Interim Financial Report Vonovia SE

for the third quarter of 2016

VONOVIA

Key Figures

in € million **Key Financial Figures**	9M 2016	9M 2015	Change in %
Rental income	1,156.1	1,019.4	13.4
Adjusted EBITDA Rental	794.1	677.5	17.2
Adjusted EBITDA Extension	45.1	24.4	84.8
Income from disposal of properties	988.2	315.6	213.1
Adjusted EBITDA Sales	65.5	34.1	92.1
Adjusted EBITDA	897.8	733.5	22.4
EBITDA IFRS	825.9	629.7	31.2
Interest expense FFO	-249.1	-251.4	-0.9
FFO 1	571.6	440.4	29.8
thereof attributable to Vonovia's shareholders	536.2	402.9	33.1
thereof attributable to Vonovia's hybrid capital investors	30.0	22.9	31.0
thereof attributable to non-controlling interests	5.4	14.6	-63.0
FFO 2	604.0	466.3	29.5
AFFO	524.3	359.7	45.8
FFO 1 per share in €*	1.23	0.95	29.8
Income from fair value adjustments of investment properties	-	-	-
EBT	455.4	324.6	40.3
Profit for the period	278.3	193.5	43.8
Cash flow from operating activities	636.7	446.5	42.6
Cash flow from investing activities	326.5	-3,079.3	-
Cash flow from financing activities	-2,953.0	1,580.2	-
Maintenance and modernization	516.7	468.1	10.4
thereof for maintenance expenses and capitalized maintenance	232.1	249.1	-6.8
thereof for modernization	284.6	219.0	30.0

in € million **Key Balance Sheet Figures**	Sep. 30,2016	Dec.31, 2015	Change in %
Fair value of the real estate portfolio	23,851.1	24,157.7	-1.3
Adjusted EPRA NAV	11,016.9	11,273.5	-2.3
Adjusted EPRA NAV per share in €**	23.64	24.19	-2.3
LTV in %***	47.1	46.9	0.2 pp

Non-Financial Key Figures	9M 2016	9M 2015	Change in %
Number of units managed	397,254	407,609	-2.5
thereof own apartments	337,720	366,918	-8.0
thereof apartments owned by others	59,534	40,691	46.3
Number of units bought	2,440	168,632	-98.6
Number of units sold	21,922	5,322	311.9
thereof Privatize	2,150	1,748	23.0
thereof Non-Core	19,772	3,574	453.2
Vacancy rate in %	2.8	3.4	-0.6 pp
Monthly in-place rent in €/m²	5.94	5.69	4.4
Monthly in-place rent in €/m² like-for-like****	5.94	5.77	2.8
Number of employees (as of September 30)	7,074	6,125	15.5

in € million **EPRA Key Figures**	Sep. 30, 2016	Dec.31, 2015	Change in %
EPRA NAV	13,735.8	13,988.2	-1.8
EPRA NAV per share in €**	29.48	30.02	-1.8

	9M 2016	9M 2015	Change in %
EPRA vacancy rate in %	2.6	3.2	-0.6 pp

* Based on the shares carrying dividend rights on the reporting date Sep. 30, 2016: 466,000,624; Sep. 30, 2015: 466.000.624
** Based on the shares carrying dividend rights on the reporting date Sep. 30, 2016: 466,000,624; Dec. 31, 2015: 466,000,624
*** Value as of Dec. 31, 2015, adjusted: full disclosure of outstanding purchase price payments from sales and separate disclosure of investments in the adjusted fair value
**** Incl. GAGFAH, Franconia, SÜDEWO

Contents

From left to right:
Dr. A. Stefan Kirsten,
Rolf Buch, Gerald Klinck,
Klaus Freiberg

Dear Shareholders, Ladies and Gentlemen,

In the home stretch for the 2016 fiscal year, we would once again like to update you on the status of developments at Vonovia for the current fiscal year. The overall tone of our report is one that you will be familiar with: Our strategy is bearing fruit and this is reflected in the ongoing improvement in our results. The third quarter showed positive development in line with our expectations, allowing us to confirm our forecast for the year as a whole, which we last lifted in the summer, and once again revise a number of our KPI forecasts upwards.

We now expect to see an increase in FFO 1 of 25 % in 2016. In absolute terms, FFO 1 will come to about € 760 million, or to around € 1.63 per share. Based on these figures, we plan to propose to next year's Annual General Meeting that a dividend of € 1.12 be distributed, which corresponds to a distribution ratio of just under 70 %. Incidentally, the dividend of € 1.12 is irrespective of the acceptance ratio in connection with the takeover offer we are making to the shareholders in conwert Immobilien Invest SE.

Even if the values for the current year are not yet determined and the final results will not be available until we have the annual financial statements for 2016, we expect EPRA NAV of around € 36 per share as of December 31, 2016, according to current information. In addition to increases in value as a result of good operational performance and value-enhancing investments in our housing stock, dynamic market developments in the majority of our locations are responsible for this. This is a clear indication that our portfolio management strategy is paying off.

A glance at our operating business shows that Vonovia is well on track in all three business areas: In the **Rental segment,** the vacancy rate was down by 0.6 percentage points in comparison to the 2015 reporting date to 2.8 %. This means that we are already very close to the structural vacancy level that will always arise due to changes in tenants and modernization measures. In the first nine months of the year, rental income increased by 13.4 % to € 1,156.1 million. The monthly in-place rent per square meter increased by 2.8 % overall to € 5.94 on a like-for-like basis, i.e., based on the same housing stocks for both September 30, 2015, and September 30, 2016. Of this rent increase, 1.4 % is the result of higher market rents, with the remaining 1.4 % attributable to improvements in property value as part of our modernization investments. All in all, this resulted in growth in adjusted EBITDA Rental in the first nine months of 2016 of 17.2 % to total € 794.1 million.

In the **Sales segment,** we sold a total of 21,922 units in the first nine months of the year, with a large portfolio of 13,570 units being sold to the LEG Group in the first quarter. In a nine-month comparison, the adjusted EBITDA in the Sales segment climbed by 92.1 % to € 65.5 million. The sale of non-strategic properties also allowed us to considerably improve the quality of our portfolio.

Our **Extension segment** continued to pick up speed, not least thanks to the targeted expansion of our craftsmen's organization. In total, we almost doubled our income from property-related products and services in a nine-month comparison. The adjusted EBITDA Extension increased by 84.8 % to € 45.1 million.

In **consolidated terms,** adjusted EBITDA in the Vonovia Group rose to a total of € 897.8 million, up by more than 22 % on the prior-year value, in the first nine months of 2016. FFO 1, our profit from operations after current interest and taxes, came to € 571.6 million in a nine-month comparison, 29.8 % higher than in the previous year.

The EPRA NAV per share came to € 29.48 on September 30, 2016, slightly lower than the value on the reporting date of December 31, 2015. This is largely due to the dividend distribution made in May of this year. As already mentioned, we expect to see an EPRA NAV of around € 36 per share at the end of the year based on our current estimates. The basis for this expectation lies in the expected value increase in the portfolio as a result of dynamic market development in most locations as well as the continued strong operating business and the value-increasing investments in the housing stock. According to current estimates, we expect the overall effect to be between € 3.5 billion and € 3.9 billion.

As in previous years, we also provide a forecast for the coming year as of the third quarter of the current year. With our forecast for 2017 (excluding effects from the planned takeover of conwert), we confirm Vonovia's strong operational performance. For the FFO 1, we expect an increase of more than 10 %, coming in at the range of € 830 million to € 850 million, specifically € 1.78 to € 1.82 per share. We intend to maintain the distribution ratio of 70 % of the FFO 1. We have decided on an investment program in the amount of € 1 billion for the coming year. We expect to be able to see an effect on earnings by 2017 from € 700 million to € 730 million of that amount. On the basis of the expected investments and the further positive business development, we assume the EPRA NAV per share will be between € 37 and € 38. Not yet included in this forecast are possible value increases as a result of further dynamic developments at our locations.

As you are bound to be aware, our company announced on September 5 that it would be making an offer to the shareholders of conwert to take over their shares. The planned step gives us an excellent opportunity to expand our portfolio in regions and large cities that are showing positive development. The conwert portfolio includes a total of around 24,500 units, approx. 90 % of which are located in attractive regions of Germany, primarily in Berlin, Potsdam, Leipzig and Dresden.

We are delighted that both conwert's Administrative Board and its biggest shareholder, Adler Real Estate AG, have adopted a positive stance towards our offer and have promised us their support. The inclusion of conwert's properties, which complement our existing locations, in Vonovia's portfolio is a strategically sensible move. This means that the offer also gives conwert's shareholders an excellent opportunity to benefit from the integration in the long run. Our new tenants will also benefit from being incorporated into a fully functioning property management platform and will gain access to our customer-oriented services, which we are continuing to expand, at the same time.

We predict that the integration will result in operational synergies of at least € 7 million a year, which we expect to have realized in full by the end of 2018. The pro rata refinancing of conwert will allow us to generate financial synergies of € 5 million over and above this, which we already aim to realize in full in the course of 2017. We plan to publish the offer document on November 17, 2016. The offer period is therefore scheduled to close on December 19, 2016, meaning that the takeover could be completed in early January 2017.

Our shares showed renewed improvement on the level reached on the last quarterly cut-off date, closing trading at € 33.71 on September 30. The share price had previously touched on an all-time high of € 37 in mid-August. Due to market expectations of rising yields on government bonds and a potential initial rate hike at some point in the near future, the market has made a downward correction to European real estate stocks in general, and German residential real estate shares in particular, over the last few weeks.

Since the turn of the year, however, Vonovia's shares have gained a substantial 18 %, while the DAX has dipped by 2 % over the same period. This shows that our shares can hold their own on Europe's stock markets overall, even if macroeconomic factors are currently putting pressure on the sector and, as a result, on our shares as well.

Dear Shareholders: If we broaden our horizons a bit and look beyond developments in the course of this year, then it becomes clear that, as well as expanding the range of services we provide our customers, we have also made significant progress in further developing our portfolio, in particular, since we went public almost three-and-a-half years ago. We can hardly compare our current portfolio to the one we had at the time of our IPO in July 2013: We have invested around € 1 billion in modernizing our properties, have purchased more than 200,000 apartments in attractive locations and by the end of the current year will have sold a total of around 42,000 units that we felt did not offer significant growth potential in the medium and long term. Our properties are now located primarily in high-growth markets, regular investments have improved our building stock considerably and the services we offer also mean that we are now readily available to our customers on-site virtually nationwide.

In brief: We have managed to achieve a great deal in a short space of time for a business model that focuses on success over a period of several decades.

And nevertheless, very important tasks lie ahead: Together with my colleagues, I will not tire of pointing out that the increasing lack of apartments – particularly apartments that tenants can afford – in conurbations, in particular, is an issue that can only be resolved if policymakers and the private sector join forces. This is an area in which we need more pragmatic solutions and greater flexibility from our policymakers. If policy creates an environment that is favorable to entrepreneurs, which also includes more straightforward approval processes, then we are in a position to create affordable housing where it is needed very quickly.

This is, however, another area in which we are confident that we will be able to report progress very soon. We are in dialogue with policymakers while continuing to focus firmly on our objectives for densification and new construction.

As usual, you will find detailed information on our business development on the next few pages.

Last but not least, I would like to draw your attention to our very first Sustainability Report. The report allows us to start communicating something that has long been part of our day-to-day work to the outside world in a clear and comprehensible manner. The report is designed to sketch a comprehensive picture of our company's performance for our stakeholders and to show how we are implementing sustainability in our core business. You can find the Sustainability Report on our website.

On behalf of my Management Board colleagues and our management team, I would like to thank you for placing your trust in us.

Bochum, Germany, November 2016

Sincerely,

Rolf Buch
Chairman of the Management Board

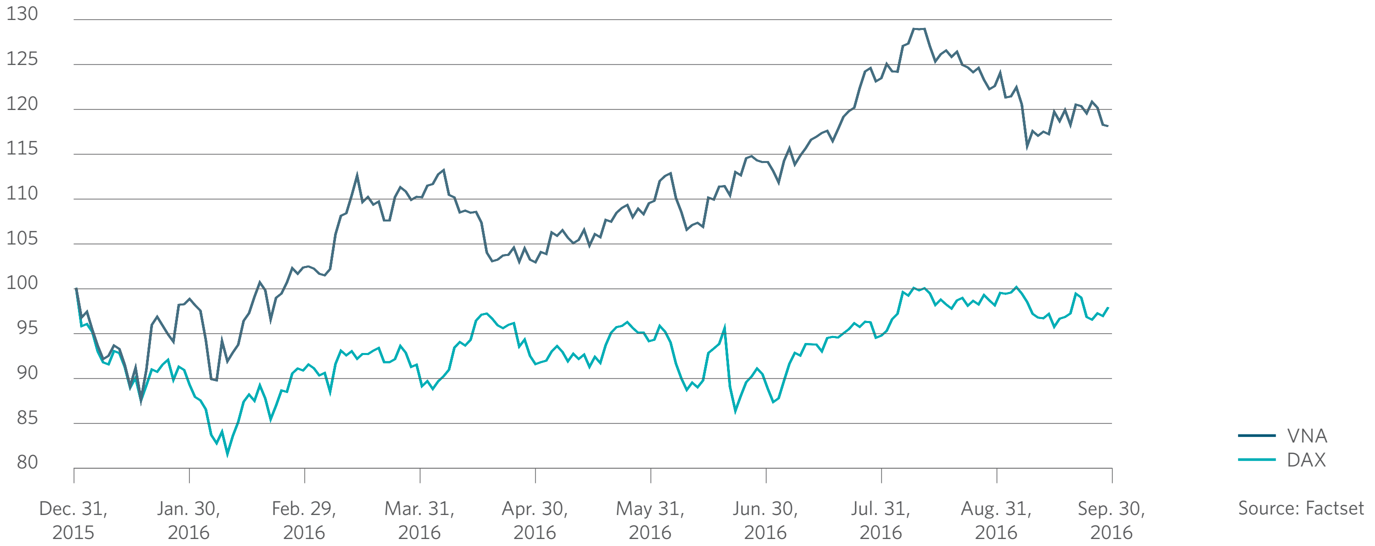
Rolf Buch (CEO)

Interim Group Management Report

Vonovia SE on the Capital Market

Share Price Performance of Vonovia's Shares

in %



Source: Factset

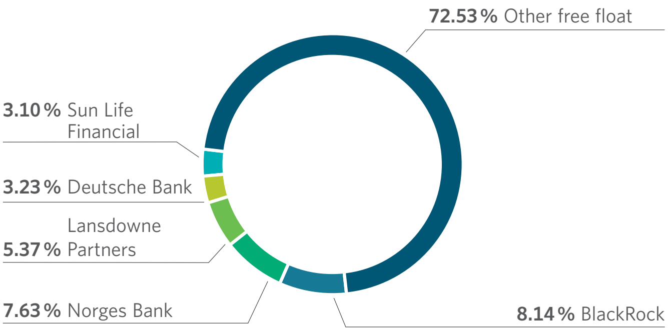
In the first nine months of 2016, Vonovia's shares gained around 18 %, starting at a closing price of € 28.55 on December 31, 2015, and closing trading on September 30, 2016, at a closing price of € 33.71. During the same period, the DAX lost around 2 %, falling from 10,743 points (December 31, 2015) to 10,511 points.

In the course of the third quarter of 2016, Vonovia's shares at one point touched on a new all-time high of € 37.00 and, like the shares of other competitors, also benefited from low interest rates and the high demand for German residential real estate shares. Towards the end of the third quarter of 2016, Vonovia's share price, together with virtually all European real estate shares, was on a slight downward trend, which we believe is due, in particular, to a shift among some investors towards less defensive stocks and to a general correction after the previous all-time high. Irrespective of the dip in the price of Vonovia's shares in the interim, the environment – which is characterized by an imbalance between high demand for, and a short supply of, affordable housing in urban locations; the relatively conservative valuation of our properties; the ongoing environment of low interest rates and a continued keen interest in our sector – remains positive.

Vonovia's market capitalization amounted to around € 15.7 billion as of September 30, 2016.

Shareholder Structure

Free Float and Breakdown of Major Shareholders (as of September 30, 2016)



Based on the German stock exchange's definition of free float, only the interest held by Norges Bank (as the "central bank of Norway") does not count towards the free float. 92.37 % of Vonovia's shares were in free float on September 30, 2016.

In accordance with Vonovia's long-term strategic focus, the majority of its investors are investors with a similarly long-term focus such as pension funds and other funds. There is also a large number of individual shareholders.

Investor Relations Activities

Vonovia SE is committed to transparent, ongoing dialogue with its shareholders and potential investors. In the first nine months of 2016, Vonovia participated in a total of twelve investors' conferences and fourteen roadshows in key European, North American and Asian financial centers. In addition, numerous one-on-one meetings and teleconferences were held with investors and analysts to keep them informed of current developments and special issues. In the first nine months of 2016, communication with investors focused primarily on the following issues: valuation, modernization, innovative property management, the immunity of Vonovia SE's business model to macroeconomic fluctuations, and the importance of acquisitions and organic growth.

Our annual Capital Markets Day was held on June 6 and 7, 2016, in Essen and attracted 55 external participants.

