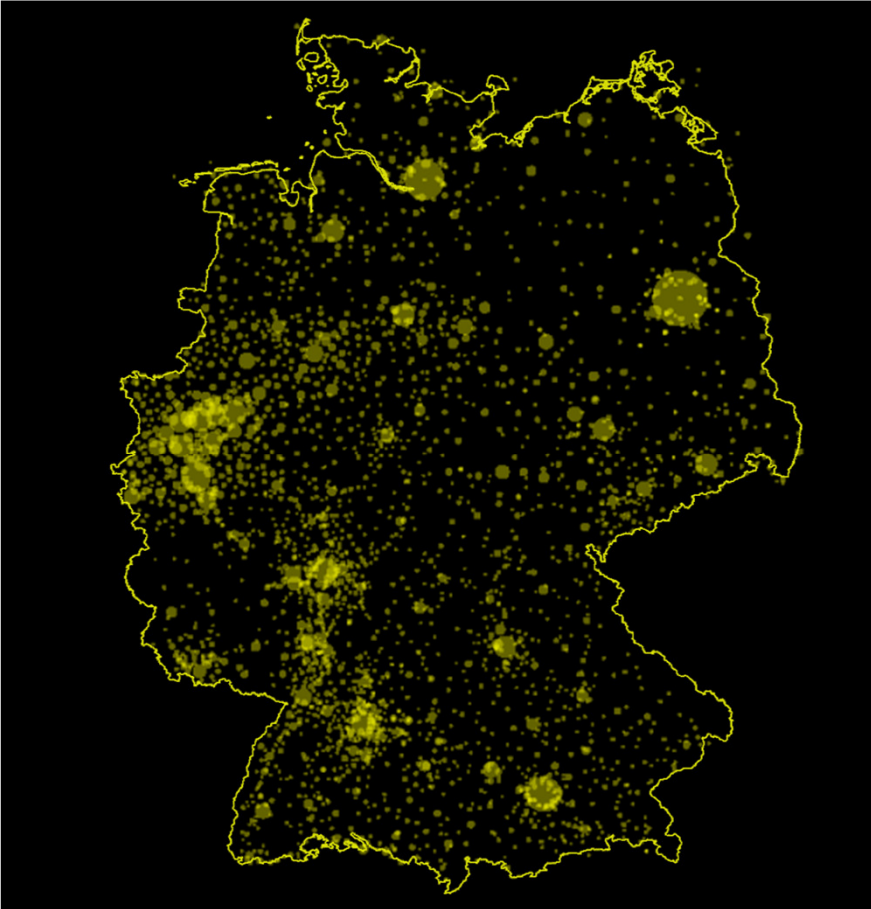
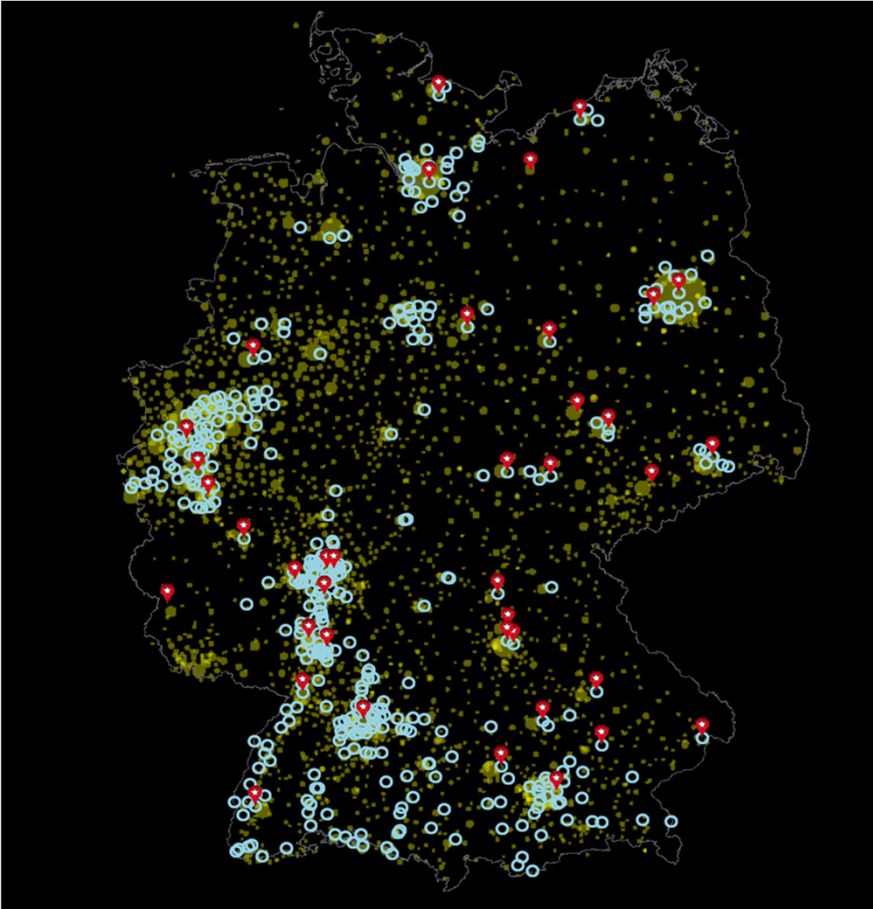


Illustration of Germany at Night

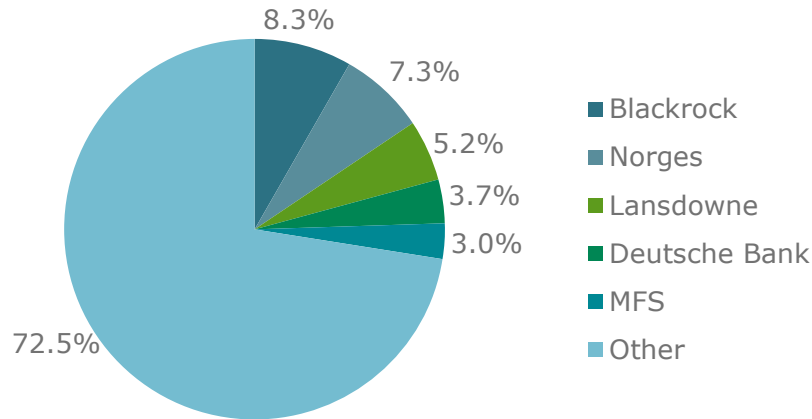


Note: Vonovia Strategic Portfolio

High-influx cities ("Schwarmstädte"). For more information: http://investoren.vonovia.de/websites/vonovia/English/4050/financial-reports_-_presentations.html

