

# Company Presentation

Non-deal Roadshow to China

March 28-30, 2017

Market

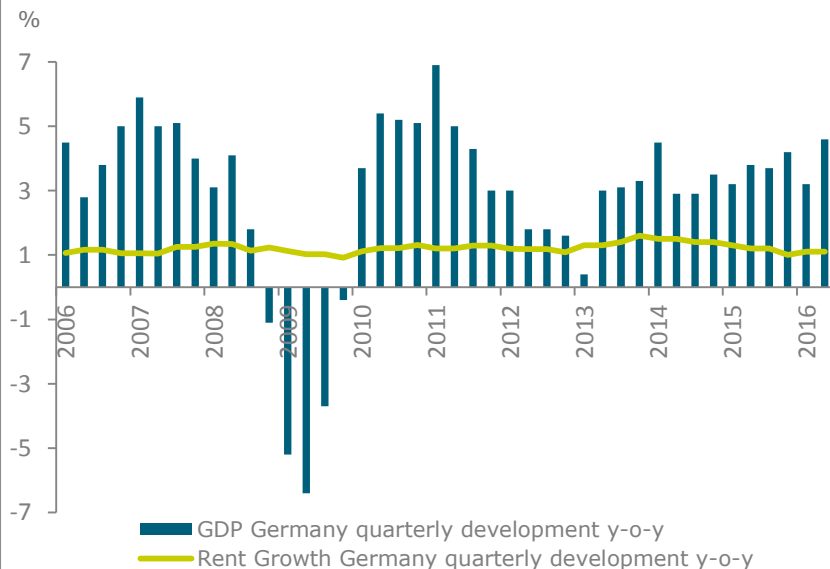
Company

Strategy & Execution

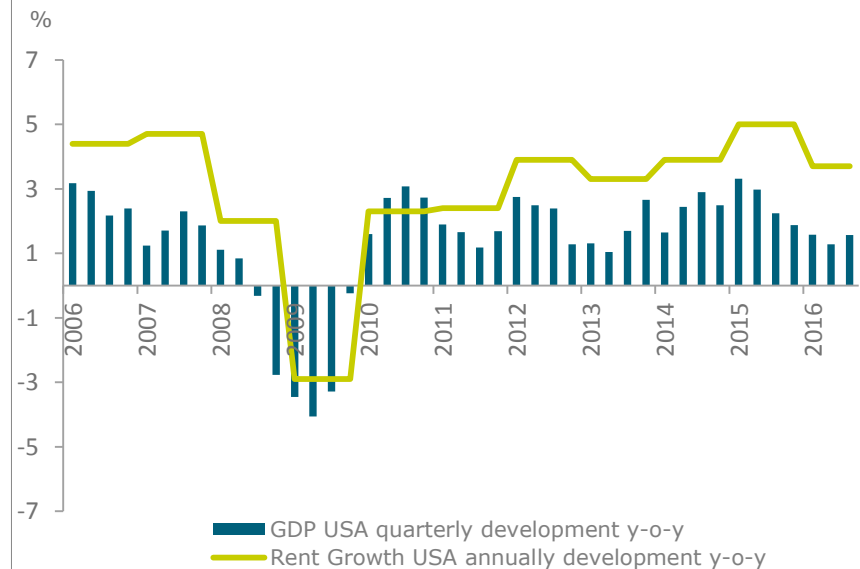
## German residential market: important pillar of the German economy

- With a GDP contribution of more than €500bn the German residential real estate industry represents more than 18% of Germany's GDP.
- Germany and its resilient economy provide a comparatively safe harbor for foreign investments.
- Germany is the economic powerhouse and growth engine of Europe.
- Due to its regulatory structure, the German residential rental market is largely immune to macro-economic fluctuations and offers high cash flow visibility.
- Residential market provides superior returns especially in low interest rate environment.