The Investor Relations team also organized and conducted numerous property tours for interested investors and analysts. These events aim to provide the participants with firsthand insight into Vonovia's real estate portfolio and processes. Investor Relations also held detailed presentations on Vonovia and the German residential real estate market at informational events for private shareholders.

We will continue to communicate openly with the capital market in the last three months of 2016 and in 2017. Various roadshows and conferences have already been planned. Information can be found in the Financial Calendar on our Investor Relations website.

Analyst Recommendations

At present, 26 international analysts publish studies on Vonovia on a regular basis (as of September 30, 2016). The average target share price was € 36.50 as of September 30, 2016. Of these analysts, 54 % issued a "buy" recommendation, with 27 % issuing a "hold" recommendation and only 15 % recommending that investors sell the company's shares.

Share Information

1st day of trading	July 11, 2013
Subscription price	€ 16.50
Total number of shares	466.0 million
Share capital in €	€ 466,000,624
ISIN	DE000A1ML7J1
WKN	A1ML7J
Ticker symbol	VNA
Common code	94567408
Share class	Registered shares with no par value
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated market
Indices and weighting	DAX (1.8 %), Stoxx Europe 600 (0.2 %), MSCI Germany (1.6%), GPR 250 (1.2 %), FTSE EPRA/NAREIT Europe Index (7.7 %)

Fundamental Information about the Group

Company and Business Model

The third quarter of 2016 was characterized by key financing transactions and the announcement of a public takeover offer for the acquisition of all existing shares made by Vonovia SE to the shareholders of conwert Immobilien Invest SE, Vienna, Austria, ("conwert" or "conwert Group"). conwert's portfolio comprises around 24,500 units and complements Vonovia's existing portfolio and strategy to a considerable extent. We also continued to successfully develop our business model in the third quarter of 2016.

In July 2016, the euro bond issued in July 2013 in the amount of € 700 million was repaid on schedule. In August 2016, the CMBS financing with the working title GRF-1, which originates from the takeover of GAGFAH and amounted to € 1.8 billion, was repaid prematurely on an unscheduled basis. This has allowed Vonovia to increase, earlier than planned, the proportion of unsecured properties to over 50 %.

Finally, in September 2016, a floating rate note worth € 500 million was issued as part of a private placement under the EMTN program. This floating rate note is hedged against fluctuations in the interest rate via a corresponding interest rate derivative.

On September 5, 2016, Vonovia published its intention to make the shareholders of conwert a takeover offer for the acquisition of all shares in conwert. The shareholders can choose between a cash offer of € 16.16 per share in conwert and an exchange offer. As part of the exchange offer, the existing conwert shareholders will be given the opportunity to receive 74 newly created shares in Vonovia in return for 149 shares in conwert. This corresponds to a value of € 17.58 per share in conwert (based on the closing price on September 2, 2016). The capital increase that is required for this purpose will be created using the 2015 authorized capital in accordance with the resolution passed by the Annual General Meeting on May 30, 2015/May 12, 2016. The offer document prepared in accordance with Austrian takeover law will be submitted to the Austrian financial supervisory authority in November 2016. The first offer period will close at the end of December 2016, meaning that, once this first offer period is over, the takeover could be completed in early January 2017. This will be followed by an additional, second three-month offer period in accordance with Austrian law.

Vonovia's business model is still that of a successful listed real estate company that focuses on customer orientation and tenant satisfaction. Offering tenants affordable, attractive and livable homes is a prerequisite for the company's continued sustainable and successful development.

Our corporate objectives and corporate strategy also remain unchanged, as do the customer services already set out in our previous reports and the management system based on performance indicators.

As of September 30, 2016, Vonovia has a portfolio comprising 337,720 of its own residential units, 86,318 garages and parking spaces, and 3,471 commercial units in attractive cities and regions within Germany worth around € 24 billion. Our residential units are located in contiguous settlements in 720 cities and municipalities in Germany. Vonovia also manages 59,534 residential units for other owners.

As of September 30, 2016, Vonovia has a workforce of 7,074 employees.

Portfolio Structure

Vonovia's real estate portfolio covered 21,063,518 m² of living area in total as of September 30, 2016, with the average apartment size coming in at 62 m². The average unit consists of two or three rooms, a kitchen and a bathroom. The vacancy rate came to 2.8 % on September 30, 2016. At the end of the reporting period, the monthly in-place rent came to € 5.94 per m².

In the first nine months of 2016, we sold a total of 21,922 units in line with our portfolio management strategy, with 1,204 of these units attributable to block sales in Bavaria in the third quarter of 2016, 2,913 units attributable to block sales largely in northern Germany in the second quarter of 2016 and 13,570 attributable to block sales to LEG in the first quarter of 2016.

With effect from January 1, 2016, we took over a real estate portfolio comprising 2,417 residential units. The properties in this portfolio are spread across 6 federal states, with around 40 % of them located in Baden-Württemberg.

Vonovia's residential portfolio is as follows as of September 30, 2016.

Vonovia's Residential Portfolio

				In-place rent	
as of Sep. 30, 2016	Units	Living area (in thou. m²)	Vacancy rate (in %)	(p.a. € million)	(€/m²/month)
Strategic	**301,787**	**18,714**	**2.3**	**1,318.7**	**6.01**
Operate	125,566	7,752	2.3	543.6	5.98
Upgrade Buildings	102,781	6,254	2.5	431.8	5.90
Optimize Apartments	73,440	4,708	2.2	343.3	6.22
Non-Strategic	**12,159**	**759**	**7.4**	**40.6**	**4.81**
Privatize	**17,582**	**1,204**	**4.8**	**81.4**	**5.91**
Non-Core	**6,192**	**387**	**9.4**	**19.2**	**4.65**
Total	**337,720**	**21,064**	**2.8**	**1,459.9**	**5.94**

Regional Distribution of the Housing Stocks by German Federal State

				In-place rent	
as of Sep. 30, 2016	Units	Living area (in thou. m²)	Vacancy rate (in %)	(p.a. in € million)	(€/m²/month)
North Rhine-Westphalia	107,032	6,762	3.3	438.0	5.58
Saxony	44,817	2,558	3.1	157.3	5.30
Baden-Württemberg	34,160	2,188	2.7	173.0	6.78
Berlin	30,487	1,902	1.5	133.9	5.95
Hesse	24,800	1,567	2.2	135.0	7.31
Lower Saxony	22,618	1,442	2.8	96.4	5.74
Schleswig-Holstein	20,023	1,188	2.4	77.6	5.60
Bavaria	18,808	1,230	1.8	96.7	6.67
Bremen	11,401	692	3.8	41.8	5.28
Hamburg	10,966	691	1.2	54.5	6.64
Rhineland-Palatinate	4,953	339	3.1	23.4	5.93
Thuringia	2,662	166	3.4	11.2	5.82
Brandenburg	2,404	161	4.1	11.1	5.97
Saxony-Anhalt	1,328	91	9.5	4.6	4.69
Mecklenburg-Western Pomerania	1,237	86	5.7	5.4	5.46
Saarland	24	1	8.3	0.1	4.83
Total	**337,720**	**21,064**	**2.8**	**1,459.9**	**5.94**

Residential Portfolio in the 25 Largest Locations

				In-place rent	
as of Sep. 30, 2016	Units	Living area (in thou. m²)	Vacancy rate (in %)	(p.a. in € million)	(€/m²/month)
Dresden	37,894	2,150	2.0	136.4	5.41
Berlin	30,487	1,902	1.5	133.9	5.95
Dortmund	19,217	1,181	2.5	71.8	5.20
Essen	12,082	747	4.8	47.0	5.51
Kiel	11,973	694	1.6	44.5	5.43
Frankfurt am Main	11,670	716	1.1	67.3	7.92
Bremen	11,271	684	3.8	41.4	5.29
Hamburg	10,966	691	1.2	54.5	6.64
Bochum	7,504	431	2.0	28.2	5.55
Hanover	7,180	460	2.4	32.9	6.11
Cologne	6,401	448	1.8	38.2	7.24
Duisburg	5,504	332	3.8	20.1	5.26
Munich	5,463	360	0.7	30.9	7.21
Bonn	5,162	362	2.2	27.6	6.50
Stuttgart	4,639	290	2.0	27.9	8.17
Bielefeld	4,622	306	2.2	18.4	5.11
Heidenheim an der Brenz	3,928	239	4.8	16.6	6.07
Osnabrück	3,915	248	2.5	16.4	5.66
Gelsenkirchen	3,858	246	5.2	13.8	4.98
Düsseldorf	3,531	228	2.8	19.6	7.37
Braunschweig	3,489	215	1.5	14.1	5.56
Gladbeck	3,118	191	3.0	11.5	5.19
Zwickau	3,106	174	10.9	8.0	4.31
Herne	2,902	184	2.6	11.1	5.15
Mannheim	2,747	184	3.6	14.3	6.74
Subtotal of the 25 largest locations	**222,629**	**13,663**	**2.4**	**946.4**	**5.92**
Other locations	115,091	7,401	3.4	513.5	5.99
Total	**337,720**	**21,064**	**2.8**	**1,459.9**	**5.94**

Report on Economic Position

Development of the Economy and the Industry

High Rate of Expansion in the German Economy Has Tailed Off in the Course of The Year

According to the Kiel Institute for the World Economy (IfW), Germany has been experiencing an unusually prolonged upswing for three years now. Economic output increased considerably in the first half of the year 2016, although the first quarter of 2016, which brought annualized growth of 2.9 %, was followed by a much weaker second quarter (1.7 %). The IfW attributes the dip in construction activity in the spring first and foremost to a reaction to the very strong rate of expansion seen in the winter due to favorable weather conditions. Nevertheless, the drop in value creation in the manufacturing industry points towards more subdued economic development. The fact that incoming industry orders were recently very subdued and the marked deterioration in the business climate suggest that growth will be weaker again in the third quarter of 2016. The IfW expects to see gross domestic product (GDP) increase by 1.9 % this year in price-adjusted terms, while the German federal government forecasts growth of 1.8 % in its autumn projection. Despite the damper in the second quarter of 2016, the upswing is still being fueled by domestic economic drivers. The IfW reports that the domestic economy will already be able to match its previous high pace of expansion in the current (third) quarter. Given the exceptionally favorable overall framework, construction activity will be clearly on the up as the weather-related fluctuations start to peter out. Private consumption is growing at a brisk rate, bolstered by substantial growth in real income as a result of the positive situation on the labor market, a significant increase in monetary social benefits, and low price increase rate. Construction investment, however, is likely to be held back by the considerable political uncertainty for the time being following a marked slump in the second quarter of 2016. The IfW believes that the weak period in the summer may also have been due to the return of greater political uncertainty. This uncertainty was triggered, among other things, by the outcome of the referendum on the United Kingdom's exit from the European Union and by events in Turkey and the resulting repercussions on relationships with the European Union. The monetary policy pursued by the European Central Bank (ECB) remains expansive, with the main refinancing rate still hovering close to the zero percent mark.

According to information supplied by the German Federal Statistical Office (Statistisches Bundesamt), the number of employed people rose by 38,000 in July 2016 and by 15,000 in August 2016 when adjusted for seasonal work. The German Federal Employment Agency (Bundesagentur für Arbeit) put the unemployment rate at 5.9 % in September 2016, down by 0.3 percentage points year-over-year. While there is continued high demand for new employees, the Federal Employment Agency is reporting that the increase in employment liable to social security contributions plateaued in the summer months. This assessment is based on preliminary projections. Nevertheless, the Agency says that it is too early to conclude that this signals a change in the positive employment trend because, for one, upward corrections may be made to the final figures.

While consumer price performance has stabilized at a relatively low level in recent months, the rate of inflation – based on the consumer price index – is likely to come in at 0.7 % in September 2016, higher than in August 2016 and July 2016 (0.4 % in each case). Falling prices for household energy and fuel are still having a dampening effect.

Housing Market

Ongoing Rise in Housing Prices and Rents

As in the first half of 2016, quoted rents continued to rise at the start of the third quarter of 2016, increasing, at a nationwide level, by 0.5 percentage points month-over-month in both July and August 2016. These were the figures reported by the real estate portal ImmobilienScout24 based on an analysis of the IMX real estate index, which is measured on a regular basis. Quoted prices of owner-occupied apartments have also increased further across Germany since the start of the year. This increase was once again more pronounced than the increase in rents. The prices for newly built apartments rose by 1.0 percentage points month-over-month in July 2016 and by 1.1 percentage points in August 2016. The prices for existing owner-occupied apartments increased by 1.6 percentage points in July 2016 and 1.5 percentage points in August 2016. According to ImmobilienScout24, investors have been focusing to date on properties that are already rented out in particular. But in times characterized by the rent ceiling, changes in tenancy law, the formation of potential bubbles and high acquisition costs, interested investors would appear to be rethinking their strategy, something that is having a direct impact on the development of prices for portfolios of owner-occupied apartments.

German Residential Investment Market Still Characterized by Supply Shortage

In the first nine months of 2016, residential building bundles and residential developments accounted for a total transaction volume of around € 7.2 billion on the German residential investment market, according to the real estate consultancy firm CBRE. The analysis includes transaction bundles encompassing 50 or more units. The transaction volume is down considerably on the figure from the first three quarters of 2015. The current profit for the quarter is, however, still just above the third-quarter average for the last five years. There is still considerable interest in the residential investment market. At the same time, properties remain in short supply, meaning that prices on the residential investment market are still on the up. The focus would appear to be on smaller bundles, with no major transaction worth more than € 500 million having been executed this year to date. CBRE reports a further increase in the role played by project developments, although the lion's share, or 70 % of the transaction volume, is still attributable to existing properties. Looking at 2016 as a whole, CBRE believes that a transaction volume of more than € 10 billion is realistic.

Significant Population Growth in Many Large Cities and University Cities

Due to the increase in immigration, the German population has been on the rise again for a few years now, most recently expanding by 978,000 according to the Federal Statistical Office (2015). According to information supplied by the German Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR), the population growth is concentrated in certain areas because immigration and domestic migration are focused on certain regions. Many large cities and university cities, for example, have been reporting a considerable number of new residents from other regions of Germany and from abroad, as well as substantial population growth, in recent years. According to the BBSR, this has resulted in a sometimes chronic shortage of housing, as well as higher than average increases in rents and prices. The high demand for housing in the boom regions and the fact that real estate remains an attractive form of investment mean that, although there has been a marked increase in residential construction activity since 2011, current developments in the growing major cities show that the amount of new properties built to date, and particularly rented homes, is still not sufficient to meet the sustained demand. At the same time, the BBSR expects shrinking regions to reap few benefits from the wave of international immigration. The relaxed market situation in many of these regions means that rents and prices are moderate. The owners of properties in these regions could face serious problems as a result of properties being difficult to market or, in some cases, due to falling prices.

Economic Development of the Group

Business Development in the First Nine Months of 2016 – An Overview

We managed to continue our successful business development in the third quarter of 2016. Our operating key figures are positive on the whole.

Results of Operations

The performance indicators for 2016 include all acquisitions made in 2015 with an earnings contribution for the months from January to September 2016. These figures are compared with the business figures for the first nine months of 2015, in which GAGFAH was only included with an earnings contribution for the months from March to September 2015, Franconia was included with an earnings contribution for the months from April to September 2015 and SÜDEWO was included with an earnings contribution for the months from July to September 2015. This means that a direct comparison of performance indicators is only possible to a limited extent.

The income from property management showed positive development in the first nine months of 2016 in line with our expectations and came to € 1,669.4 million in total (9M 2015: € 1,491.6 million). The increase was mainly due to the development in rental income. Rental income rose from € 1,019.4 million in the 2015 reporting period to € 1,159.3 million in the first nine months of 2016.

Income from disposal of properties stood at € 988.2 million in the reporting period (9M 2015: € 315.6 million). This increase was due primarily to the considerable increase in sales in the nine-month period from a total of 5,322 units in 2015 to 21,922 units in the first nine months of 2016. This is mainly due to moves to step up sales in the Non-Core portfolio. These sales increased from 3,574 units in the first nine months of 2015 to 19,772 units in the first nine months of 2016.

In the first nine months of 2016, the GAGFAH portfolio contributed € 727.0 million toward income from property management (March to September 2015: € 489.6 million) and € 244.7 million toward income from disposal of properties (March to September 2015: € 113.1 million). In the 2016 reporting period, the Franconia portfolio contributed € 21.2 million toward income from property management (April to September 2015: € 14.3 million) and € 0.2 million toward income from disposal of properties (April to September 2015: € 5.4 million). The SÜDEWO portfolio contributed € 110.0 million toward income from property management (July to September 2015: € 33.8 million) and € 2.2 million toward income from disposal of properties (July to September 2015: € 0.2 million).

Overall, our key performance indicators also developed as positively as we expected. In the 2016 reporting period, FFO 1 rose by 29.8 % from € 440.4 million to € 571.6 million. EBITDA IFRS amounted to € 825.9 million and was therefore up considerably, namely by 31.2 %, over the figure for the first nine months of 2015 (€ 629.7 million). The adjusted EBITDA increased by 22.4 % from € 733.5 million in the 2015 reporting period to € 897.8 million in the first nine months of 2016. Our EPRA NAV dropped by 1.8 %, from € 13,988.2 million at the end of 2015 to € 13,735.8 million as of September 30, 2016, mainly due to the dividend distribution of € 438.0 million to our shareholders in May 2016.

The following key figures provide an overview of how Vonovia's results of operations performed in the first nine months of 2016.