Liquid Large-cap Stock

Shareholder Structure (March 31, 2018)

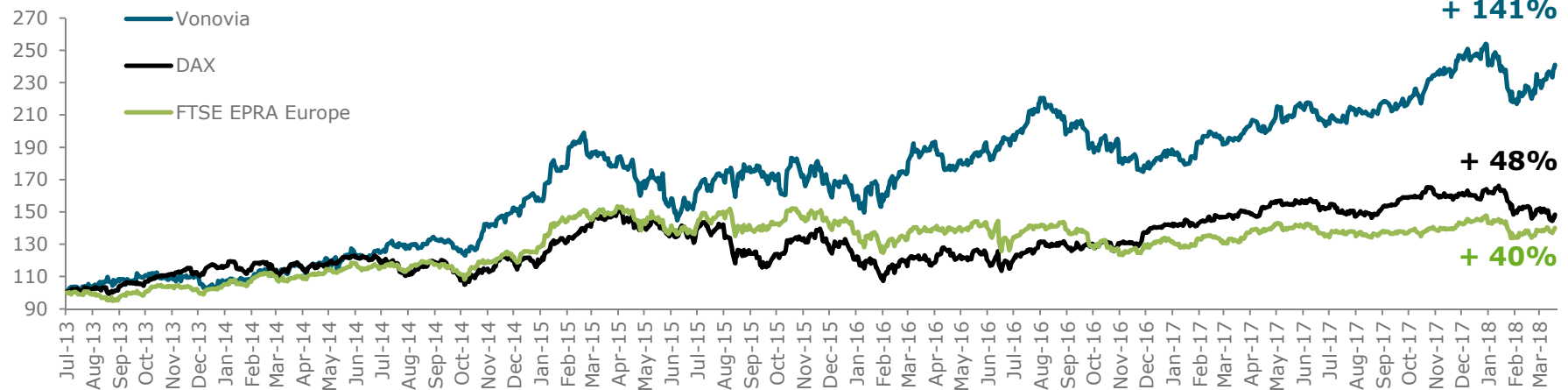


According to German law the lowest threshold for voting rights notifications is at 3%

Share Information

First day of trading	July 11, 2013										
Number of shares outstanding	485.1 million										
Free float based on Deutsche Börse definition	92.7%										
ISIN	DE000A1ML7J1										
Ticker symbol	VNA										
Share class	Registered shares with no par value										
Listing	Frankfurt Stock Exchange										
Market segment	Regulated Market, Prime Standard										
Major indices and weight (as of March 31, 2018)	<table border="1"> <tbody> <tr> <td>DAX</td> <td>1.8%</td> </tr> <tr> <td>Stoxx Europe 600</td> <td>0.2%</td> </tr> <tr> <td>MSCI Germany</td> <td>1.6%</td> </tr> <tr> <td>GPR 250 World</td> <td>1.7%</td> </tr> <tr> <td>FTSE EPRA/NAREIT Europe</td> <td>9.1%</td> </tr> </tbody> </table>	DAX	1.8%	Stoxx Europe 600	0.2%	MSCI Germany	1.6%	GPR 250 World	1.7%	FTSE EPRA/NAREIT Europe	9.1%
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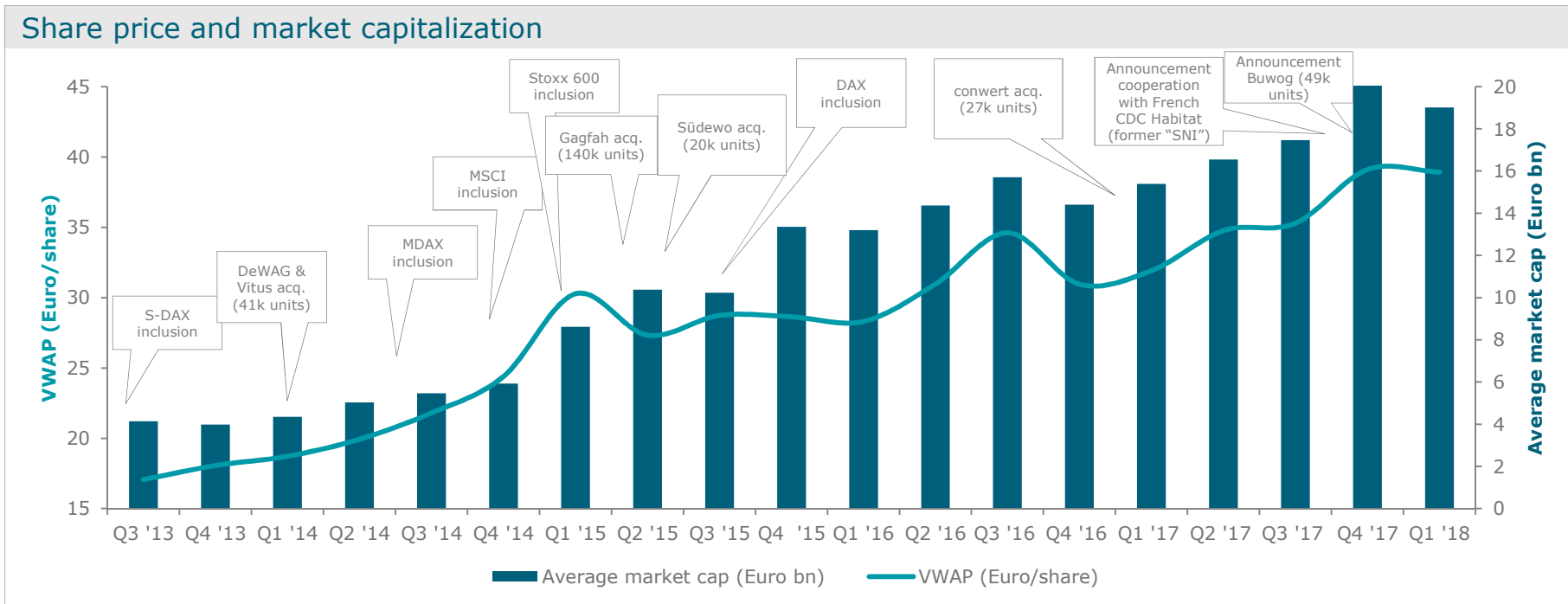
VNA share price performance since IPO vs. DAX and EPRA Europe Index



Source: Factset

Vonovia History

- Seed portfolios of today's Vonovia have origin in public housing provided by government, large employers and similar landlords with a view towards offering affordable housing.
- At beginning of last decade, private equity invested in German residential on a large scale including into what is Vonovia today (mainly Deutsche Annington and Gagfah then).
- IPO in 2013.
- Final exit of private equity in 2014.