Key Performance Indicators of Vonovia

in € million	9M 2016	9M 2015
Income from property management	1,669.4	1,491.6
thereof rental income	1,156.1	1,019.4
Adjusted EBITDA Rental	794.1	677.5
Adjusted EBITDA Extension	45.1	24.4
Income from disposal of properties	988.2	315.6
Adjusted EBITDA Sales	65.5	34.1
EBITDA IFRS	825.9	629.7
Adjusted EBITDA	897.8	733.5
FFO 1*	571.6	440.4
FFO 2 (FFO 1 incl. adjusted EBITDA Sales/current income taxes Sales)	604.0	466.3
AFFO*	524.3	359.7
Number of employees (as of June 30)	7,074	6,125
Number of units bought	2,440	168,632
Number of units sold	21,922	5,322
thereof Privatize	2,150	1,748
thereof Non-Core	19,772	3,574
Vacancy rate in %	2.8	3.4
Monthly in-place rent (€/m²)	5.94	5.69
Number of residential units in portfolio	337,720	366,918

* Current income taxes in 9M 2015 redistributed among the segments. This is based on the ratio of FFO taxes per segment at the end of 2015 to EBITDA, weighted by the EBITDA for the reporting period in each case.

Rental

Our **Rental** segment continued to show positive development in line with expectations in the first nine months of the 2016 fiscal year.

Adjusted EBITDA Rental

in € million	9M 2016	9M 2015
Rental income	1,156.1	1,019.4
Maintenance expenses	-184.1	-167.8
Operating expenses*	-177.9	-174.1
Adjusted EBITDA Rental	**794.1**	**677.5**

* Correction of property management costs for 9M 2015 from the former amount of € -151.8 million to € -174.1 million in operating expenses due chiefly to the resegmentation of the Extension segment.

Adjusted EBITDA Rental increased by 17.2 % from € 677.5 million in the first nine months of 2015 to € 794.1 million in the first nine months of 2016. Within this context, it is important to remember that the earnings figures for 2015 include the earnings contribution made by the GAGFAH portfolio in the months from March to September 2015, the earnings contribution made by the Franconia portfolio in the months from April to September 2015 and the earnings contribution made by SÜDEWO in the months from July to September 2015. Due to the new segmentation of our business in the fourth quarter of 2015, the presentation of the previous year's figures has been adjusted accordingly. The adjusted EBITDA Rental was calculated for a smaller area due to the separate reporting for the Extension segment. The calculation methods used are the same as those applied as of December 31, 2015. The previous year's figures were adjusted accordingly. The adjusted EBITDA Rental for the first nine months of 2015 was reduced by an amount of € 22.3 million. This earnings contribution is attributable to the new Extension segment and Other.

Rental income in the Rental segment rose by 13.4 % from € 1,019.4 million in the first nine months of 2015 to € 1,156.1 million in the first nine months of 2016. The GAGFAH portfolio contributed € 422.3 million (March to September 2015: € 334.3 million) to this amount, with the Franconia portfolio contributing € 14.7 million (April to September 2015: € 9.8 million) and the SÜDEWO portfolio contributing € 78.5 million (July to September 2015: € 25.8 million). If we leave the addition of the acquired portfolios of GAGFAH, Franconia, SÜDEWO and the portfolio acquired in the first quarter of 2016 out of the equation, then rental income came to € 630.5 million in the first nine months of 2016, down slightly on the level seen in the first nine months of 2015 (€ 649.5 million) as a result of sales.

The monthly in-place rent per square meter rose by 4.4 % from € 5.69 as of September 2015 to € 5.94 in September 2016. At the end of September 2016, the GAGFAH portfolio was included in the Group value at a monthly in-place rent of € 5.68/m² (end of September 2015: € 5.50/m²), the Franconia portfolio at a monthly in-place rent of € 6.05/m² (end of September 2015: € 5.83/m²), and the SÜDEWO portfolio at a monthly in-place rent of € 7.00/m² (end of September 2015: € 6.83/m²). The monthly in-place rent per square meter, on a like-for-like basis (incl. GAGFAH, Franconia and SÜDEWO), came to € 5.94/m² at the end of the third quarter of 2016. This corresponds to an increase of 2.8 % compared to the level of € 5.77/m² at the end of the third quarter of 2015.

We further reduced our vacancy rate in the 2016 reporting period. It dropped from 3.4 % at the end of the third quarter of 2015 to 2.8 % at the end of the third quarter of 2016. This development in vacancy rate also had a positive impact on rental income. In line with this development, the EPRA vacancy rate dropped from 3.2 % at the end of the third quarter of 2015 to 2.6 % at the end of the third quarter of 2016.

We consistently continued our modernization and maintenance strategy in the reporting period as planned. Expenses for maintenance totaled € 184.1 million in the first nine months of 2016 and were therefore up by 9.7 % over the expenses for maintenance incurred in the first nine months of 2015, namely € 167.8 million, largely due to acquisitions.

In the reporting period, expenses for maintenance totaling € 68.7 million were attributable to the GAGFAH portfolio (March to September 2015: € 52.8 million), were € 2.6 million attributable to the Franconia portfolio (April to September 2015: € 2.7 million) and € 7.5 million to the SÜDEWO portfolio (July to September 2015: € 1.6 million). Expenses for maintenance in the subportfolio, excluding the acquired GAGFAH, Franconia and SÜDEWO portfolios, came in at € 106.6 million, down by around 4 % on the figure for 2015 (€ 110.7 million), mainly due to sales. We increased our value-enhancing modernization program by 30 % to € 284.6 million in the first nine months of 2016, as compared to a volume of € 219.0 million in the first nine months of 2015. This means that, including capitalized maintenance of € 48.0 million, we invested a total volume of € 516.7 million (9M 2015: € 468.1 million) in modernization and maintenance work on our properties in the first nine months of 2016.

The capitalized maintenance and modernization measures in the Rental segment can be derived largely from the reported capitalized modernization costs for investment properties, plus the interim profits made by our own craftsmen's organization, which is responsible for performing/coordinating services. The term "capitalized maintenance" refers to the capitalizable expenses that help maintain the value of the real estate portfolio. The term "modernization measures" refers to the capitalizable expenses that help increase the value of the real estate portfolio.

Maintenance and Modernization

in € million	9M 2016	9M 2015
Expenses for maintenance	184.1	167.8
Capitalized maintenance	48.0	81.3
Modernization work	284.6	219.0
Total cost of modernization and maintenance*	**516.7**	**468.1**

* Incl. intra-Group profits for 9M 2016: € 36.1 million (thereof € 0.7 million capitalized maintenance, thereof € 5.8 million modernization); 9M 2015: € 20.9 million (thereof € 0.5 million capitalized maintenance, thereof € 2.6 million modernization)

In relation to the average number of square meters of living area, this corresponds to spending on modernization and maintenance of € 23.83/m² in the 2016 reporting period (9M 2015: € 23.67/m²).

In the first nine months of 2016, **operating expenses** in the Rental segment came to € 177.9 million, up by € 3.8 million over the previous year's value of € 174.1 million due to acquisitions.

Extension

We were able to successfully continue with our strategy in the **Extension segment** in the third quarter of 2016. We expanded our property-related services further and, in particular, increased the range of services provided by our craftsmen's organization, also allowing us to make a key contribution to improving our real estate portfolio. As Germany's biggest property manager, our subsidiary Vonovia Immobilien-Treuhand GmbH is represented at 22 sites across Germany and is responsible for the management of around 77,000 owner-occupied apartments on a fiduciary basis.

Our Extension segment combines all our business activities relating to the expansion of our core business with additional property-related services. At present, these include the following business activities:

> Our craftsmen's organization
> Our organization for the upkeep and maintenance of the residential environment in which our properties are located
> The provision of cable television to our tenants
> Condominium administration for our own apartments and for third-party apartments
> The management of third-party apartments
> Metering services for measuring the consumption of water and heating
> Insurance services for our own apartments and for third parties

We further boosted our earnings power in the Extension segment in the first nine months of 2016. The income reported in the Extension segment includes other income from property management, rental income from third-party real estate management, income from investments, and other operating income reported in accordance with the consolidated income statement, insofar as this income relates to the above-mentioned business activities. It also includes internal income from the services performed or coordinated by the craftsmen's organization for those companies in the Group with real estate holdings. Compared with the first nine months of 2015, segment income in the Extension segment rose by 97.0 % in total, from € 291.6 million to € 574.4 million in the 2016 reporting period. Our craftsmen's organization, which performs and coordinates maintenance and modernization services for Vonovia's overall portfolio, made a key contribution to this increase. Since the beginning of the 2016 fiscal year, all modernization and maintenance measures have been coordinated through Deutsche TGS, even if services are then passed on to subcontractors.

Operating expenses in the Extension segment came to € 529.3 million in the first nine months of 2016, around 98 % higher than the value of € 267.2 million reported in the first nine months of 2015. The operating expenses reported in the Extension segment include the material and personnel expenses and other operating expenses reported in accordance with the consolidated income statement, insofar as they relate to the above-mentioned business activities, as well as internal expenses associated with the services performed or coordinated by the craftsmen's organization for those companies in the Group with real estate holdings. All in all, adjusted EBITDA Extension rose to € 45.1 million in the first nine months of 2016, up by 84.8 % on the figure of € 24.4 million reported in the first nine months of 2015.

Adjusted EBITDA Extension

in € million	9M 2016	9M 2015
Income	574.4	291.6
thereof external income	91.6	38.5
thereof internal income	482.8	253.1
Operating expenses	-529.3	-267.2
Adjusted EBITDA Extension	**45.1**	**24.4**

Costs per Unit and EBITDA Margin

The actual costs incurred by Vonovia for the management of its properties are shown in the costs of the Rental segment, excluding maintenance costs and the earnings contribution made by the service business, which is directly linked to the properties. As a result, we have grouped the operating expenses of the Rental segment and the adjusted EBITDA of the Extension and Other segments to show the Group-wide property management costs. In terms of the average number of residential units, these costs came to € 402 per unit in the first nine months of 2016 (9M 2015: € 481).

Furthermore, the EBITDA margin of the core business, expressed in the cumulative adjusted EBITDA of the Rental, Extension and Other segments, once again showed positive development in relation to rental income within the Group during the reporting period. It increased from 68.6 % in the first nine months of 2015 to 71.8 % in the first nine months of 2016, which equates to an improvement of 3.2 percentage points.

Sales

We continued to pursue our established sales strategy in the Sales segment in the third quarter of 2016. Our Sales segment covers all business activities relating to the sale of single residential units (Privatize) and the sale of entire buildings or land (Non-Core sales). Sales in the Non-Strategic portfolio are also reported under Non-Core sales.

The following table shows the **privatization of apartments** in the first nine months of 2016:

Sales in the Privatize Portfolio

in € million	9M 2016	9M 2015
Number of units sold	2,150	1,748
Income from disposal of properties	205.5	183.2
Fair value of properties sold*	-151.8	-133.6
Adjusted profit from disposal of properies	**53.7**	**49.6**
Fair value step-up in %	35.4	37.1

* Fair value of properties sold adjusted to reflect effects not relating to the period from assets held for sale

In the first nine months of 2016, 2,150 units were sold, up by 23.0 % year-over-year (2015 reporting period: 1,748). Sales proceeds rose by 12.2 % from € 183.2 million in the first nine months of 2015 to € 205.5 million in the first nine months of 2016. At 35.4 %, the fair value step-up was slightly lower than the value for the previous year (37.1 %). If the units sold as part of the block sales (425 units sold as part of the block sale to LEG in the first quarter of 2016; 101 units sold as part of the block sales in the second quarter of 2016; 172 units in the third quarter of 2016) are left out of the equation, the fair value step-up came to 38.5 % in the 2016 reporting period.

In the first nine months of 2016, 184 units from the GAGFAH portfolio (9M 2015: 471) and four units from the SÜDEWO portfolio were privatized (9M 2015: one unit). No units from the Franconia portfolio were privatized (9M 2015: zero units).

Non-Core Sales

in € million	9M 2016	9M 2015
Number of units sold	19,772	3,574
Income from disposal of properties	782.7	132.4
Fair value of properties sold*	-753.0	-130.3
Adjusted profit from disposal of properties	**29.7**	**2.1**
Fair value step-up in %	3.9	1.6

* Fair value of properties sold adjusted to reflect effects not relating to the period from assets held for sale

In the Non-Core portfolio, we took advantage of opportunities that arose to sell properties that do not fit with our medium to long-term strategy. With 19,772 units sold in the first nine months of 2016, the sales volume was up considerably on the value for the first nine months of 2015 (3,574 units). This figure includes one block sale including 1,204 units in the third quarter of 2016, three block sales in the second quarter of 2016 comprising 2,812 units (2,913 units in total including the 101 privatization units), and 13,145 units from the LEG package in the first quarter of 2016.

5,838 Non-Core units (9M 2015: 1,453 Non-Core units) were sold from the GAGFAH portfolio, 19 from the Franconia portfolio (9M 2015: 59 Non-Core units) and 130 from the SÜDEWO portfolio (9M 2015: zero units).

Overall, the Sales segment developed as follows in the first nine months of 2016:

Adjusted EBITDA Sales

in € million	9M 2016	9M 2015
Income from disposal of properties	988.2	315.6
Carrying amount of assets sold	-953.9	-288.9
Revaluation of assets held for sale	37.9	24.4
Profit on disposal of properies (IFRS)	**72.2**	**51.1**
Revaluation (realized) of assets held for sale	-37.9	-24.4
Revaluation from disposal of assets held for sale	49.1	25.0
Adjusted profit from disposal of properties	**83.4**	**51.7**
Selling costs	-17.9	-17.6
Adjusted EBITDA Sales	**65.5**	**34.1**

The adjusted profit from disposal of properties rose considerably from € 51.7 million in the first nine months of 2015 to € 83.4 million in the first nine months of 2016. The Non-Core sales made a particular contribution to this trend. In the Sales segment, we make adjustments for effects not relating to the period from assets held for sale. This adjustment is made to show the effect of real estate sales on the result only in the period in which the sale takes place. The adjustment came to a total of € 43.9 million in the 2016 reporting period, compared with € 0.6 million in the first nine months of 2015. This effect is mainly attributable to the 13,570 units already registered as of December 31, 2015, as part of the portfolio sale to LEG, the sale of which was concluded in the first quarter of 2016. In accordance with the IFRS, the associated profits were already reported in the previous year, while the adjusted EBITDA Sales relates to profits and revenue posted in the same period, thus allowing the undistorted disclosure of the step-up.

The selling costs, i.e., the total of all direct and indirect personnel and non-personnel expenses incurred in connection with the sale of real estate and land, came to € 17.9 million in the first nine months of 2016, up slightly on the value of € 17.6 million reported in 2015. Adjusted EBITDA Sales increased by 92.1 % from € 34.1 million in the first nine months of 2015 to € 65.5 million in the first nine months of 2016.

Non-Recurring Items

To show the development of operating performance and to ensure comparability with previous periods, we calculate adjusted EBITDA for our Rental, Extension and Sales segments, as mentioned above. The total of these key figures, taking consolidation effects into account (adjusted EBITDA Other), produces the adjusted EBITDA for the Group as a whole. The adjustments made include items that are not related to the period, items that recur irregularly and items that are atypical for business operation. The non-recurring items include the development of new fields of business and business processes, acquisition projects including integration costs, expenses for refinancing and equity increases (where not treated as capital procurement costs), as well as expenses for preretirement part-time work arrangements and severance payments. Due to the new ESMA Guidelines on Alternative Performance Measures, the definition of non-recurring items was tightened up/improved.

In the first nine months of 2016, non-recurring items came to € 70.3 million, down by 32.1 % on the figure for the previous year (€ 103.6 million) due to acquisitions. Details on the non-recurring items can be found in the Notes to the consolidated financial statements in the chapter on segment reporting.

in € million	9M 2016	9M 2015
Business model optimization/ development of new fields of business	14.5	5.4
Acquisition costs incl. integration costs*	33.4	81.4
Refinancing and equity measures	2.2	0.6
Severance payments/pre retirement part-time work arrangements	20.2	16.2
Total non-recurring items	**70.3**	**103.6**

* Including takeover costs and one-time expenses in connection with acquisitions, such as HR measures relating to the integration process

All in all, adjusted EBITDA rose to € 897.8 million in the first nine months of 2016 and was therefore € 164.3 million above the comparable figure for the first nine months of 2015 of € 733.5 million. In the 2016 reporting period, we are reporting the financial income from investments in other real estate companies outside of adjusted EBITDA for the first time. For the first nine months of 2015, financial income from investments in other real estate companies amounting to € 0.4 million was taken out of adjusted EBITDA Rental. The financial income from investments in other real estate companies came to € 9.6 million in the 2016 reporting period.

Excluding the adjustments for financial income from investments in other real estate companies and the adjustments for non-recurring items and effects not relating to the period in the Sales segment, EBITDA IFRS came in at € 825.9 million in the first nine months of 2016, € 196.2 million above the comparable figure of € 629.7 million for the first nine months of 2015.

FFO

In the first nine months of 2016, we were able to increase our primary key figure for the sustained earnings power of our core business, FFO 1, by € 131.2 million or 29.8 % compared with the same period of 2015 to € 571.6 million.

Funds from Operations (FFO)

in € million	9M 2016	9M 2015
Profit for the period	**278.3**	**193.5**
Financial result*	354.1	297.8
Income taxes	177.1	131.1
Depreciation and amortization	16.4	7.3
Net income from fair value adjustments of investment properties	-	-
= EBITDA IFRS	**825.9**	**629.7**
Non-recurring items	70.3	103.6
Total period adjustments from assets held for sale	11.2	0.6
Financial income from investments in other real estate companies	-9.6	-0.4
= Adjusted EBITDA	**897.8**	**733.5**
Adjusted EBITDA Sales	-65.5	-34.1
Adjusted EBITDA Other	6.9	2.5
Adjusted EBITDA Extension	-45.1	-24.4
= Adjusted EBITDA Rental	**794.1**	**677.5**
Adjusted EBITDA Extension	45.1	24.4
Adjusted EBITDA Other	-6.9	-2.5
FFO interest expense	-249.1	-251.4
Current income taxes FFO 1**	-11.6	-7.6
= FFO 1	**571.6**	**440.4**
Capitalized maintenance	-47.3	-80.7
= AFFO	**524.3**	**359.7**
Current income taxes Sales**	-33.1	-8.2
FFO 2 (FFO 1 incl. adjusted EBITDA Sales/current income taxes Sales)	**604.0**	**466.3**
FFO 1 per share in €***	1.23	0.95
AFFO per share in €***	1.13	0.77

* Excluding income from other investments

** Current income taxes in 9M 2015 redistributed among the segments. This is based on the ratio of FFO taxes per segment at the end of 2015 to EBITDA, weighted by the EBITDA for the reporting period in each case. The FFO 1 income taxes are calculated for each taxpayer based on the taxable (trade) income. In order to calculate the income taxes associated with property management, the taxable (trade) income calculated on the basis of tax law provisions is reduced by the profit from property sales. This basis for calculation is then used to calculate the income taxes from property management, applying minimum taxation.
In order to calculate the income taxes associated with sales, the taxable (trade) income calculated on the basis of tax law provisions is reduced by the profit from property sales. This basis for calculation is then used to calculate the income taxes from property management, applying minimum taxation. The difference between the income taxes associated with property management and the total income taxes is then deemed to be attributable to sales.

*** Based on the shares carrying dividend rights on the reporting date Sep. 30, 2016: 466,000,624; Sep. 30, 2015: 466,000,624.

The **financial result** in the first nine months of 2016 came to € -354.1 million, considerably lower than the comparable figure for 2015 of € -297.8 million. This was largely due to the increased financing costs resulting from our acquisition activities. In the first nine months of 2016, the operating FFO-related interest result came to € -249.1 million, 0.9 % lower than the comparable value for 2015.

Reconciliation of Financial Result to Net Cash Interest

in € million	9M 2016	9M 2015
Income from other non-current loans	1.4	1.4
Interest income	10.5	1.0
Interest expenses	-366.0	-300.2
Financial result*	**-354.1**	**-297.8**
Adjustments:		
Transaction costs	21.2	55.5
Prepayment penalties and commitment interest	66.5	8.5
Effects from the valuation of non-derivative financial instruments	-26.4	-31.1
Derivatives	3.1	0.2
Interest accretion to provisions	8.6	6.1
Accrued interest	16.9	16.5
Other effects	1.4	6.8
Net cash interest	**-262.8**	**-235.3**
Deferred interest adjustment	-16.9	-16.5
EMTN interest adjustment**	21.0	-
Adjustment financial income from investments in other real estate companies	9.6	0.4
FFO interest expense	**-249.1**	**-251.4**

* Excluding income from other investments

** Interest on the difference between the taking up and making use of the € 3 billion bonds from December 2015, which were intended to be used for the financing of the Deutsche Wohnen acquisition

Profit for the Period

In the first nine months of 2016, the profit for the period came to € 278.3 million, up considerably on the value of € 193.5 million reported in 2015, which is due to the full inclusion of GAGFAH, Franconia and SÜDEWO in 2016.

Assets

Asset and Capital Structure

Consolidated Balance Sheet Structure

	Sep. 30, 2016		Dec. 31, 2015	
	in € million	in %	in € million	in %
Non-current assets	27,344.0	94.4	26,678.6	86.2
Current assets	1,618.0	5.6	4,280.5	13.8
Total assets	**28,962.0**	**100.0**	**30,959.1**	**100.0**
Equity	11,707.4	40.4	11,866.9	38.3
Non-current liabilities	16,311.8	56.3	17,405.0	56.2
Current liabilities	942.8	3.3	1,687.2	5.5
Total equity and liabilities	**28,962.0**	**100.0**	**30,959.1**	**100.0**

At the end of the first nine months of 2016, Vonovia's **total assets** came to € 28,962.0 million, down by around € 2 billion on the value reported at the end of 2015, which is largely due to a drop in cash and cash equivalents due to the repayment of debt financing. The increase in **non-current assets** is due to the purchase of additional Deutsche Wohnen shares and the subsequent fair value measurement thereof. The drop in **current assets** is attributable, in addition to the drop in cash and cash equivalents, to the disposal of assets held for sale.

At € 11,707.4 million, **total equity** is down on the value reported at the end of 2015 by € 159.5 million. This is due, on the one hand, to the drop in equity due to the dividend distribution of € 438.0 million, which is counteracted, on the other hand, by the positive overall profit for the first nine months of € 278.3 million. The adjustment to the market value, not affecting net income, of the shares in Deutsche Wohnen also had a positive impact on total equity, while the further drop in interest rates had the opposite actuarial effect on provisions for pensions and derivatives.

The **equity ratio** came to 40.4 % as of September 30, 2016, compared with 38.3 % at the end of 2015.

The value of our **Investment Properties**, our most important asset, came to € 23,696.9 million at the end of the first nine months of 2016, which corresponds to 81.8 % of our total assets. The values of our real estate portfolio are a material factor influencing the assessment of our asset position and therefore also influencing the reporting of our important performance indicators, net asset value (NAV).

Another major asset, which amounts to € 2,718.9 million or 9.5 % of total assets, relates to the goodwill reported under intangible assets, which increased slightly by € 4 million due to the acquisition of a condominium administration business and adjustments to the purchase price allocation. There is no indication that points to any possible impairments in goodwill.

Non-derivative financial liabilities are € 1,939.9 million lower than at the end of 2015 due to the reduction in liquidity as a result of the repayment of the CMBS financing and the 2013 bond.

Fair Values

Calculating and showing the fair values of our real estate portfolio provide a control parameter inside the company and also help to make the development of the value of our assets transparent to people outside the company. The value of the entire portfolio of residential properties was determined on the basis of the International Valuation Standard Committee's definition of market value.

Major market developments and valuation parameters that had an impact on Vonovia's fair values are assessed every quarter. As of the reporting date of September 30, 2016, there were not enough existing valid data for material valuation parameters. Therefore, no fair value adjustment were made in the third quarter of 2016. Due to this development and the current excellent performance of the German residential real estate market, however, the company expects the consolidated financial statements for 2016 to reflect a significant increase in value.

Net Asset Value

Vonovia's net asset value (NAV) figures are based on the best practice recommendations of the EPRA (European Public Real Estate Association). At the end of the third quarter of 2016, the net asset value (NAV), in accordance with EPRA standards, was down slightly on the level at the end of 2015 at € 13,735.8 million. The adjusted EPRA NAV fell slightly from € 11,273.5 million to € 11,016.9 million. This corresponds to a drop in adjusted EPRA NAV per share from € 24.19 to € 23.64 and is largely due to the dividend distribution.

Net Asset Value (NAV) Based on Application of IAS 40

in € million	Sep. 30, 2016	Dec. 31, 2015
Equity attributable to Vonovia's shareholders	**10,356.5**	**10,620.5**
Deferred taxes on investment properties/ assets held for sale	3,293.5	3,241.2
Fair value of derivative financial instruments*	114.2	169.9
Deferred taxes on derivative financial instruments	-28.4	-43.4
EPRA NAV	**13,735.8**	**13,988.2**
Goodwill	-2,718.9	-2,714.7
Adjusted EPRA NAV	**11,016.9**	**11,273.5**
EPRA NAV per share in €**	**29.48**	**30.02**
Adjusted EPRA NAV per share in €**	**23.64**	**24.19**

* Adjusted for effects from cross currency swaps
** Based on the number of shares on the reporting date Sep. 30, 2016: 466,000,624; Dec. 31, 2015: 466,000,624

Financial Position

Cash Flow

The following table shows the Group cash flow:

Statement of Cash Flows

in € million	9M 2016	9M 2015
Cash flow from operating activities	636.7	446.5
Cash flow from investing activities	326.5	-3,079.3
Cash flow from financing activities	-2,953.0	1,580.2
Net changes in cash and cash equivalents	**-1,989.8**	**-1,052.6**
Cash and cash equivalents at the beginning of the period	3,107.9	1,564.8
Cash and cash equivalents at the end of the period	**1,118.1**	**512.2**

The cash flow from **operating activities** comes to € 636.7 million for the first nine months of 2016 compared with € 446.5 million for the same period of 2015. The increase of around € 190 million is due to the increase in the operating performance, the EBITDA IFRS, to the same extent, and results, in particular, from the increased business volume due to the full inclusion of the acquired GAGFAH and SÜDEWO portfolios. In the previous year's period, GAGFAH was only included with the contribution for the months from March to September, while SÜDEWO was only included with the contribution for the months from July to September. The change in working capital is around € 5 million lower than the value seen in the same period of 2015, while income tax paid in the first nine months of 2015 came to € 54.1 million in total, € 22.5 million higher than the figure for the first nine months of 2016 due to the repayment of the EK 02 item.

The positive cash flow from **investing activities** in the amount of € 326.5 million is mainly influenced by proceeds from the disposal of properties amounting to € 1,081.6 million. This increase was due primarily to the considerable increase in sales to 21,922 units in the first nine months of 2016. On the other hand, payouts were made to acquire shares in Deutsche Wohnen AG in the amount of € 393.3 million, as well as to perform modernization measures on investment properties in the amount of € 327.4 million.

The cash flow from **financing activities** shows a payout balance for the first nine months of 2016 of € 2,953.0 million, compared with a proceeds balance of € 1,580.2 million for the first nine months of 2015. The cash flow from financing activities in the

2016 reporting period was influenced by scheduled and unscheduled loan repayments in the amount of € 3,576.2 million, as well as new borrowing in the amount of € 1,576.9 million in total, comprising the bond placements with a nominal value of € 1.5 billion and mortgages (largely funds relating to the German government-owned development bank, KfW). The financing costs came to € 213.0 million and interest payments to € 265.8 million. What is more, the dividend payment of € 438.0 million resulted in a cash outflow. The financing cash flow in the previous year was influenced by financing activities associated with the takeover of GAGFAH.

The total **net change** in cash and cash equivalents therefore comes to € -1,989.9 million and is therefore reflected in the drop in **cash and cash equivalents** to € 1,118.1 million as of September 30, 2016. This means that the cash and cash equivalents held by the company were used in line with their intended purpose on the whole, i.e., to reduce debt.

Financing

The rating agency Standard & Poor's has assigned Vonovia a long-term corporate credit rating of BBB+ with a stable outlook and a short-term credit rating of A-2. At the same time, the credit rating for the issued unsecured bonds is BBB+. This rating was confirmed in a letter dated September 6, 2016.

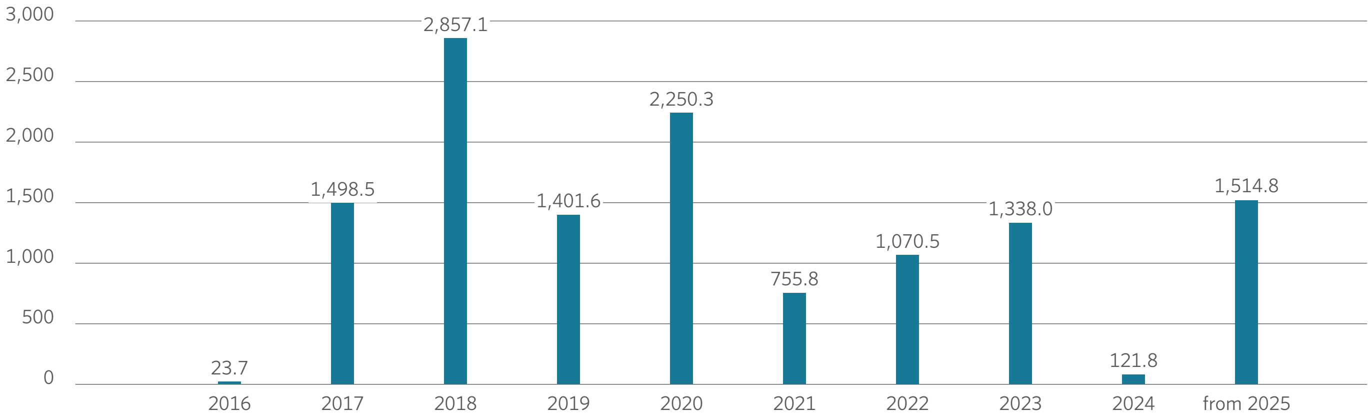
A European medium-term notes program (EMTN program) has been launched for the Group via Vonovia Finance B.V., allowing funds to be raised quickly at any time using bond issues, without any major administrative outlay. The prospectus for the EMTN program has to be updated annually and approved by the financial supervisory authority of the Grand Duchy of Luxembourg (CSSF). The current prospectus is still valid until the end of March 2017.

Vonovia Finance B.V. has placed a total bond volume of € 9.5 billion, € 6.5 billion of which relate to the EMTN program. The total volume also includes € 1.7 billion in hybrid bonds, € 1.0 billion of which is reported as equity.

The debt maturity profile of Vonovia's financing was as follows as of September 30, 2016:

Maturity Profile

as of Sep. 30, 2016 in € million



In a declaration issued on July 6, 2016, Vonovia irrevocably announced that it would be repaying the secured financing in connection with the CMBS (commercial mortgage-backed security) GRF-1 (German Residential Funding 1 from 2013), the original amount of which came to € 2.0 billion. This early repayment of € 1.8 billion was made on August 22, 2016.

Furthermore, a bond amounting to € 700 million from 2013, with a coupon of 2.125 %, was repaid as scheduled on the due date of July 25, 2016.

In September 2016, Vonovia placed a floating rate note under the EMTN program in the amount of € 500 million, which will mature on September 13, 2018, via Vonovia Finance B.V.

In order to protect against interest rate fluctuations, the floating rate note was hedged using a corresponding derivative.

For more detailed information on financing, please refer to the relevant explanations in the Notes under "Non-Derivative Financial Liabilities."

In connection with the issue of unsecured bonds by Vonovia Finance B.V., Vonovia has undertaken to comply with the following standard market covenants:

> Limitations on incurrence of financial indebtedness
> Maintenance of consolidated coverage ratio
> Maintenance of total unencumbered assets

The existing structured and secured financing arrangements also require adherence to certain standard market covenants. Any failure to meet the agreed financial covenants could have a negative effect on the liquidity status.

The LTV (loan to value) is as follows as of the end of the quarter. Compared with the information presented as of December 31, 2015, the adjusted net debt now includes receivables from disposals because the disposal of properties is also included in the fair value of the real estate portfolio. Furthermore, the investments in other real estate companies are reported in the adjusted fair value of the real estate portfolio.

in € million	Sep. 30, 2016	Dec. 31, 2015
Non-derivative financial liabilities	13,000.0	14,939.9
Foreign exchange rate effects	-155.5	-179.4
Cash and cash equivalents	-1,118.1	-3,107.9
Net debt	**11,726.4**	**11,652.6**
Receivables in Sales*	-233.1	-330.0
Additional purchase price for outstanding acquistions	-	134.9
Adjusted Net Debt*	**11,493.3**	**11,457.5**
Fair value of the real estate portfolio	**23,851.1**	**24,157.7**
Fair value of outstanding acquisitions	-	240.0
Shares in other real estate companies	545.4	13.7
Adjusted fair value of the real estate portfolio**	**24,396.5**	**24,411.4**
LTV	**47.1 %**	**46.9 %**

* Value as of December 31, 2015, adjusted, full disclosure of outstanding purchase price payments from disposals

** Value as of December 31, 2015, adjusted, separate disclosure of investments in the adjusted fair value

The financial covenants (LTV bond covenants) were fulfilled on the reporting date.

in € million	Sep. 30, 2016	Dec. 31, 2015
Non-derivative financial liabilities	13,000.0	14,939.9
Total assets	28,962.0	30,959.1
LTV bond covenants	**44.9 %**	**48.3 %**

Subsequent Events

Subsequent Events

No events subject to a reporting requirement arose between September 30, 2016, and the time at which the interim report was published.

Opportunities and Risks

For the purposes of the interim financial statements as of September 30, 2016, there are no opportunities and risks over and above, or material changes to, the opportunities and risks set out in the combined management report for the 2015 fiscal year.

There are no signs of any risks that could pose a threat to the company's existence, and – as things stand at present – no such risks are expected to arise in the future.

The existing risk management organization and risk management process continue to apply unchanged.

Corporate Governance

Details on corporate governance and the Corporate Governance Code can be found on the Investor Relations section of the website at www.investoren.vonovia.de.