Reconciliation of Shares Outstanding

VONOVIA

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Date	NOSH (million)	Comment
December 31, 2016	466.0	
March 31, 2017	468.8	conwert acquisition
June 30, 2017	476.5	Scrip dividend
September 30, 2017	485.1	Gagfah cross-border merger
December 31, 2017	485.1	
March 31, 2018	485.1	

The number of outstanding shares is always available at
<http://investoren.vonovia.de/websites/vonovia/English/2010/key-share-information.html>

Integrated element of Vonovia's business model

- With almost 400,000 apartments throughout Germany, Vonovia is the country's leading residential real estate company. This role in the housing landscape imposes on us a particular responsibility to actively shape the development of the housing industry.
- We aim to live up to the responsibility by pursuing a continuous dialogue with our stakeholder groups, and by considering social and ecological issues in our core activities. A key priority for us is to use our business model and our holistic approach to help resolve the most urgent challenges in the housing industry and make a positive contribution to social development.

Sustainability reporting at Vonovia

- Separate Sustainability Reporting Unit at Vonovia.
- Start Sustainability Reporting in 2015 with our first sustainability report published in 2016, based on GRI G4 guidelines.
- Publication of second Sustainability Report in 2017, based on the new GRI standards (published in October 2016), report is available at: <http://investoren.vonovia.de/websites/vonovia/English/7033/sustainability.html>
- Vonovia received the EPRA Silver Award for the 2016 Sustainability Report.



- Sustainability Report for 2017 to be published in June 2018.

“Our sustainability approach results directly from our business model, on the one hand, and also addresses developments that influence our business, or which we can influence, on the other.”

Vonovia’s Sustainability approach



- Vonovia implements extensive measures to maintain and develop its portfolio, in particular, measures to improve the **energy efficiency** of the stock. This allows us to make a significant contribution to protecting our climate. At the same time, well-insulated apartments increase efficiency and simultaneously reduce ancillary expenses for our customers.

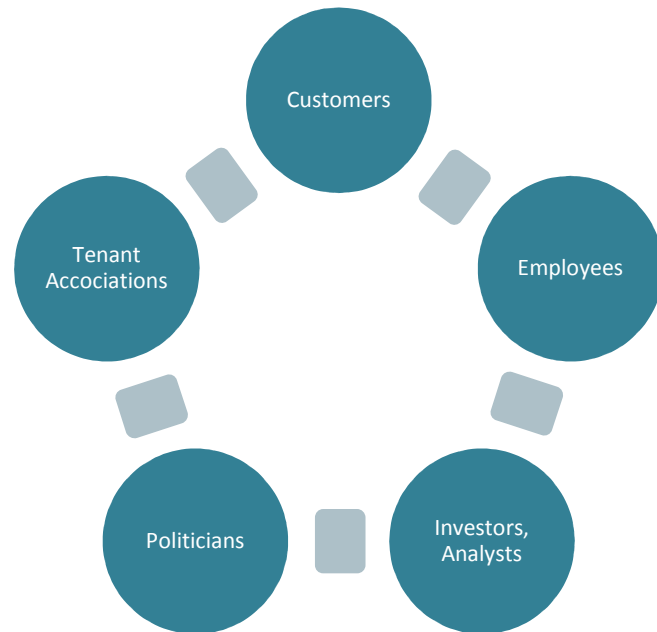


- A nice, stable environment is part of a good residential atmosphere. Therefore, we become involved beyond our buildings and set trends with cities, companies and city planners, as well as with associations, initiatives and, last but not least, with our local customers for the **sustainable development of entire neighborhoods**.

Sustainability: Establishment within Vonovia

- At the highest level, the **CEO** of Vonovia SE is responsible for sustainability.
- The **Audit Committee** in particular handles sustainability on behalf of the Supervisory Board.
- Vonovia established a new function, **sustainability specialist**, in 2017, in order to ensure that sustainability issues can be tackled in a more structured, cross-departmental manner and to expand our dialogue with stakeholders.

Sustainability Stakeholder-Groups at Vonovia

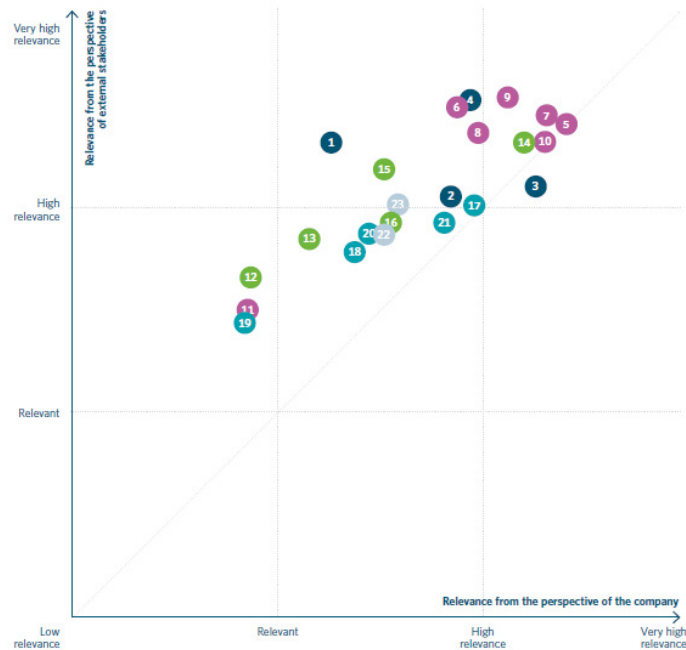


We maintain regular and close contact with suppliers and service providers, the media, NGOs and the public sector.

FY Sustainability Facts and Figures

- **Space creation for affordable living:** annual run rate of 2,000 new apartments via floor addition, extension und densification.
- 10 **Neighborhood Developments projects** in 2018: We intend to increase the annual number from 2019 onwards.
- We pursue the goal of **renovating** more than 3 % of our building stock with regard to energy-efficiency every year.
- We will be investing in **upgrading heating systems** over the next few years, thus achieving annual CO2 savings of around 7,000 metric tons. And we will be investing in energy-efficient building upgrades. This is likely to result in a reduction in CO2 of around 28,000 metric tons in 2018. Our aim is to keep these investments at a stable level in the coming years.
- **Expansion of renewable energy sources, the targeted purchase of renewable energies and the entry into own electricity production** via photovoltaic systems and cogeneration plants. We plan the construction of 5 large-scale cogeneration units in 2018 which will produce ca. 2 million kWh of electricity per year. We intend to add more than 500 photovoltaic facilities to our portfolio annually over the next years with an annual power generation of ca. 15 million kWh, corresponding to CO2 savings of approx. 8,500 metric tons per year.