Forecast Report

Further Course of the Group

Expected Development of the Overall Economic Environment

Upswing in Germany continues

A forecast by the Kiel Institute for the World Economy (IfW) shows that the German economy is resisting the headwind from abroad. Experts at the IfW expect to see growth in gross domestic product (GDP) to the tune of 1.9 % this year, although economic momentum in the second half of the year will lag behind the high rate of expansion witnessed in the first half. After slightly weaker growth of 1.7 % in 2017, growth is, however, expected to pick up again to 2.1 % in 2018. The expectations of slower growth in 2017 can be traced back to factors that will have a temporary effect, such as the Brexit vote. In its autumn projection, the German federal government expects to see gross domestic product rise by 1.8 % in price-adjusted terms in 2016, with figures of 1.4 % and 1.6 % expected for 2017 and 2018 respectively.

Despite the damper of the second quarter of 2016, the economy is still reportedly being fueled mainly by domestic economic drivers. Private consumption will show dynamic growth of around 2 % during the forecast period. According to the IfW, the continued strong growth in disposable incomes will play a key role in this trend. Disposable incomes are still receiving a substantial boost from the increase in purchasing power linked to oil prices this year. Over the next few years, real income growth will be bolstered mainly by considerable growth in monetary social benefits and gross wages and salaries. The IfW expects construction activity to pick up considerably as weather-related fluctuations start to peter out. The reason for this is the extremely stimulating overall environment, and in particular the sustained favorable financing conditions. Construction investments are likely to be curbed, for the time being, by the recent uncertainty in the aftermath of the Brexit vote. According to the IfW, the initial damper on exports is likely to resolve itself quickly as economic activity on key sales markets gradually starts to pick up, allowing export activity to provide a boost to the upswing. The IfW predicts that German foreign trade will remain on an expansive trajectory despite a temporary slowdown. The labor market is still showing positive development, and the unemployment rate could fall to 6.1 % this year, 6.0 % in 2017 and 5.8 % in 2018. Despite fairly substantial increases in real wages of late, wage development remains employment-friendly, meaning that the marked increase in employment looks set to continue. The IfW believes that, while the economic impact of the large-scale migration of refugees is now showing up clearly in official budget data, it is not shaping the overall economic picture for Germany. The economic momentum will allow public-sector budgets to generate further surpluses during the forecast period.

The IfW says that its forecast is subject to considerable uncertainty. The current economic pattern is unusually long/moderate, which the IfW says hinders both data interpretation and forecasting. This is compounded by the unusual monetary situation in the eurozone and in other key currency areas, as well as numerous political risks, e.g., in connection with the Brexit vote, the hostilities in Syria or the smoldering Ukraine conflict.

Real Estate Market: Further Price Increases Expected

Experts from Deutsche Bank Research (DB Research) believe that both the excess demand and prices on the residential market will increase in 2016. They expect to see a price increase of 6 % year-over-year and a range in the segment for existing properties from around 7.5 % in “A” and “B” cities to around 6.25 % in “C” cities and around 3.5 % in “D” cities. As far as rents for new and existing properties in 126 major German towns and cities are concerned, the experts predict growth of 3.25 % in 2016, on a par with the level seen in previous years.

What is more, the demand for housing among immigrants will further exacerbate the excess demand, which is already considerable, over the coming years, providing a substantial boost to real estate prices. Evaluations conducted by the real estate service provider ImmobilienScout24 show a further increase in quoted rents and prices, looking at the whole of Germany on average, since the beginning of 2016. A continuation of the increase in quoted rents is deemed to be likely. While further price increases are expected for existing properties in the coming months, Immobilienscout24 expects to see a further damper on the price trend for newly built apartments in the medium term. As far as the rent ceiling is concerned, a study conducted by the German Institute for Economic Research (DIW Berlin) shows that this is not having the effect lawmakers had hoped for. According to the German Federal Minister of Justice Heiko Maas (SPD), the cabinet could consider possible moves to tighten up the rent ceiling in the fall, provided that the Christian Democrats are also prepared to consider such a move. One possible change would be to force landlords to disclose the previous rent to new tenants automatically. The supplement could be incorporated into the second tenancy law reform package, the draft version of which is still being coordinated between the relevant government departments at the moment. By way of example, the draft provides for new provisions on rent increases after modernization, and on rent indices. By the third quarter of 2016, the rent ceiling was in force in 11 federal states. It could also come into force for some municipalities and on the East Frisian islands belonging to Lower Saxony by the end of the year.

Experts at Commerzbank point towards gradually mounting tension on the German real estate market. Driven by the ECB's extremely expansive monetary policy, the real estate boom in Germany is starting to look increasingly like a bubble as house prices move further and further away from the fundamentals. Experts at the research institute empirica also cannot rule out the risk of a bubble. The empirica bubble index increased slightly again in the second quarter of 2016. Rents and purchase prices in 209 out of 402 administrative districts and self-governing cities are no longer developing in tandem, with the bubble index indicating a medium to high risk for 140 districts. Nevertheless, there are only 14 districts in which too many apartments are being built. Due to positive income momentum and falling interest rates for construction, DB Research says that residential property ownership remains affordable on average in Germany, despite rising house prices. There are, however, pronounced differences from region to region. Real estate financing is expected to remain affordable in the coming months, too.

Rapid Growth in the Supply of Real Estate Unlikely

DB Research says that the 247,700 apartments that were completed in 2015 fall considerably short of the demand. Given the estimated need for 350,000 to 494,000 apartments to be constructed a year, the excess demand is likely to have continued to grow. Although DB Research expects the completion of new properties to accelerate in 2016, numerous hurdles – e.g., a shortage of land available for construction, more stringent regulatory requirements and rising construction costs – suggest that the supply of residential real estate will not increase any time soon. The experts say that the excess demand could take years to resolve.

Expected Development of Business

Forecast for the 2016 Fiscal Year

The first nine months of the 2016 fiscal year were very successful for Vonovia on the whole. We were able to further develop our operating business better than we had originally planned and continue with our maintenance and modernization strategy.

Overall, our key performance indicators developed as positively as we expected. In the 2016 reporting period, FFO 1 rose by 29.8 % from € 440.4 million to € 571.6 million. EBITDA IFRS amounted to € 825.9 million and was therefore up considerably, namely by 31.2 %, over the figure for the first nine months of 2015 (€ 629.7 million). Adjusted EBITDA increased by 22.4 % from € 733.5 million in the 2015 reporting period to € 897.8 million in the first nine months of 2016. Our EPRA NAV dropped by 1.8 %, from € 13,988.2 million at the end of 2015 to € 13,735.8 million as of September 30, 2016, mainly due to the dividend distribution of € 438.0 million to our shareholders in May 2016.

With effect from January 1, 2016, we took over a real estate portfolio comprising around 2,400 residential units. In addition, we successfully integrated two companies that we acquired with effect from January 1, 2016 – IVV Immobilien Verwaltung GmbH and O-TEC Hausverwaltung GmbH – into the Extension segment.

In the first nine months of 2016, we sold a total of 21,922 units in line with our portfolio management strategy, with 1,204 of these units attributable to block sales in Bavaria in the third quarter of 2016, 2,913 units attributable to block sales largely in northern Germany in the second quarter of 2016 and 13,570 attributable to block sales to LEG in the first quarter of 2016.

Based on the current overall portfolio, our forecast for the 2016 fiscal year is as follows. The forecast for the main performance indicators was based on the accounting principles used in the annual financial statements, with the adjustments described elsewhere in the management report being made.

	Actual 2015	Forecast for 2016 in the 2015 annual report	Forecast for 2016 in the 2016 H1 Report	Current forecast for 2016 in the 2016 Q3 Report
Adjusted **EPRA NAV/share**	24.19 €	€ 24 – 25	€ 24 – 25	approx. 30 €
EPRA NAV/share	30.02 €	€ 30 – 31	€ 30 – 31	approx. 36 €
FFO 1	€ 608.0 million	€ 690 – 710 million	€ 740 – 760 million	approx. 760 Mio. €
FFO 1/share	€ 1.30	€ 1.48 – 1.52	€ 1.59 – 1.63	approx. 1.63 €
CSI	Increase of 2.8 %	Increase of up to 5 %	Increase of up to 5 %	Increase of up to 5 %
Monthly in-place rent €/m² (like-for-like)*	€ 5.78	Increase of 2.8 – 3.0 %	Increase of 3.0 – 3.2 %	Increase of 3.0 – 3.2 %
Vacancy rate	2.7 %	approx. 3 %	approx. 2.5 %	approx. 2.5 %
Maintenance and modernization work incl. capitalized maintenance	€ 330.7 million	approx. € 330 million	approx. € 340 million	approx. € 340 million
Modernization	€ 355.6 million	€ 430 – 500 million	€ 470 – 500 million	470 – 500 million
Number of units sold Privatize	2,979	approx. 2,400	approx. 2,400	approx. 2,500
Step-up Privatize	30.5 %	approx. 30 %	> 35 %	> 35 %
Number of units sold Non-Core	12,195	Continue opportunistic sales	Continue opportunistic sales	Continue opportunely timed sales up to 24,000
Step-up Non-Core	9.2 %	0 %	approx. 5 %	approx. 5 %

* Monthly in-place rent in 2015 per sqm (like-for-like) excl. GAGFAH/Franconia/SÜDEWO

Our forecast for the 2016 fiscal year is based on the current outlook for the Vonovia Group as a whole, which includes the original overall plans for the 2016 fiscal year, as well as current business developments and possible opportunities and risks.

Beyond this, the Group's further development remains exposed to general opportunities and risks. These have been described in the chapter on opportunities and risks.

The planning for 2016 is based on the above-mentioned assumptions on the development of the overall economy and on the development of the real estate market in Germany.

We want to continue to increase the value of our company in 2016 as well. Based on initial estimates of the effects from the valuation of investment properties (please refer to the section on fair value for information on the valuation process, which has not yet been completed) as well as the extent of capitalized modernization costs, we expect the EPRA NAV per share to have increased further to around € 36 by December 31, 2016. The NAV per share adjusted to reflect goodwill is expected to come to around € 30 as of December 31, 2016. These expectations are based on the current estimate of the effect of the valuation of investment properties as well as capitalized modernization costs, which total between around € 3.5 billion and € 3.9 billion compared with December 31, 2015.

We plan to further improve our sustained operational earnings power in the 2016 fiscal year. The modernization measures taken in the 2015 fiscal year and in the 2016 fiscal year to date will also help us to achieve this. In addition, the acquisitions made in 2015 will make a full-year contribution to earnings for the first time. We predict that FFO 1 will increase to around € 760 million in 2016. This corresponds to an FFO 1 per share of around € 1.63 and includes the acquisitions of GAGFAH and SÜDEWO, which were completed in 2015, as well as the portfolio acquired in the first quarter of 2016. The forecast does not take account of any further larger acquisitions of real estate portfolios.

We will continue to aim to improve our customer service in 2016. As a result, we expect our customer satisfaction index, CSI, to improve by more than 5 % compared with 2015.

In 2016, we will once again be investing substantial volumes of money in our real estate portfolios. Our modernization program planned for the 2016 fiscal year is expected to comprise a volume of € 470–500 million. The focus will remain on energy-efficient modernizations, the refurbishment of units to improve the standard of comfort, and on senior-friendly conversions. We will also, however, be investing in new programs such as modernization in response to tenant requests, the development of residential districts, the construction of new apartments and the addition of stories to existing properties. In addition, we expect to perform ongoing maintenance work, including capitalized maintenance, with a volume of around € 340 million. All in all, this corresponds to an investment volume of up to € 840 million, or up to € 38/m², in 2016. We expect an increase from 3.0 % to 3.2 % in the monthly in-place rent per square meter like-for-like in 2016. We expect the vacancy rate to come in at around 2.5 % at the end of 2016. Overall, we expect rental income to rise from € 1.4 billion in 2015 to over € 1.5 billion in 2016.

For the interest expense excluding non-recurring items (FFO interest expense), we still expect to see a level of around € 320 million.

In the Sales segment, we will continue to pursue our strategy of selective sales. In the privatization business, we expect around 2,500 apartments to be sold in 2016 with a step up on the fair value of these apartments in excess of 35 %. We will also continue, in the remainder of 2016, to intensify our strategy of selling buildings from the Non-Core subportfolio at prices that are around 5 % above the fair value, insofar as corresponding opportunities present themselves, and expect to see up to 24,000 Non-Core sales in the 2016 fiscal year.

We again plan to allow our shareholders to participate adequately in our company's success in 2016 and intend to propose a dividend of € 1.12 per share.

Düsseldorf, Germany, October 28, 2016

Rolf Buch
(CEO)

Klaus Freiberg
(COO)

Dr. A. Stefan Kirsten
(CFO)

Gerald Klinck
(CCO)

Condensed Interim Consolidated Financial Statements

Consolidated Income Statement

in € million	Notes	Jan. 1 - Sep. 30, 2016	Jan. 1 - Sep. 30, 2015	Jul. 1 - Sep. 30, 2016	Jul. 1 - Sep. 30, 2015
Income from property letting		1,640.3	1,470.3	540.3	556.5
Other income from property management		29.1	21.3	9.7	7.3
Income from property management	3	**1,669.4**	**1,491.6**	**550.0**	**563.8**
Income from disposal of properties		988.2	315.6	137.7	94.2
Carrying amount of properties sold		-953.9	-288.9	-123.5	-84.1
Revaluation of assets held for sale		37.9	24.4	20.9	9.2
Profit on disposal of properties	4	**72.2**	**51.1**	**35.1**	**19.3**
Net income from fair value adjustments of investment properties	5	**0.0**	**0.0**	**0.0**	**0.0**
Capitalized internal expenses		227.7	115.1	102.7	49.8
Cost of materials	6	-790.6	-683.0	-284.0	-257.6
Personnel expenses		-267.1	-234.5	-82.5	-96.4
Depreciation and amortization		-16.4	-7.3	-6.4	-2.5
Other operating income		70.5	60.1	20.7	23.2
Other operating expenses		-166.7	-171.8	-60.3	-58.6
Financial income	7	22.4	3.5	0.8	0.8
Financial expenses	8	-366.0	-300.2	-78.5	-61.4
Earnings before tax		**455.4**	**324.6**	**197.6**	**180.4**
Income taxes		-177.1	-131.1	-67.2	-71.8
Profit for the period		**278.3**	**193.5**	**130.4**	**108.6**
Attributable to:					
Vonovia's shareholders		182.7	159.3	72.7	98.5
Vonovia's hybrid capital investors		22.4	22.4	7.6	7.6
Non-controlling interests		73.2	11.8	50.1	2.5
Earnings per share (basic and diluted) in €	**9**	**0.39**	**0.42**	**0.15**	**0.21**

Consolidated Statement of Comprehensive Income

in € million	Jan. 1 - Sep. 30, 2016	Jan. 1 - Sep. 30, 2015	Jul. 1 - Sep. 30, 2016	Jul. 1 - Sep. 30, 2015
Profit for the period	**278.3**	**193.5**	**130.4**	**108.6**
Cash flow hedges				
Change in unrealized gains/losses	-130.0	50.6	-11.7	-13.5
Taxes on the change in unrealized gains/losses	22.5	-11.7	3.3	3.9
Net realized gains/losses	77.3	-40.0	9.8	12.1
Taxes on the change in net realized gains/losses	-19.8	8.2	-2.6	-3.7
Total	**-50.0**	**7.1**	**-1.2**	**-1.2**
Available-for-sale-financial assets				
Changes in the period	138.2	-	30.9	-
Taxes on changes in the period	-2.4	-	-0.6	-
Total	**135.8**	**-**	**30.3**	**-**
Items which be regonized in profit or loss in the future	**85.8**	**7.1**	**29.1**	**-1.2**
Actuarial gains and losses from pensions and similar obligations				
Change in actuarial gains/losses, net	-79.1	36.5	-13.8	-7.6
Tax effect	26.2	-11.9	4.5	2.6
Items which will not be recognized in profit or loss in the future	**-52.9**	**24.6**	**-9.3**	**-5.0**
Other comprehensive in come	**32.9**	**31.7**	**19.8**	**-6.2**
Total comprehensive income	**311.2**	**225.2**	**150.2**	**102.4**
Attributable to:				
Vonovia's shareholders	216.7	196.2	92.7	102.3
Vonovia's hybrid capital investors	22.4	22.4	7.6	7.6
Non-controlling interests	72.1	6.6	49.9	-7.5

Also see the corresponding explanations in the Notes.

Consolidated Balance Sheet

in € million	Notes	Sep. 30, 2016	Dec. 31, 2015
Assets			
Intangible assets		2,741.0	2,724.0
Property, plant and equipment		87.5	70.7
Investment properties	10	23,696.9	23,431.3
Financial assets		729.7	221.7
Other assets		16.5	158.5
Income tax receivables		0.1	0.1
Deferred tax assets		72.3	72.3
Total non-current assets		**27,344.0**	**26,678.6**
Inventories		4.6	3.8
Trade receivables		257.9	352.2
Financial assets		0.0	2.0
Other assets		114.0	113.4
Income tax receivables		20.6	23.1
Cash and cash equivalents		1,118.1	3,107.9
Assets held for sale		102.8	678.1
Total current assets		**1,618.0**	**4,280.5**
Total assets		**28.962.0**	**30.959.1**

in € million	Notes	Sep. 30, 2016	Dec. 31, 2015
Equity and liabilities			
Subscribed capital		466.0	466.0
Capital reserves		5,891.4	5,892.5
Retained earnings		3,961.2	4,309.9
Other reserves		37.9	- 47.9
Total equity attributable to Vonovia's shareholders		**10,356.5**	**10,620.5**
Equity attributable to hybrid capital investors		1.031.5	1,001.6
Total equity attributable to Vonovia's shareholders and hybrid capital investors		**11,388.0**	**11,622.1**
Non-controlling interests		319.4	244.8
Total equity	11	**11,707.4**	**11,866.9**
Provisions		661.4	612.9
Trade payables		0.8	0.9
Non derivative financial liabilities	12	12,737.4	13,951.3
Derivatives		87.4	144.5
Liabilities from finance leases		94.3	94.9
Liabilities to non-controlling interests		8.0	46.3
Other liabilities		88.6	25.9
Deferred tax liabilities		2,633.9	2,528.3
Total non-current liabilities		**16,311.8**	**17,405.0**
Provisions		386.0	429.5
Trade payables		113.8	91.6
Non derivative financial liabilities	12	262.6	988.6
Derivatives		56.0	58.8
Liabilities from finance leases		4.9	4.4
Liabilities to non-controlling interests		0.0	9.8
Other liabilities		119.5	104.5
Total current liabilities		**942.8**	**1,687.2**
Total liabilities		**17,254.6**	**19,092.2**
Total equity and liabilities		**28,962.0**	**30,959.1**

Also see the corresponding explanations in the Notes.

Consolidated Statement of Cash Flows

in € million	Notes	Jan. 1 - Sep. 30, 2016	Jan. 1 - Sep. 30, 2015
Profit for the period		278.3	193.5
Revaluation of assets held for sale		-37.9	-24.4
Depreciation and amortization		16.4	7.3
Interest expenses/income		354.0	297.8
Income taxes		177.1	131.1
Results from disposals of investment properties		-34.3	-26.7
Results from disposals of other non-current assets		-0.3	1.5
Other expenses/income not affecting net income		-0.3	0.1
Change in inventories		-3.7	8.6
Change in receivables and other assets		1.9	8.9
Change in provisions		-102.2	-21.3
Change in liabilities		19.3	-75.8
Repayments of tax liabilities (EK02)		-	-44.4
Income tax paid		-31.6	-9.7
Cash flow from operating activities		**636.7**	**446.5**
Proceeds from disposals of investment properties and assets held for sale		1,081.6	316.9
Proceeds from disposals of other assets		1.3	1.1
Proceeds from disposals of shares in consolidated companies (net)		-	7.4
Payments for acquisition of investment properties	10	-327.4	-338.7
Payments for acquisition of other assets		-432.3	-10.0
Proceeds/payments for acquisition of shares in consolidated companies (net)		0.3	-3.058.7
Interest received		3.0	2.7
Cash flow from investing activities		**326.5**	**-3.079.3**

in € million	Notes	Jan. 1 - Sep. 30, 2016	Jan. 1 - Sep. 30, 2015
Capital contributions on the issue of new shares (including premium)		-	2,372.0
Cash paid to shareholders of Vonovia SE		-438.0	-276.2
Cash paid to shareholders of non-controlling interests		-7.2	-19.6
Proceeds from issuing financial liabilities	12	1,576.9	2,004.0
Cash repayments of financial liabilities	12	-3,576.2	-2,114.9
Payment for transaction costs in relating to capital measures		-14.0	-116.9
Payments for other financing costs		-213.0	-28.9
Payments/proceeds for the sale/acquisition of shares in previously consolidated companies (net)		-15.7	-1.2
Interest paid		-265.8	-238.1
Cash flow from financing activities		**-2,953.0**	**1,580.2**
Net changes in cash and cash equivalents		**-1,989.8**	**-1,052.6**
Cash and cash equivalents at the beginning of the period		3,107.9	1,564.8
Cash and cash equivalents at the end of the period[1)]		**1,118.1**	**512.2**

Also see the corresponding explanations in the Notes

[1)] Thereof restricted cash € 48.4 million (Sep. 30, 2015: € 77.6 million)

Consolidated Statement of Changes in Equity

				Other reserves		
				Can be reclassified		
in € million	Subscribed capital	Capital reserves	Retained earnings	Cash flow hedge	Available-for-sale financial assets	Total
As of Jan. 1, 2015	**271.6**	**2,076.0**	**2,643.4**	**-58.4**	**0.0**	**-58.4**
Profit for the period			159.3			
Other comprehensive income						
Changes in the period			24.0	44.9	0.0	44.9
Reclassification affecting net income				-32.0		-32.0
Total comprehensive income			183.3	12.9	0.0	12.9
Capital increase	194.4					
Premium on the issue of new shares		4,849.2				
Transaction costs in connection with the issue of shares		-32.4				
Dividend distributed by Vonovia SE			-276.2			
Acquisition of GAGFAH						
Changes recognized directly in equity		-0.5	-9.6			
As of Sep. 30, 2015	**466.0**	**6,892.3**	**2,540.9**	**-45.5**	**0.0**	**-45.5**
As of Jan. 1, 2016	**466.0**	**5,892.5**	**4,309.9**	**-48.3**	**0.4**	**-47.9**
Profit for the period			182.7			
Other comprehensive income						
Changes in the period			-51.8	-107.5	135.8	28.3
Reclassification affecting net income				57.5		57.5
Total comprehensive income			130.9	-50.0	135.8	85.8
Dividend distributed by Vonovia SE			-438.0			
Changes recognized directly in equity		-1.1	-41.6			
As of Sep. 30, 2016	**466.0**	**5,891.4**	**3,961.2**	**-98.3**	**136.2**	**37.9**

[1] The profit for the period of Vonovia's hybrid investors was calculated taking deferred taxes into account.

Equity attributable to Vonovia's shareholders	Equity attributable to Vonovia's hybrid capital investors [1]	Equity attributable to Vonovia's shareholders and hybrid capital investors	Non-controlling interest	Total equity
4,932.6	**1,001.6**	**5,934.2**	**28.0**	**5,962.2**
159.3	22.4	181.7	11.8	193.5
68.9		68.9	-5.2	63.7
-32.0		-32.0		-32.0
196.2	22.4	218.6	6.6	225.2
194.4		194.4		194.4
4,849.2		4,849.2		4,849.2
-32.4		-32.4		-32.4
-276.2		-276.2		-276.2
			139.3	139.3
-10.1	7.5	-2.6	2.6	
9,853.7	**1,031.5**	**10,885.2**	**176.5**	**11,061.7**
10,620.5	**1,001.6**	**11,622.1**	**244.8**	**11,866.9**
182.7	22.4	205.1	73.2	278.3
-23.5		-23.5	-1.1	-24.6
57.5		57.5		57.5
216.7	22.4	239.1	72.1	311.2
-438.0		-438.0		-438.0
-42.7	7.5	-35.2	2.5	-32.7
10,356.5	**1,031.5**	**11,388.0**	**319.4**	**11,707.4**

Selected Explanatory Notes in Accordance with IFRS

Accounting Policies

1
Principles of the Consolidated Financial Statement

Vonovia SE is incorporated and domiciled in Germany; its registered office is located in Düsseldorf. The head office (principal place of business) is located at Philippstrasse 3, Bochum.

The consolidated financial statements as of September 30, 2016, were prepared in line with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union for interim financial statements in accordance with IAS 34 and include the company and its subsidiaries. In addition, the supplementary commercial law provisions under Section 315a (1) of the German Commercial Code (HGB) have been observed.

Recognition and measurement, as well as the explanatory information and notes, are based on the same recognition and measurement methods that were used to prepare the consolidated financial statements for the 2015 fiscal year. In accordance with IAS 34, the scope of Vonovia's consolidated interim financial statements as of September 30, 2016, is condensed compared with the consolidated financial statements as of December 31, 2015.

All estimates, assumptions, options and judgments remain unchanged from the last consolidated financial statements as of December 31, 2015.

There were no seasonal or economic influences that had an impact on Vonovia's business activities in the reporting period.

2
Scope of Consolidation and Business Combinations

All in all, and including Vonovia SE, 191 companies (Dec. 31, 2015: 190) – thereof 167 (Dec. 31, 2015: 158) domestic companies and 24 (Dec. 31, 2015: 32) foreign companies – have been included in the consolidated financial statements as of September 30, 2016. In addition, three companies were included as joint ventures (Dec. 31, 2015: four).

The changes as of September 30, 2016, compared with December 31, 2015, result from the acquisition of the GRAINGER Group (four companies), the IVV Group (eight companies), two further acquisitions, eight mergers, two sales, two accruals and two liquidations.

The measurement period for the first-time recognition of the merger with GAGFAH S.A., Luxembourg, ended on March 6, 2016.

During the first half of 2016, the obligation under "multi-employer plans" recognized in connection with the acquisition of the SÜDEWO Group was updated and stated at a value of € 15.7 million under "other provisions" (as of Dec. 31, 2015: € 12.7 million). Taking into account the deferred tax liabilities resulting from this change in the amount of € 0.9 million, the goodwill from the acquisition of the SÜDEWO Group increased by € 2.1 million to € 346.0 million. The measurement period for the first-time recognition of the merger with the SÜDEWO Group ended on July 8, 2016.

Notes to the Consolidated Income Statement

The figures from 2015 are only comparable to a limited extent due to acquisitions made during the fiscal year.

3
Income from Property Management

in € million	Jan. 1- Sep. 30. 2016	Jan. 1- Sep. 30. 2015
Rental income	1,159.3	1.019.4
Ancillary costs	481.0	450.9
Income from property letting	**1,640.3**	**1.470.3**
Other income from property management	29.1	21.3
Income from property management	**1,669.4**	**1.491.6**

4
Profit on Disposal of Properties

in € million	Jan. 1- Sep. 30. 2016	Jan. 1- Sep. 30. 2015
Income from disposal of investment properties	237.7	130.3
Carrying amount of investment properties sold	-203.4	-103.6
Profit on disposal of investment properties	**34.3**	**26.7**
Income from sale of assets held for sale	750.5	185.3
Retirement carrying amount of assets held for sale	-750.5	-185.3
Revaluation of assets held for sale	37.9	24.4
Profit on disposal of assets held for sale	**37.9**	**24.4**
	72.2	**51.1**

The fair value adjustment of investment properties held for sale for which a purchase contract had been signed but for which transfer of title had not yet taken place led to a gain of € 37.9 million as of September 30, 2016 (1st nine months of 2015: € 24.4 million).

5
Net Income from Fair Value Adjustments of Investment Properties

Major market developments and valuation parameters that had an impact on Vonovia's fair values are assessed every quarter. As of the reporting date of September 30, 2016, there were not enough existing valid data for material valuation parameters. Therefore, no fair value adjustment were made in the third quarter of 2016. Due to this development and the current excellent performance of the German residential real estate market, however, we expect the consolidated financial statements for 2016 to reflect a significant increase in value.

6
Cost of Materials

in € million	Jan. 1- Sep. 30. 2016	Jan. 1- Sep. 30. 2015
Expenses for ancillary costs	461.8	439.0
Expenses for maintenance	266.4	169.7
Other cost of purchased goods and services	62.4	74.3
	790.6	**683.0**

7
Financial Income

in € million	Jan. 1- Sep. 30. 2016	Jan. 1- Sep. 30. 2015
Income from other investments	10.5	1.1
Income from non-current securities and non-current loans	1.4	1.4
Other interest and similar income	10.5	1.0
	22.4	**3.5**

The income from other investments comprises financial income from investments in other real estate companies in the amount of € 9.6 million (1st nine months of 2015: € 0.4 million). The increase during the reporting period is due to the collection of the dividend paid by Deutsche Wohnen AG in the amount of € 9.1 million.

8
Financial Expenses

in € million	Jan. 1-Sep. 30. 2016	Jan. 1-Sep. 30. 2015
Interest expense from non-derivative financial liabilities	251.4	233.3
Swaps (current interest expense for the period)	26.3	23.6
Effects from the valuation of non-derivative financial instruments	-26.4	-31.1
Effects from the valuation of swaps	10.3	-24.4
Transaction costs	21.2	55.5
Prepayment penalties and commitment interest	66.5	8.5
Interest expenses purchase price liabilities from put options/rights to reimbursement	2.3	24.6
Interest accretion to provisions	8.6	6.2
Other financial expenses	5.8	4.0
	366.0	**300.2**

9
Earnings per Share

The earnings per share are calculated by dividing the profit for the period attributable to the shareholders by the weighted average number of ordinary shares in circulation during the reporting period.

	Jan. 1-Sep. 30, 2016	Jan. 1-Sep. 30, 2015
Profit for the period attributable to Vonovia shareholders (in € million)	182.7	159.3
Weighted average number of shares*	466,000,624	383,045,682*
Earnings per share (basic and diluted) in €	**0.39**	**0.42**

* The number of outstanding shares on average was adjusted in order to take account of the effect of the bonus element for subscription rights issued in July 2015 as part of the capital increase.

Notes to the Consolidated Balance Sheet

10
Investment Properties

in € million	
As of Jan. 1, 2016	**23,431.3**
Additions	272.8
Capitalized modernization costs	322.5
Grants received	-1.2
Transfer from property, plant and equipment	0.1
Transfer from assets held for sale	0.1
Transfer to assets held for sale	-162.0
Disposals	-203.8
Revaluation of assets held for sale	37.1
As of Sep. 30, 2016	**23,696.9**
As of Jan. 1, 2015	**12,687.2**
Additions due to business combinations	9.817.9
Additions from the acquisition of the Franconia portfolio	298.1
Additions	41.8
Capitalized modernization costs	433.5
Grants received	-0.7
Other transfers	22.3
Transfer from property, plant and equipment	0.7
Transfer to property, plant and equipment	-4.0
Transfer from assets held for sale	0.1
Transfer to assets held for sale	-859.4
Disposals	-381.4
Net income from fair value adjustments of investment properties	1,323.5
Revaluation of assets held for sale	51.7
As of Dec. 31, 2015	**23,431.3**

The following table gives an overview of the material valuation parameters and valuation results for the overall portfolio as of Sep. 30, 2016:

Valuation parameters	Average	min.*	max.*
Management costs residential	€ 251 per residential unit p.a.	222	329
Ongoing maintenance costs residential	€ 10.09 per m² p.a.	5.98	12.58
Apartment improvement costs for reletting	€ 3.36 per m² p.a.	0.00	15.57
Maintenance costs total	€ 13.44 per m² p.a.	6.13	25.90
Cost increase/inflation	1.5 % p.a.		
Market rent	€ 6.37 per m² p.a.	2.44	13.15
Market rent increase	1.2 % p.a.	0.6 %	1.6 %
Stabilized vacancy rate	2.5 %	0.4 %	12.5 %
Discount rate	5.8 %	4.5 %	8.1 %
Capitalized interest rate	4.6 %	3.3 %	7.1 %

* Adjusted to reflect individual cases; range includes at least 98 % of all valuation units

Valuation results	
Net initial yield	4.5%
In-place-rent multiplier	15.5-fold
Fair value per m²	€ 1,095 per m² of lettable area

11 Equity

Authorized Capital

On the basis of the resolution passed by the Annual General Meeting on May 12, 2016, the Management Board is authorized, with the consent of the Supervisory Board, to increase the company's share capital by up to € 167,841,594.00 once or several times on or before May 11, 2021, by issuing up to 167,841,594 new registered no-par-value shares in return for cash contributions and/or contributions in kind (2016 authorized capital). Shareholders shall be granted a subscription right.

2015 Conditional Capital

The existing authorization for the existing conditional capital (2015 conditional capital) was canceled at the Annual General Meeting held on May 12, 2016, and replaced by a new authorization and a new conditional capital (2016 conditional capital).

2016 Conditional Capital

Based on the resolution passed by the company's Annual General Meeting on May 12, 2016, the Management Board was authorized, with the consent of the Supervisory Board, to issue bonds carrying conversion rights, bonds carrying option rights, participating rights and/or participating bonds (or combinations of these instruments) (hereinafter collectively referred to as "debentures") in bearer or registered form, once or several times on or before May 11, 2021, with a par value of up to € 6,990,009,360.00 with or without definite maturity, and to grant the creditors/holders of the debentures conversion or option rights for the shares of the company in a pro rata amount of the share capital of up to € 233,000,312.00 according to the detailed terms and conditions of the bonds carrying option/conversion rights and/or the terms and conditions of the participating rights.

A conditional capital was resolved in order to issue shares required to satisfy conversion rights stemming from convertible bonds, bonds with warrants, participating rights and/or participating bonds (or a combination of these instruments) (hereinafter collectively "debentures") that may be issued on the basis of the authorization of issuance resolved by the Annual General Meeting held on May 12, 2016. The share capital is conditionally increased by up to € 233,000,312.00 through the issuance of up to 233,000,312 new no-par-value registered shares with an entitlement to dividend (2016 conditional capital).

Dividend

The Annual General Meeting held on May 12, 2016, in Düsseldorf resolved to pay a dividend for the 2015 fiscal year in the amount of 94 cents per share and subsequently distributed € 438.0 million.

12 Non-Derivative Financial Liabilities

	Sep. 30, 2016		Dec. 31, 2015	
in € million	non-current	current	non-current	current
Non-derivative financial liabilities				
Liabilities to banks	3,918.6	163.7	6,444.2	199.5
Liabilities to other creditors	8,818.8	9.3	7,507.1	711.9
Deferred interest from non-derivative financial liabilities	-	89.6	-	77.2
	12,737.4	**262.6**	**13,951.3**	**988.6**

The US dollar bonds issued in 2013 are translated at the exchange rate at the end of the reporting period in line with applicable IFRS provisions. Allowing for the hedging rate prescribed through the interest hedging transaction entered into, this financial liability would be € 155.5 million (Dec. 31, 2015: € 179.4 million) lower than the recognized value.