Materiality Matrix



Sustainable Management	Society and Customers	Environment	Employees
1 Adjustments to Reflect Climate Change	5 Portfolio Maintenance	12 Impact of Transportation/Logistics	17 Initial and Further Training
2 Compliance and Anti-Corruption	6 Affordable Rents	13 Company Environmental Protection	18 Occupational Health and Safety
3 Long-Term Growth	7 Customer Health and Safety	14 Energy Efficiency and Reducing Greenhouse Gas Emissions in the Portfolio	19 Co-Determination
4 Open Dialogue with Society	8 Neighborhood Development	15 Environmental Protection in the Portfolio	20 Diversity and Equal Opportunity
22 Social and Labor Standards in the Supply Chain	9 Creation of Homes	16 Environmental Protection in Connection with Renovation and New Construction Measures	21 Work-Life Balance
23 Environmental Standards in the Supply Chain	10 Service Quality and Customer Satisfaction		
	11 Social Commitment		

Sustainable Corporate Governance:

- Long-term growth: Basis to Vonovia Business Model.
- Compliance and Anti-Corruption: Implemented Code of Conduct within Vonovia.
- Adherence to Labor, Social and Environmental Standards in the Supply Chain: Business Partner Code for subcontractors and suppliers: e.g. ruling out of illicit employment, payment of at least legal minimum wage.

Society and Customer Interests:

- CSI (Customer Satisfaction Index) is an element used in determining Management Board remuneration.
- Neighbourhood development: not only maintenance, modernization, shaping the residential environment, but also supporting social or cultural facilities or educational institutions.
- Social Commitment: several initiatives, e.g. Vonovia Foundation, Vonovia Mieterstiftung e.V.

Climate and Environmental Protection:

- Reduction of energy and emission consumption: e. g. modernization of energy systems, modern boilers, intelligent thermostats. Further measures against climate change: e. g. expansion of renewable energy sources, targeted purchasing of renewable energies, entry into own electricity production via photovoltaic systems.

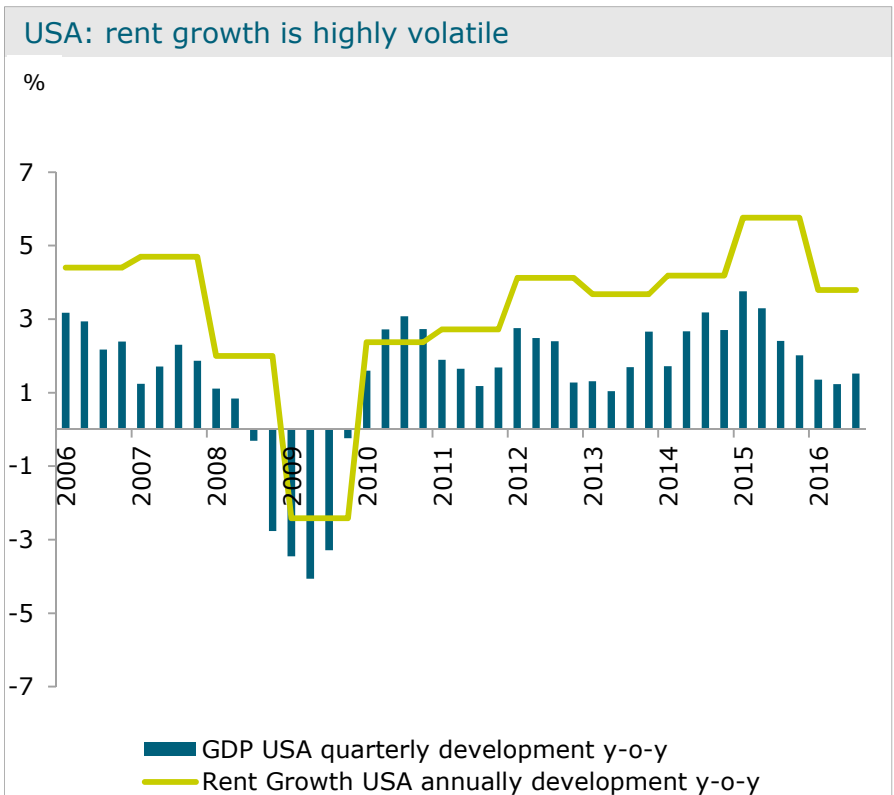
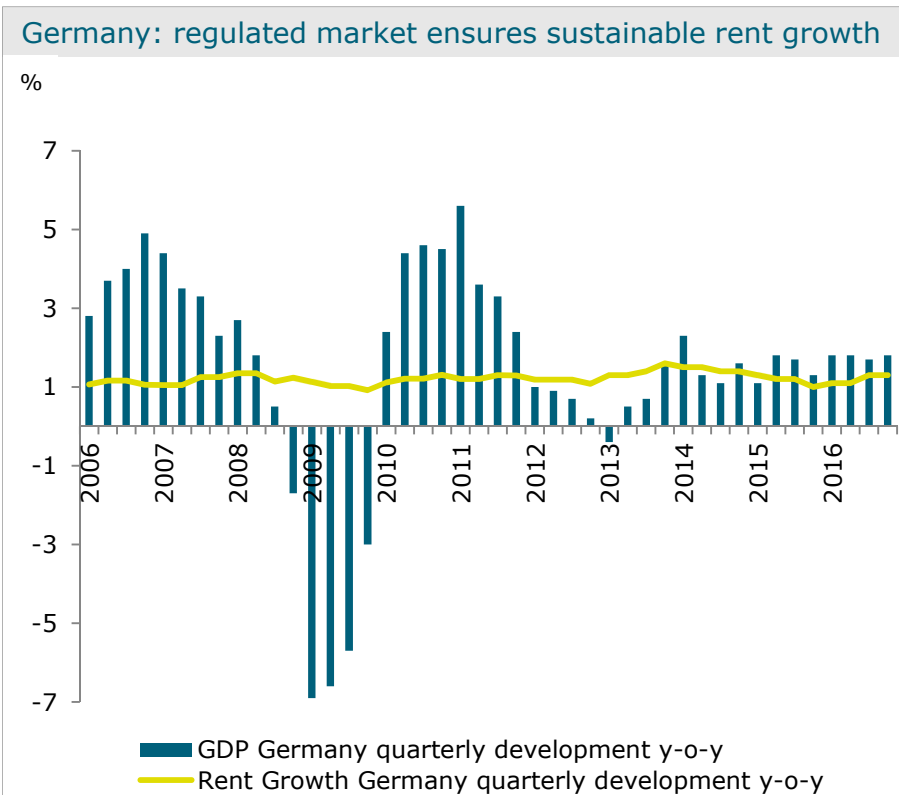
Employees:

- Several health programs, support work-life-balance, participation in company's success
- Employees from 60 different nations.
- 2016: GdW: Award as an exemplary training company and from Focus Money the award "Germany's best training companies".
- German Olympic Sports Federation, representatives of the Sports Ministers' Conference and the German Chambers of Industry and Commerce honoured Vonovia as a top sports-friendly company in 2017.

German Residential – Safe Harbor and Low Risk

Rental regulation safeguards high degree of stability

- Contrary to most other jurisdictions such as the USA, rental growth in Germany is regulated and not directly linked to CPI, GDP development etc.
- Rents are regulated via "Mietspiegel" (city-specific rent indices), which look at the asking rents of the previous four years to determine a rent growth level for existing tenants for the next two years.



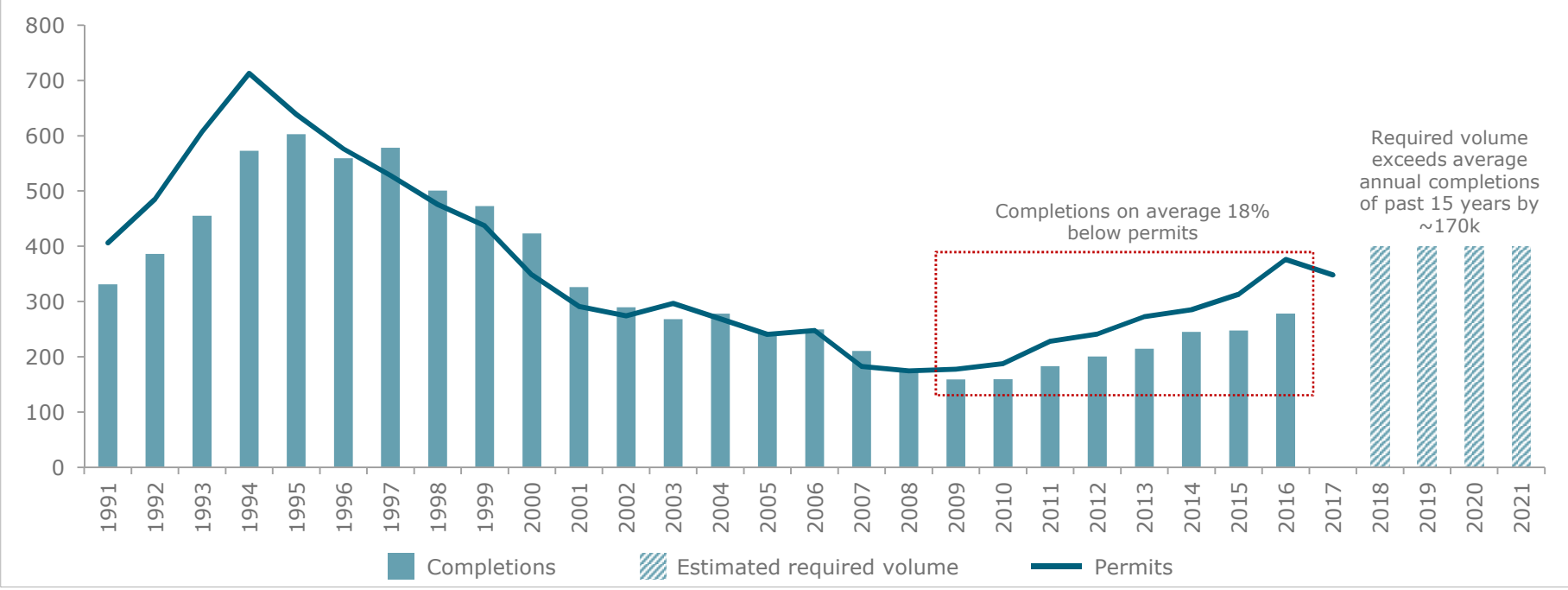
Sources: Federal Statistics Office, GdW (German Association of Professional Homeowners), REIS, BofA Merrill Lynch Global Research, OECD.
 Note: Due to lack of q-o-q US rent growth data, the annual rent growth for a year is assumed to also be the q-o-q rent growth of that year.

German Residential – Landlords Benefit from Structural Imbalance between Supply and Demand

New supply falls short of demand

- Consensus estimates see a current shortage of around 1 million apartments in urban areas. Three main constraints stand in the way of material changes in the short and even medium term:
 - Building permits often take several years because city administrations lack qualified personnel.
 - Severe shortage of building capacity after years of downsizing.
 - Substantial gap between in-place values and market replacement cost render construction in affordable segment economically unfeasible.

Residential building permits and new construction volume ('000 units)

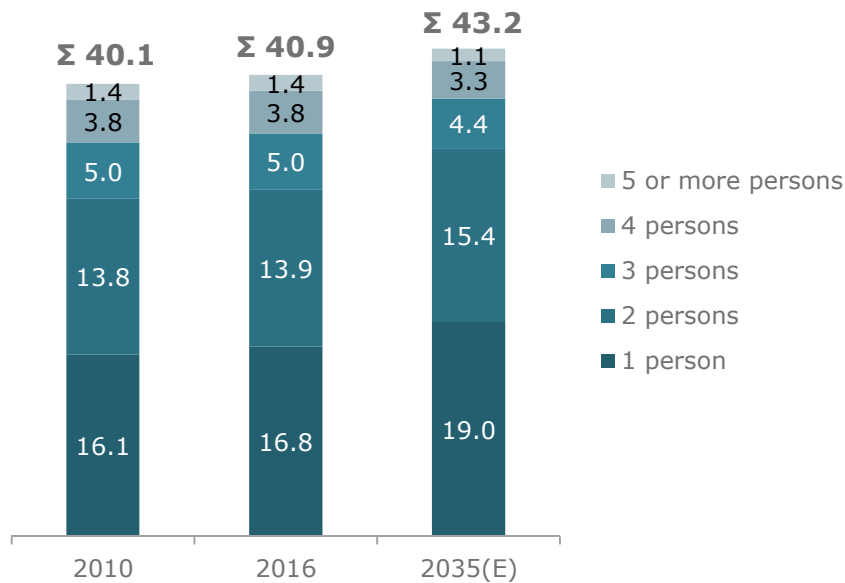


Sources: Federal Statistics Office, IW Köln, GdW (German Association of Professional Homeowners)

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.