The nominal obligations of the non-derivative financial liabilities developed as follows:

in € million	Sep. 30, 2016	Dec. 31, 2015
Bonds*	600.0	1,300.0
Bonds (US dollar)*	739.8	739.8
Bonds (EMTN)*	6,500.0	5,000.0
Bond (Hybrid)*	700.0	700.0
GERMAN RESIDENTIAL FUNDING 2013-1 (CMBS GRF-1)*	-	1,850.6
GERMAN RESIDENTIAL FUNDING 2013-2 (CMBS GRF-2)*	603.1	679.8
Taurus*	1,023.7	1,032.3
Portfolio loans:		
AXA S.A. (Société Générale S.A.)*	-	155.4
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin) (1)*	504.7	569.1
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin) (2)*	-	228.3
Berlin-Hannoversche Hypothekenbank, Landesbank Berlin and Landesbank Baden-Württemberg*	405.0	419.3
Corealcredit Bank AG (1)*	148.4	154.0
Corealcredit Bank AG (2)*	-	94.1
Deutsche Hypothekenbank*	175.7	179.7
HSH Nordbank AG*	19.2	22.6
Nordrheinische Ärzteversorgung	33.7	34.4
Norddeutsche Landesbank (1)*	-	137.5
Norddeutsche Landesbank (2)*	121.1	123.5
Mortgages	1,257.7	1,275.6
	12,832.1	**14,696.0**

* Under the conditions of existing loan agreements, Vonovia is obliged to fulfill certain financial covenants.

Bond Repayment

In July 2016, a bond worth € 700 million and with a maturity of three years, which was issued in July 2013, was repaid on schedule.

Repayment of GERMAN RESIDENTIAL FUNDING 2013-1 (CMBS GRF-1)

In June 2013, GAGFAH had concluded a loan agreement with a volume of € 1,998.1 million and a term of five years, which was set to reach maturity in August 2018, with GERMAN RESIDENTIAL FUNDING 2013-1 Limited (GRF 2013-1). The loans were refinanced via debentures as part of a commercial mortgage-backed securities (CMBS) structure. The entire financing structure was terminated prematurely and in full in August 2016, when its outstanding volume was € 1,796.8 million.

Issue of Bonds under the EMTN – Tap Issuance (European Medium Term Notes Program)

Based on the current tap issuance master agreement dated April 12, 2016 (€ 8,000,000,000 debt issuance program), Vonovia has issued bonds in two tranches of € 500 million each via its Dutch financing company. The bonds were issued on June 6, 2016, at an issue price of 99.53 %, a coupon of 0.875 % and with a maturity of six years for one tranche, and at an issue price of 99.165 %, a coupon of 1.50 % and with a maturity of ten years for the other.

Based on the current tap issuance master agreement dated April 12, 2016 (€ 8,000,000,000 debt issuance program), Vonovia has issued a further bond worth € 500 million via its Dutch financing company. The bond was issued on September 6, 2016, at an issue price of 100 %, with a maturity of two years and a variable coupon based on the EURIBOR, which was fixed using a corresponding interest rate hedging transaction at 0.14 %.

Other Notes and Dislosures

13
Additional Financial Instrument Disclosures

Measurement categories and classes: in € million	Measurement category in acc. with IAS 39	Carrying amounts Sep. 30, 2016
Assets		
Cash and cash equivalents		
Cash on hand and deposits at banking institutions	LaR	1.118.1
Trade receivables	LaR	257.9
Financial assets		
Joint ventures valued at equity	n.a.	4.0
Long-term bank balances restricted with regard to their use	LaR	
Loans to other investments	LaR	33.5
Other non-current loans	LaR	3.8
Non-current securities	AfS	7.2
Other investments	AfS	546.8
Derivative financial assets		
Cash flow hedges (cross currency swaps)	n.a.	134.0
Embedded derivatives	FLHfT	0.4
Liabilities		
Trade payables	FLAC	114.6
Non-derivative financial liabilities	FLAC	13,000.0
Derivative financial liabilities		
Purchase price liabilities from put options/rights to reimbursement	FLHfT	50.3
Stand-alone interest rate swaps	FLHfT	19.4
Other swaps	n.a.	73.7
Liabilities from finance leases	n.a.	99.2
Liabilities to non-controlling interests	FLAC	8.0
Thereof aggregated by measurement categories in accordance with IAS 39:		
Loans and receivables	LaR	1,413.3
Available-for-sale financial assets	AfS	554.0
Financial liabilities held-for-trading	FLHfT	70.1
Financial liabilities measured at amortized cost	FLAC	13,122.6

	Amounts recognized in balance sheet in accordance with IAS 39							
	Face value	Amortized cost	Acquisition cost	Fair value affecting net income	Fair value recognized in equity	Amounts recognized in balance sheet in acc. with IAS 17/IAS 28	Fair value Sep. 30, 2016	Fair value hierarchy level
	1,118.1						1,118.1	1
		257.9					257.9	2
						4.0	4.0	n.a.
								1
		33.5					62.6	2
		3.8					3.8	2
					7.2		7.2	1
			2.6		544.2		546.8	1
							134.0	2
				0.4			0.4	2
		114.6					114.6	2
		13,000.0					13,895.6	2
				50.3			50.3	3
				19.4			19.4	2
							73.7	2
						99.2	206.0	2
		8.0					8.0	
	1,118.1	295.2					1,442.4	
			2.6		551.4		554.0	
				69.3			70.1	
		13,122.6					14,018.2	

Measurement categories and classes: in € million	Measurement category in acc. with IAS 39	Carrying amounts Dec. 31, 2015
Assets		
Cash and cash equivalents		
Cash on hand and deposits at banking institutions	LaR	2,108.0
Commercial Papers	LaR	999.9
Trade receivables	LaR	352.2
Financial assets		
Joint ventures valued at equity	n.a.	3.9
Long-term bank balances restricted with regard to their use	LaR	3.1
Loans to other investments	LaR	33.5
Other non-current loans	LaR	3.4
Dividends from other investments	LaR	2.0
Non-current securities	AfS	7.2
Other investments	AfS	15.4
Derivative financial assets		
Cash flow hedges (cross currency swaps)	n.a.	154.3
Embedded derivatives	FLHfT	0.9
Liabilities		
Trade payables	FLAC	92.5
Non-derivative financial liabilities	FLAC	14,939.9
Derivative financial liabilities		
Purchase price liabilities from put options/rights to reimbursement	FLHfT	57.6
Stand alone interest rate swaps	FLHfT	100.8
Other swaps	n.a.	44.9
Liabilities from finance leases	n.a.	99.3
Liabilities to non-controlling interests	FLAC	56.1
Thereof aggregated by measurement categories in accordance with IAS 39:		
Loans and receivables	LaR	3,502.1
Available-for-sale financial assets	AfS	22.6
Financial liabilities held for trading	FLHfT	159.3
Financial liabilities measured at amortized cost	FLAC	15,088.5

The section below provides information on the financial assets and financial liabilities not covered by IAS 39.

> Employee benefits IAS 19: gross presentation of right to reimbursement arising from transferred pension obligations in the amount of € 6.3 million (December 31, 2015: € 7.6 million)
> Amount by which the fair value of plan assets exceeds the corresponding obligation: € 1.0 million (December 31, 2015: € 1.0 million)
> Provisions for pensions and similar obligations: € 569.6 million (December 31, 2015: € 495.2 million)

	Amounts recognized in balance sheet in accordance with IAS 39							
	Face value	Amortized cost	Acquisition cost	Fair value affecting net income	Fair value recognized in equity	Amounts recognized in balance sheet in acc. with IAS 17/IAS 28	Fair value Dec. 31, 2015	Fair value hierarchy level
	2,108.0						2,108.0	1
		999.9					999.9	2
		352.2					352.2	2
						3.9	3.9	n.a.
	3.1						3.1	1
		33.5					48.0	2
		3.4					3.4	2
		2.0					2.0	2
					7.2		7.2	1
			2.6		12.8		15.4	1
							154.3	2
				0.9			0.9	2
		92.5					92.5	2
		14,939.9					16,270.8	2
				57.6			57.6	3
				100.8			100.8	2
							44.9	2
						99.3	160.5	2
		56.1					56.1	
	2,111.1	1,391.0					3,516.6	
			2.6		20.0		22.6	
				157.5			159.3	
		15,088.5					16,419.4	

The following table shows the assets and liabilities which are recognized in the balance sheet at fair value and their classification according to the fair value hierarchy:

in € million	Sep. 30, 2016	Level 1	Level 2	Level 3
Assets				
Investment properties	**23,696.9**			23,696.9
Available-for-sale financial assets				
Non-current securities	**7.2**	7.2		
Other investments	**544.2**	544.2		
Assets held for sale				
Investment properties (contract closed)	**102.8**		102.8	
Derivative financial assets				
Cash flow hedges (cross currency swaps)	**134.0**		134.0	
Liabilities				
Derivative financial liabilities				
Purchase price liabilities from put options/rights to reimbursement	**50.3**			50.3
Cash flow hedges	**68.0**		68.0	
Stand-alone derivatives	**19.4**		19.4	

in € million	Dec. 31, 2015	Level 1	Level 2	Level 3
Assets				
Investment properties	**23,431.3**			23,431.3
Available-for-sale financial assets				
Non-current securities	**7.2**	7.2		
Other investments	**12.8**	12.8		
Assets held for sale				
Investment properties (contract closed)	**678.1**		678.1	
Derivative financial assets				
Cash flow hedges (cross currency swaps)	**154.3**		154.3	
Liabilities				
Derivative financial liabilities				
Purchase price liabilities from put options/rights to reimbursement	**57.6**			57.6
Cash flow hedges	**43.7**		43.7	
Stand-alone derivatives	**100.8**		100.8	

When inputs used to measure the fair value are categorized within different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Should the level of the input parameters used for a financial instrument change in a period subsequent to initial recognition, the financial instrument is reclassified to the new hierarchy level as of the end of that reporting period. No financial instruments were reclassified to different hierarchy levels compared with the comparative period.

Vonovia measures its investment properties on the basis of the discounted cash flow (DCF) methodology (Level 3). The main valuation parameters and valuation results can be found in note [10] Investment Properties.

Non-current securities are measured using the quoted prices in active markets (Level 1).

The investment properties classified as assets held for sale are recognized at the time of their transfer to assets held for sale at their new fair value, the agreed purchase price (Level 2).

For the measurement of financial instruments, cash flows are initially calculated and then discounted. In addition to the tenor-specific EURIBOR rates (3M; 6M), the respective credit risk is taken as a basis for discounting. Depending on the expected cash flows, either Vonovia's own credit risk or the counterparty risk is taken into account in the calculation. For the consolidated financial statements, Vonovia's own credit risk was relevant for interest rate swaps. This credit risk is derived for major risks from rates observable on the capital markets and ranges of between 30 and 70 basis points, depending on the residual maturities of financial instruments. Regarding the positive market values of the cross currency swaps, a counterparty risk of between 40 and 60 basis points was taken into account.

The non-derivative financial liabilities, the liabilities from finance leases and the liabilities to non-controlling interests are measured at fair value by discounting contractually agreed future cash flows.

The fair value of the purchase price liabilities from put options/ rights to reimbursement granted to minority shareholders is generally based on the going concern value of the respective company; if a contractually agreed minimum purchase price is higher than this amount, this purchase price is recognized (Level 3). The unobservable valuation parameters may fluctuate depending on the going concern values of these companies. However, a major change in value is not likely, as the business model is very predictable.

The contingent consideration component within the scope of the acquisition of GAGFAH S.A. is an option held by the co-investor J.P. Morgan Securities plc, London. The number of shares and the difference between the current and guaranteed price per share are material valuation parameters. It was stated at fair value using the Black Scholes model (Level 2). For the current price, the share price of GAGFAH S.A. at the date of delisting was taken into consideration (Level 3 valuation parameters), so as to avoid distorted stock market valuations due to the extremely low trading volume. The fair value of the option is subject to sensitivities that reflect inputs that cannot be empirically observed: the historical volatility of the share price, limited price calculation using negative yield curves in the Black Scholes model, the deviations from GAGFAH's valuation and the uncertain term of the option. An increased level of volatility, a lower valuation, a longer term and a lower interest rate reflect an increase in the value of the option, and vice versa.

The addition relating to the change in the scope of consolidation relates to a put option as part of the acquisition of the GRAINGER portfolio in the amount of € 6.7 million. In April 2016, this put option was transferred to an external third party.

The following table shows the development of the put options recognized at fair value:

		Change in	Change			
in € million	As of Jan. 1	Scope of consolidation	affecting net income	Cash effective	not affecting net income	As of Sep. 30
2016						
Purchase price liabilities from put options/ rights to reimbursement	**57.6**	6.7	-7.2	-	-6.8	50.3
2015	As of Jan. 1					As of Dec. 31
Purchase price liabilities from put options/ rights to reimbursement	**21.7**	77.6	23.6	-65.3	-	57.6

In order to measure interest rate swaps, future cash flows are calculated and then discounted (Level 2). The calculated cash flows result from the contract conditions. The contract conditions refer to the EURIBOR reference rates (3M and 6M EURIBOR).

The calculated cash flows of the cross currency swap result from the forward curve for USD/EUR. The cash flows are discounted on the basis of the reference interest rate of each currency (LIBOR and EURIBOR) and translated into euros at the current exchange rate (Level 2).

In September 2015, Vonovia entered into an agreement with Commerzbank AG on a working capital facility of € 300 million. This unsecured credit line runs until September 2018 and is subject to interest on the basis of EURIBOR plus a mark-up. The working capital facility had not been utilized by September 30, 2016. Furthermore, there are two general guarantee facility agreements in place between Vonovia and Commerzbank, one for € 10 million, from which bills of exchange of approximately € 1.0 million had been drawn as of September 30, 2016, and one for € 50 million, from which bills of exchange had been drawn in the full amount.

As part of the acquisition of the GAGFAH Group, unused credit lines of € 64 million were assumed. These will be gradually reduced as of the respective interest payment dates. These relate to a liquidity facility of € 14.9 million (as of September 30, 2016) between Bank of America N.A., London branch, and GERMAN RESIDENTIAL FUNDING 2013-2 LIMITED. A further liquidity facility between Goldman Sachs Bank USA and GERMAN RESIDENTIAL FUNDING 2013-1 LIMITED was terminated in full in August 2016.

14 Cash Flow Hedges and Stand-Alone Interest Rate Swaps

The nominal volume of the euro interest rate swaps has fallen due to contractual reductions and premature terminations and came to € 2,656.1 million on the reporting date (Dec. 31, 2015: € 6,653.2 million). Interest rates vary between 0.14 % and 3.760 % with original swap periods of between two and ten years.

In connection with the € 500 million bond with a variable coupon issued in September 2016, the company has used a corresponding interest rate hedging transaction to fix the interest rate at 0.14 % for two years.

In line with the planned early repayment of selected mortgage-backed loans, seven interest rate swaps with a volume of € 2,314.0 million have been terminated prematurely in the reporting year to date.

The refinancing plan, which was developed back in 2015, was also modified in June 2016. As a direct consequence, four out of the five forward swaps that were designated in October 2015, with a nominal volume of € 2,100 million, were terminated prematurely in June 2016. Two hedging instruments can be continued within a so-called passive hedge accounting and the changes in value previously reported outside profit or loss under OCI (other comprehensive income) will be reclassified to profit or loss in line with the expected cash flows from the underlying hedged items (two tranches of the bond issued on June 6, 2016, each with a volume of € 500 million). Since the originally intended hedged items for the other two hedging instruments are no longer associated with a high probability of occurrence, their termination prices totaling € 54.5 million were recognized affecting net income.

As far as the remaining forward swap is concerned, the company still deems the outstanding hedged item to be a highly probable transaction.

The nominal volume of the cross currency swaps remained unchanged at € 739.8 million on the reporting date (Dec. 31, 2015: € 739.8 million). The interest rate for the transaction due in 2017 comes to 2.970 % and the rate for the transaction due in 2023 comes to 4.580 %.

15 Segment Reporting

In the fourth quarter of 2015, Vonovia revamped its organizational and reporting structure. The new Extension segment has been created as an independent entity in addition to the Rental and Sales segments.

For information on the definitions of the reportable segments and the management system, please refer to the Vonovia Group consolidated financial statements in accordance with IFRS dated December 31, 2015.

Internal reporting is generally based on the IFRS reporting standards. In contrast to the presentation in the statements from December 31, 2015, services in the Extension segment that are performed by third parties are reported as internal income provided that Group companies are responsible for managing these services.

The corresponding amounts for the reporting period from January 1 to September 30, 2015, were adjusted in accordance with the new segment structure. The adjusted EBITDA Rental was calculated for a smaller area due to the separate reporting for the Extension segment. In the 2016 reporting period, we are reporting the financial income from investments in other real estate companies outside of adjusted EBITDA for the first time. For the reporting period from January 1 to September 30, 2015, financial income from investments in other real estate companies amounting to € 0.4 million was taken out of adjusted EBITDA Rental. The financial income from investments in other real estate companies came to € 9.6 million in the reporting period from January 1 to September 30, 2015.