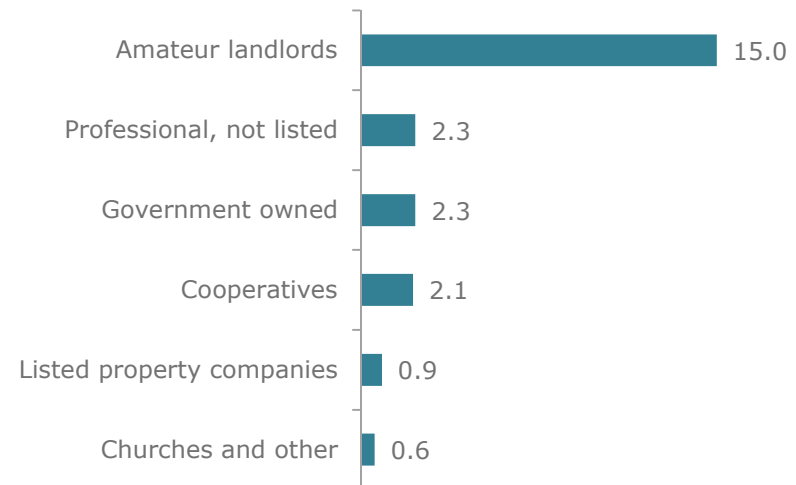
Distribution of household sizes (million)



Fragmented ownership structure

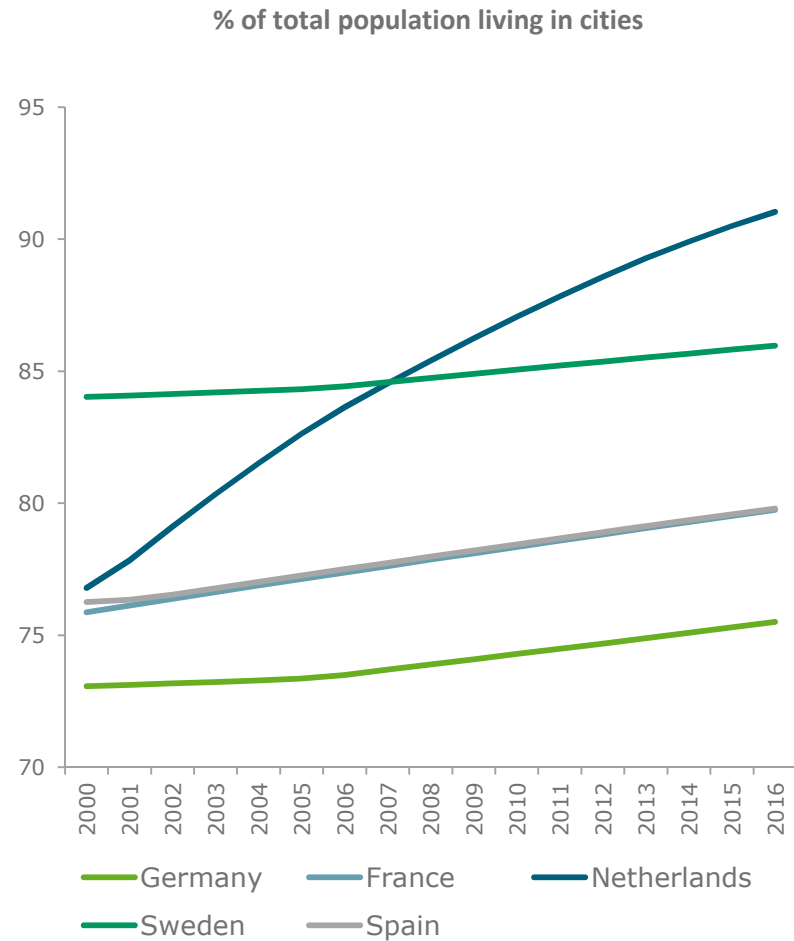
- Germany is the largest housing market in Europe with ~42m housing units, of which ~23m are rental units.
- Ownership structure is highly fragmented and majority of owners are non-professional landlords.
- Listed sector represents ~4% of total rental market.

Ownership structure (million units)



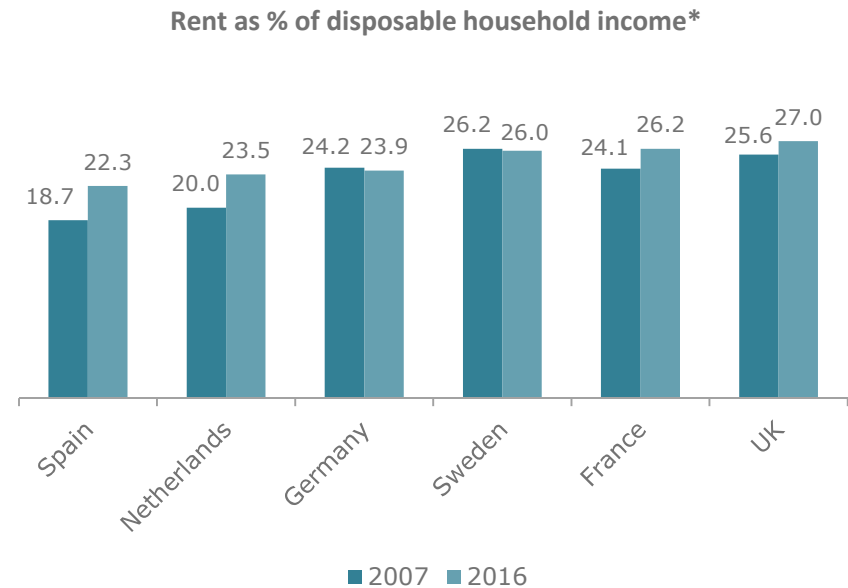
Sources: German Federal Statistics Office, GdW (German Association of Professional Homeowners). 2035(E) household numbers are based on trend scenario of the German Federal Statistics Office.