The Management Board, as chief decision-makers of Vonovia, assess the contribution of the business segments to the company's performance on the basis of their income as well as the adjusted EBITDA.

The adjusted segment EBITDA represents earnings before interest, taxes, depreciation and amortization adjusted for items that are not related to the period, recur irregularly and that are atypical for business operation and excluding effects from revaluations in accordance with IAS 40.

The following table shows the segment information for the reporting period:

in € million	Rental	Extension	Sales	Other*	Group
Jan. 1 – Sep. 30, 2016					
Segment income	**1,156.1**	**574.4**	**988.2**	**-61.1**	**2,657.6**
thereof external income	1,156.1	91.6	988.2	421.7	2,657.6
thereof internal income		482.8		-482.8	
Carrying amount of assets sold			-953.9		
Revaluation from disposal of assets held for sale			49.1		
Expenses for maintenance	-184.1				
Operating expenses	-177.9	-529.3	-17.9	54.2	
Adjusted EBITDA	**794.1**	**45.1**	**65.5**	**-6.9**	**897.8**
Non-recurring items					-70.3
Period adjustments from assets held for sale					-11.2
Income from invetsments in other real estate companies					9.6
EBITDA IFRS					**825.9**
Net income from fair value adjustments of investment properties					-
Depreciation and amortization					-16.4
Income from other investments					-10.5
Financial income					22.4
Financial expenses					-366.0
EBT					**455.4**
Income taxes					-177.1
Profit for the period					**278.3**

* The income for the segments Rental, Extension and Sales constitutes income that is regularly reported to the Management Board as chief operating decision-maker. The income in the column "Other" results from the onward charging of ancillary costs amounting to € 481.0 million, as well as consolidation effects. These are not part of the regular reporting to the Management Board and have thus been presented in the "Other" column. The cost side is also part of the reporting to the Management Board in order to ensure efficient property management.

in € million	Rental	Extension	Sales	Other*	Group
Jan. 1 – Sep. 30, 2015					
Segment income	**1,019.4**	**291.6**	**315.6**	**180.6**	**1,807.2**
thereof external income	1,019.4	38.5	315.6	433.7	1,807.2
thereof internal income		253.1		-253.1	
Carrying amount of assets sold			-288.9		
Revaluation from disposal of assets held for sale			25.0		
Expenses for maintenance	-167.8				
Operating expenses	-174.1	-267.2	-17.6	-183.1	
Adjusted EBITDA	**677.5**	**24.4**	**34.1**	**-2.5**	**733.5**
Non-recurring items					-103.6
Period adjustments from assets held for sale					-0.6
Income from invetsments in other real estate companies					0.4
EBITDA IFRS					**629.7**
Net income from fair value adjustments of investment properties					-
Depreciation and amortization					-7.3
Income from other investments					-1.1
Financial income					3.5
Financial expenses					-300.2
EBT					**324.6**
Income taxes					-131.1
Profit for the period					**193.5**

* The income for the segments Rental, Extension and Sales constitutes income that is regularly reported to the Management Board as chief operating decision-maker. The income in the column "Other" results from the onward charging of ancillary costs amounting to € 450.9 million, as well as consolidation effects. These are not part of the regular reporting to the Management Board and have thus been presented in the "Other" column. The cost side is also part of the reporting to the Management Board in order to ensure efficient property management. Unlike in the previous year, the income and expenses from property management that are attributable to the Extension segment is now reported in the Extension segment.

Some business activities that serve to expand the value chain and relate to property-related services reported under the Rental segment in the reporting period from January 1 to September 30, 2015, are now reported in the Extension segment and have been taken out of the Rental segment accordingly. In the reporting period from January 1 to September 30, 2015, the consolidated earnings contribution made by these activities had been offset against other operating expenses in the Rental segment. Due to the separate reporting for the new Extension segment, the operating expenses in the Rental segment for the reporting period from January 1 to September 30, 2015, were adjusted from the previous figure of € -151.8 million to € -174.1 million.

To show the development of operating performance and to ensure comparability with previous periods, we calculate adjusted EBITDA for our Rental, Extension and Sales segments, as mentioned above. The total of these key figures, taking consolidation effects into account (adjusted EBITDA Other), produces the adjusted EBITDA for the Group as a whole. The adjustments made include items that are not related to the period, items that recur irregularly and items that are atypical for business operation. The non-recurring items include the development of new fields of business and business processes, acquisition projects including integration costs, expenses for refinancing and equity increases (where not treated as capital procurement costs), as well as expenses for preretirement part-time work arrangements and severance payments.

The following table gives a detailed list of the non-recurring items for the reporting period:

in € million	Jan. 1-Sep. 30. 2016	Jan. 1-Sep. 30. 2015
Business model optimisation/development of new fields of business	14.5	5.4
Acquisition costs incl. integration costs*	33.4	81.4
Refinancing and equity measures	2.2	0.6
Severance payments/pre-retirement part-time work arrangements	20.2	16.2
Total non-Recurring items	**70.3**	**103.6**

* Including takeover costs and one-time expenses in connection with acquisitions. such as HR measures relating to the integration process

In the reporting period from January 1 to September 30, 2016, non-recurring items came to € 70.3 million, down by 32.1% on the figure for the previous year € 103.6 million. In the reporting period, the non-recurring items related primarily to acquisition costs of € 33.4 million (1st nine months of 2015: € 81.4 million), mainly due to the costs incurred in connection with the public takeover offer made to the shareholders of Deutsche Wohnen and costs associated with the integration of GAGFAH.

For the period from July 1 to September 30, the segment information is as follows:

in € million	Rental	Extension	Sales	Other*	Group
Jul. 1 – Sep. 30, 2016					
Segment income	**381.4**	**240.8**	**137.7**	**-72.2**	**687.7**
thereof external income	381.4	34.9	137.7	133.7	687.7
thereof internal income		205.9		-205.9	
Carrying amount of assets sold			-123.5		
Revaluation from disposal of assets held for sale			10.9		
Expenses for maintenance	-65.1				
Operating expenses	-57.8	-221.7	-6.1	68.8	
Adjusted EBITDA	**258.5**	**19.1**	**19.0**	**-3.4**	**293.2**
Non-recurring items					-21.2
Period adjustments from assets held for sale					9.9
Financial income from invetsments in other real estate companies					0.1
EBITDA IFRS					**282.0**
Net income from fair value adjustments of investment properties					-
Depreciation and amortization					-6.4
Income from other investments					-0.3
Financial income					0.8
Financial expenses					-78.5
EBT					**197.6**
Income taxes					-67.2
Profit for the period					**130.4**

* The income for the segments Rental, Extension and Sales constitutes income that is regularly reported to the Management Board as chief operating decision-maker. The income in the column "Other" results from the onward charging of ancillary costs amounting to € 157.7 million, as well as consolidation effects. These are not part of the regular reporting to the Management Board and have thus been presented in the "Other" column. The cost side is also part of the reporting to the Management Board in order to ensure efficient property management.

in € million	Rental	Extension	Sales	Other*	Group
Jul. 1 – Sep. 30, 2015					
Segment income	**391.4**	**116.4**	**94.2**	**56.0**	**658.0**
thereof external income	391.4	15.9	94.2	156.5	658.0
thereof internal income		100.5		-100.5	
Carrying amount of assets sold			-84.1		
Revaluation from disposal of assets held for sale			10.0		
Expenses for maintenance	-60.7				
Operating expenses	-59.2	-113.1	-5.5	-57.6	
Adjusted EBITDA	**271.5**	**3.3**	**14.6**	**-1.6**	**287.8**
Non-recurring items					-43.4
Period adjustments from assets held for sale					-0.8
Financial income from investments in other real estate companies					-
EBITDA IFRS					**243.6**
Net income from fair value adjustments of investment properties					-
Depreciation and amortization					-2.5
Income from other investments					-0.1
Financial income					0.8
Financial expenses					-61.4
EBT					**180.4**
Income taxes					-71.8
Profit for the period					**108.6**

* The income for the segments Rental, Extension and Sales constitutes income that is regularly reported to the Management Board as chief operating decision-maker. The income in the column "Other" results from the onward charging of ancillary costs amounting to € 165.1 million, as well as consolidation effects. These are not part of the regular reporting to the Management Board and have thus been presented in the "Other" column. The cost side is also part of the reporting to the Management Board in order to ensure efficient property management. Unlike in the previous year, the income and expenses from property management that are attributable to the Extension segment is now reported in the Extension segment.

Düsseldorf, October 28, 2016

Rolf Buch
(CEO)

Klaus Freiberg
(COO)

Dr. A. Stefan Kirsten
(CFO)

Gerald Klinck
(CCO)

Review Report

To Vonovia SE, Düsseldorf

We have reviewed the condensed interim consolidated financial statements – comprising Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and Selected Explanatory Notes to the condensed interim consolidated financial statements – together with the interim group management report of the Vonovia SE, Düsseldorf, for the period from January 1 to September 30, 2016 that are part of the quarterly financial report according to § 37w WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as in supplementary compliance with the International Standard on Review Engagements “Review of interim Financial information performed by the Independent Auditor of the Entity” (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Essen, October 31, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German Version signed by:]

Ufer	Bornhofen
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Glossary

Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)

Adjusted EBITDA is the result before interest, taxes, depreciation and amortization (including income from other operational investments) adjusted for effects that do not relate to the period, recur irregularly and are atypical for business operation, and for net income from fair value adjustments to investment properties. These non-recurring items include the development of new fields of business and business processes, acquisition projects, expenses for refinancing and equity increases (where not treated as capital procurement costs), IPO preparation costs and expenses for preretirement part-time work arrangements and severance payments.

Adjusted EBITDA Extension

The adjusted EBITDA Extension is calculated by deducting operating expenses from the segment's income.

Adjusted EBITDA Rental

The adjusted EBITDA Rental is calculated by deducting the operating expenses of the Rental segment and expenses for maintenance from the Group's rental income.

Adjusted EBITDA Sales

The adjusted EBITDA Sales is calculated by subtracting all operating expenses (excl. overheads) incurred in connection with sales activities from the profit on the disposal of properties generated by the Group and by adjusting the profit on the disposal of properties to reflect certain reclassification and time effects.

Cash-Generating Unit (CGU)

The cash-generating unit refers, in connection with the impairment testing of goodwill, to the smallest group of assets that generates cash inflows and outflows independently of the use of other assets or other cash-generating units (CGUs).

Covenants

Requirements specified in loan agreements or bond conditions containing future obligations of the borrower or the bond obligor to meet specific requirements or to refrain from undertaking certain activities.

CSI (Customer Satisfaction Index)

The CSI is determined at regular intervals by means of systematic customer surveys and reflects how our services are perceived and accepted by our customers. The CSI is determined on the basis of points given by the customers for our properties and their neighborhood, customer service and commercial and technical support as well as maintenance and modernization management.

EPRA (European Public Real Estate Association)

The European Public Real Estate Association (EPRA) is a non-profit organization that has its registered headquarters in Brussels and represents the interests of listed European real estate companies. Its mission is to raise awareness of European listed real estate companies as a potential investment destination that offers an alternative to conventional investments.

EPRA Key Figures

For information on the EPRA key figures, we refer to the glossary in the 2015 Annual Report. A full overview of the EPRA key figures in line with best-practice recommendations is provided every year in the annual financial statements.

EPRA NAV/Adjusted EPRA NAV

The presentation of the NAV based on the EPRA definition aims to show the net asset value in a long-term business model. The equity attributable to Vonovia's shareholders is adjusted to reflect the fair value of derivative financial instruments and the deferred taxes on derivative financial instruments. In order to boost transparency, an adjusted EPRA NAV, which involves eliminating goodwill in full, is also reported.

Fair Value

Valuation pursuant to IAS 40 in conjunction with IFRS 13. The estimated value of an asset. The fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Fair Value Step-up

Fair value step-up is the difference between the income from selling a unit and its current fair value in relation to its fair value. It shows the percentage increase in value for the company on the sale of a unit before further costs of sale.

FFO (Funds From Operations)

FFO reflects the recurring earnings from the operating business. In addition to adjusted EBITDA, FFO allows for recurring cash-effective net interest expenses from non-derivative financial instruments as well as income taxes. This key figure is not determined on the basis of any specific international reporting standard but is to be regarded as a supplement to other performance indicators determined in accordance with IFRS.

FFO 1/FFO 1 Before Maintenance/FFO 2/AFFO

Vonovia differentiates between

FFO 1: The profit or loss for the period to reflect the adjusted profit or loss from sales; period adjustments from assets held for sale; specific effects that do not relate to the period, are non-recurring or do not relate to the objective of the company; the net income from fair value adjustments of investment properties; depreciation and amortization; deferred and previous-year current taxes (tax expenses/income); transaction costs; prepayment penalties and commitment interest; valuation effects on financial instruments; the unwinding of discounting for provisions, particularly pension provisions, and other previous-year interest expenses and income that are not of a long-term nature.

For the purposes of FFO 1 (before maintenance), FFO 1 is adjusted to reflect maintenance expenses.

AFFO refers to capex-adjusted FFO 1 in which FFO 1 is adjusted for capitalized maintenance.

In order to calculate FFO 2, the adjusted EBITDA Sales is added to FFO 1 for the periods in question and adjusted to reflect the FFO taxes attributable to sales.

LTV Ratio (Loan-to-Value Ratio)

The LTV ratio shows the extent to which financial liabilities are covered. It shows the ratio of non-derivative financial liabilities pursuant to IFRS, less foreign exchange rate effects, cash and cash equivalents, receivables from disposals, plus purchase prices for outstanding acquisitions, to the total fair values of the real estate portfolio, plus the fair values of outstanding acquisitions and investments in other real estate companies.

Maintenance

Maintenance covers the measures that are necessary to ensure that the property can continue to be used as intended over its useful life and that eliminate structural and other defects caused by wear and tear, age and weathering effects.

Modernization Measures

Modernization measures are long-term and sustainable value-enhancing investments in housing and building stocks. Energy-efficient refurbishments generally involve improvements to the building shell and communal areas as well as the heat and electricity supply systems. Typical examples are the installation of heating systems, the renovation of balconies and the retro-fitting of prefabricated balconies as well as the implementation of energy-saving projects, such as the installation of double-glazed windows and heat insulation, e.g., facade insulation, insulation of the top story ceilings and basement ceilings. In addition to modernization of the apartment electrics, the refurbishment work upgrades the apartments, typically through the installation of modern and/or handicapped-accessible bathrooms, the installation of new doors and the laying of high-quality and non-slip flooring. Where required, the floor plans are altered to meet changed housing needs.

Monthly In-Place Rent

The monthly in-place rent is measured in € per square meter and is the current gross rental income per month for rented units as agreed in the corresponding rent agreements at the end of the relevant month before deduction of non-transferable ancillary costs divided by the living area of the rented units. The in-place rent is often referred to as the net cold rent. The monthly in-place rent (in € per square meter) on a like-for-like basis refers to the monthly in-place rent for the residential portfolio that was already held by Vonovia 12 months previously, i.e., portfolio changes during this period are not included in the calculation of the in-place rent on a like-for-like basis.

Non-Core/Non-Strategic

In the "Non-Core" subportfolio, our focus is on selling properties in locations that offer below-average development potential in the medium to long term to private and institutional investors. Limited potential is defined, in particular, by below-average property condition combined with a location that is of similarly below-average quality.

The "Non-Strategic" subportfolio contains locations and properties that were identified in the latest extensive review of the overall portfolio as not being absolutely essential for further strategic development. Properties in the "Non-Strategic" portfolio are reviewed on a regular basis and offer further sale potential.

Privatize

In the "Privatize" subportfolio, our focus is on generating additional added value by privatizing owner-occupied apartments and single-family houses at a premium compared with their fair value.

Rating

Classification of debtors or securities with regard to their creditworthiness or credit quality according to credit ratings. The classification is generally performed by rating agencies.

Rental Income

Rental income refers to the current gross income for rented units as agreed in the corresponding rent agreements before the deduction of non-transferable ancillary costs.

Strategic

The "Strategic" subportfolio contains locations that offer development potential that is above average and for which we are pursuing a value-enhancing property management strategy.

Vacancy Rate

The vacancy rate is the number of empty units as a percentage of the total units owned by the company. The vacant units are counted at the end of each month.

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Financial Calendar

November 3, 2016	Publication of Interim Report January–September 2016
March 7, 2017	Publication of Annual Report 2016
May 9, 2017	Publication of Interim Report January–March 2017
May 16, 2017	Annual General Meeting
August 2, 2017	Publication of Interim Report January–June 2017
November 8, 2017	Publication of Interim Report January–September 2017

Note
This Interim Financial Report is published in German and English. The German version is always the authoritative text. The Interim Financial Report can be found on the website at www.vonovia.de.

Disclaimer
This report contains forward-looking statements. These statements are based on current experience, assumptions and forecasts of the Management Board as well as information currently available to the Board. The forward-looking statements are not guarantees of the future developments and results mentioned therein. The future developments and results depend on a large number of factors. They involve certain risks and uncertainties and are based on assumptions that may prove to be inaccurate. These risk factors include but are not limited to those discussed in the Risk Report of the 2015 Annual Report. We do not assume any obligation to update the forward-looking statements contained in this report. This financial report does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security of Vonovia SE.

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