Urbanization trend across Europe



Increasing affordability in Germany

- Affordability in Germany is higher than France, UK, Spain and the Netherlands.
- Whereas most other European countries saw an increase, the share of rent-related payments in relation to disposable income declined in Germany between 2007 and 2016.



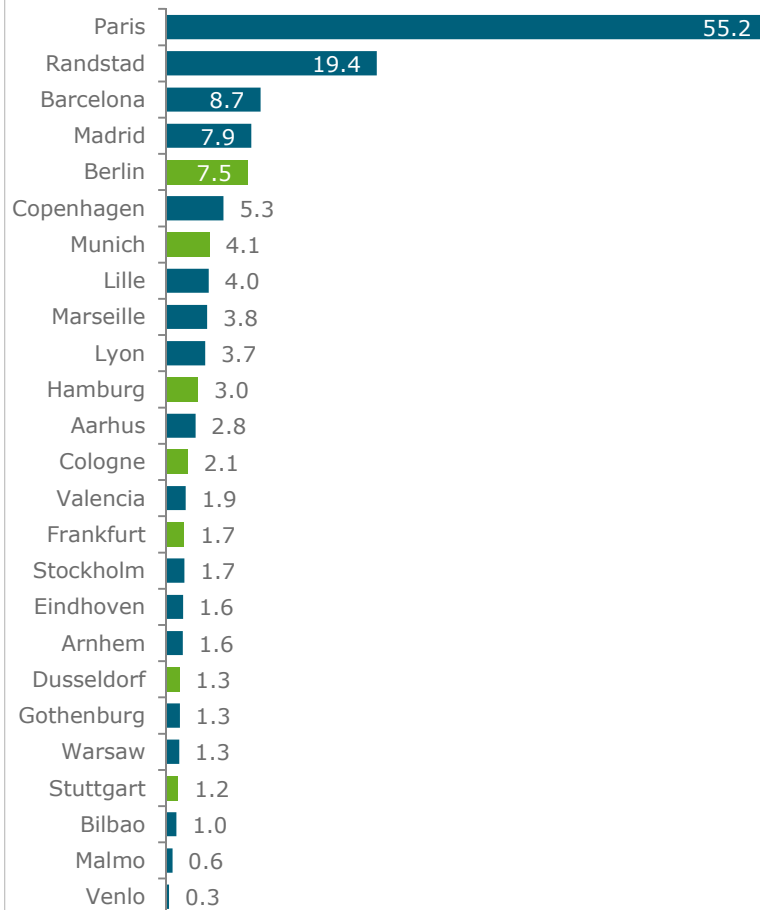
*Share of disposable household income spent on rent, water, electricity and fuel

Sources: JLL Research, European Commission, Federal Statistics Office, Eurostat

European Metropolitan Areas Large Markets and Low Homeownership Ratios

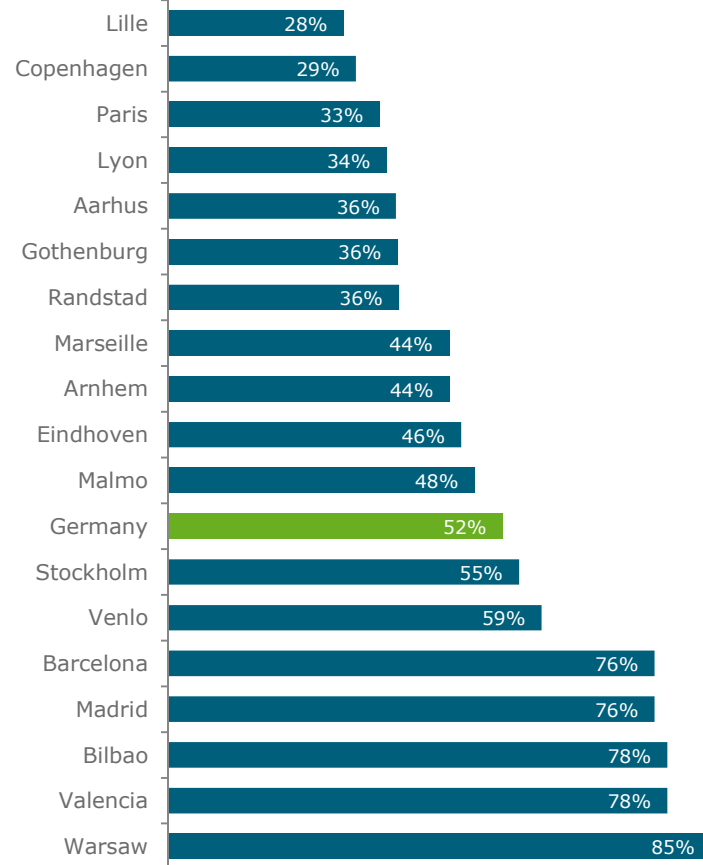
Size of rental market (rent p.a. estimate, €bn)

> Critical mass of sizeable residential markets in Germany just as in other European metropolitan areas.



Large metropolitan areas with low homeownership ratios

> Low home ownership is not a phenomenon unique to Germany but can be seen in metropolitan areas across Europe.



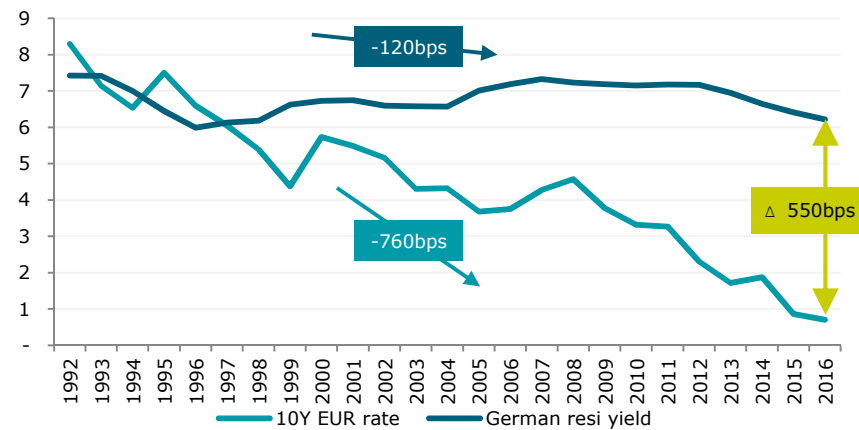
Sources: Federal Statistics Office, Eurostat, JLL Research, own calculations

No Correlation between Interest Rates and Asset Yields

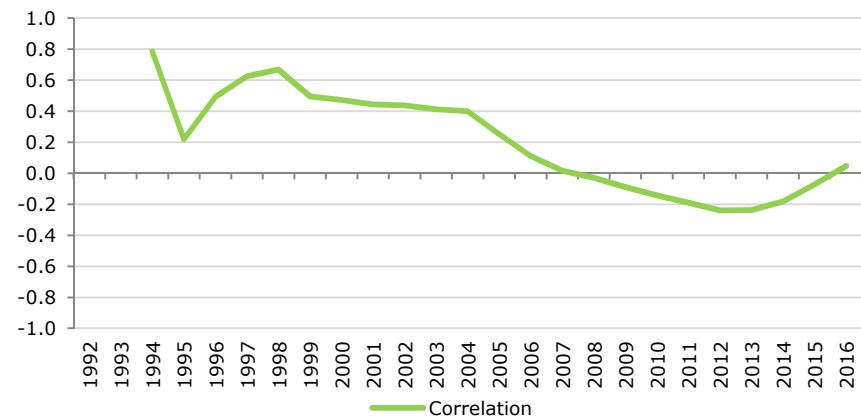
Valuation methodology for German residential properties is primarily based on market prices for assets – not on interest rates

- While market prices are affected by general interest rate levels, there is **no significant correlation**.
- **Other factors** such as supply/demand imbalance, rental regulation, market rent growth, location of assets etc. **outweigh the impact of interest rates** when it comes to pricing residential real estate.
- The **steep decline in interest rates** (down by 760bps since 1992) is **not mirrored by asset yields** (down by 120bps since 1992).
- Asset yields outperformed interest rates by 240bps on average since 1992 and 550bps in June 2016.

German residential asset yields (%) vs. EUR interest rates (%)¹



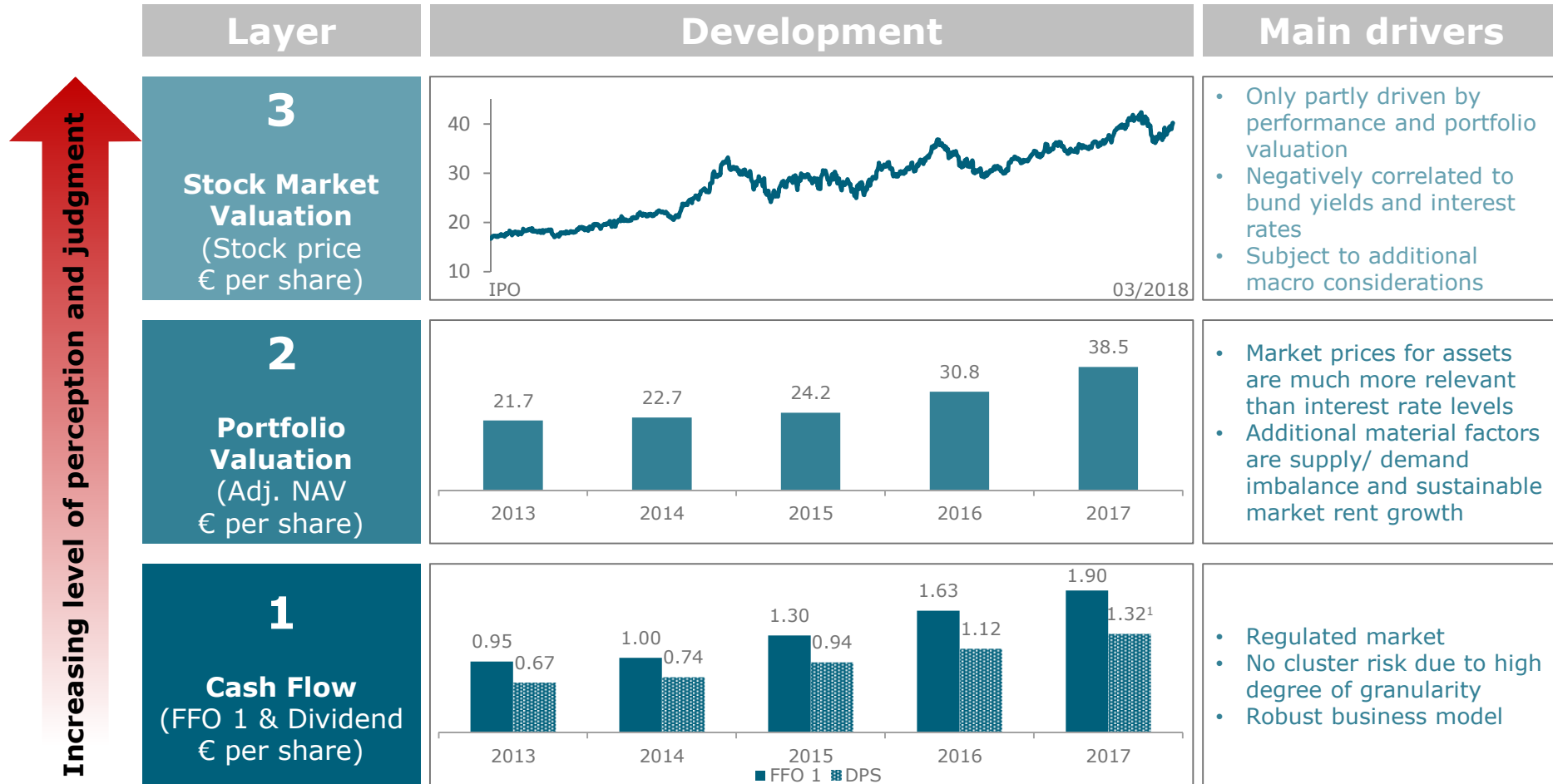
No correlation pattern between interest rates and asset yields¹



¹ Yearly asset yields vs. rolling 200d average of 10y interest rates
Sources: Thomson Reuters, bulwiengesa

Three Valuation Layers with Different Volatilities

➤ High degree of stability and predictability of underlying business (layer 1) and portfolio valuation (layer 2) is not reflected in share price development (layer 3), as equity markets appear to apply valuation parameters that are substantially less material for Vonovia’s operating performance.



¹ Proposed to the Annual General Meeting 2018.

Impressions

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Dortmund



Essen



Frankfurt



Dresden

Modernization - Optimize Apartment

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Modernization - Optimize Apartment



Modernization - Upgrade Building



Elmshorn

Modernization - Upgrade Building

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Kerpen



Köln



Space Creation - Floor Addition

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Space Creation – Modular Construction

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Space Creation - Modular Construction

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