### Germany: regulated market ensures sustainable rent growth



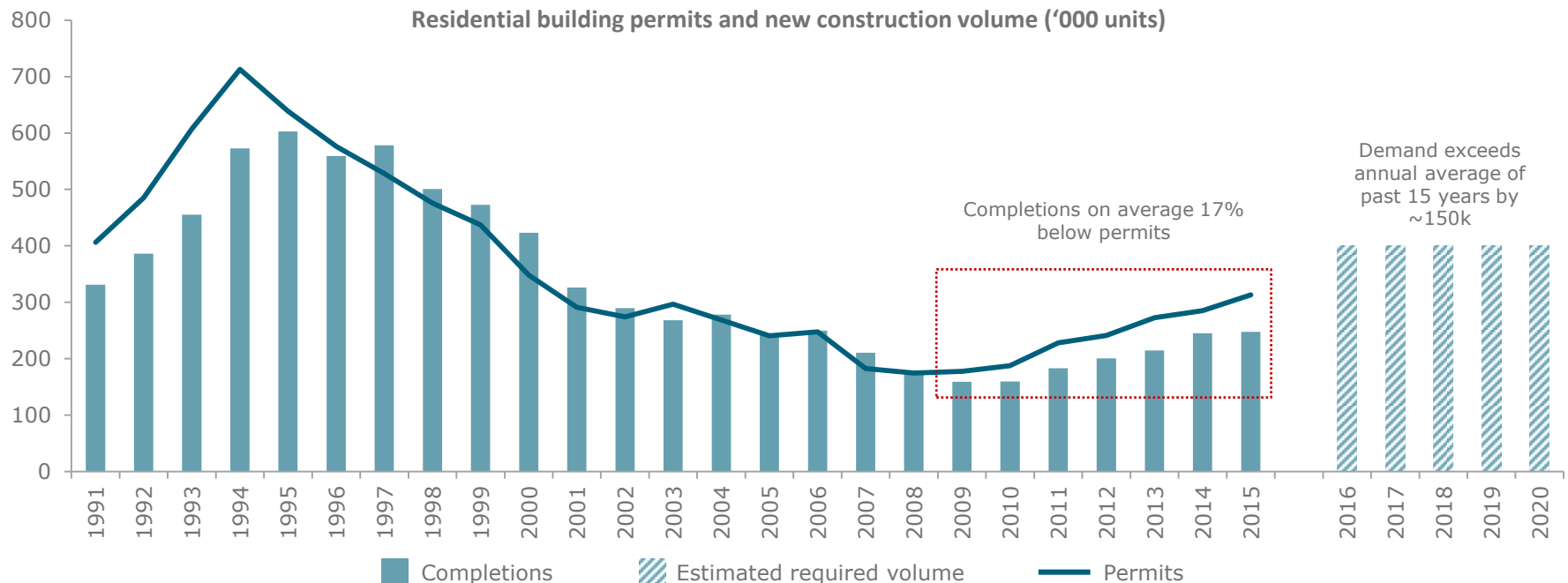
### USA: rent growth is highly volatile



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

## New Supply falls short of demand

- After record construction volumes in the 1990s, new volumes have plummeted as Germany has reduced its building capacity.
- While volumes have been recovering from all-time lows in 2009 and 2010, the current levels are still short of demand.
- Large gap between building permits and actual new constructions during last seven years.
- Discrepancy between new demand and new supply is forecast to continue and add to supply/demand imbalance already evident in many urban areas.
- Substantial disconnect between in-place values and market replacement cost.

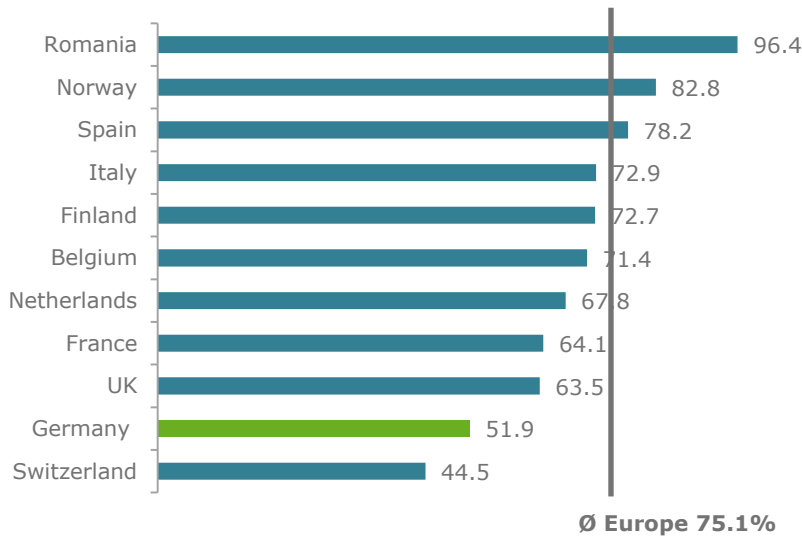


Sources: Federal Statistics Office, IW Köln, GdW (German Association of Professional Homeowners)

## Low home ownership ratio – Germans prefer to rent

- With the exception of Switzerland, Germany has the lowest homeownership ratio in Europe.
- Rental regulation, favorable tenant laws, the general perception that home buying is a life-time decision and comparatively stringent financing requirements are main drivers for low homeownership rate.

Home ownership rate 2015 in %



## Rental housing very affordable in Germany

- Affordability in Germany is higher than in the UK or France.
- Whereas most other European countries saw an increase, the share of rent-related payments in relation to disposable income declined in Germany between 2005 and 2015.

Rent as % of disposable household income

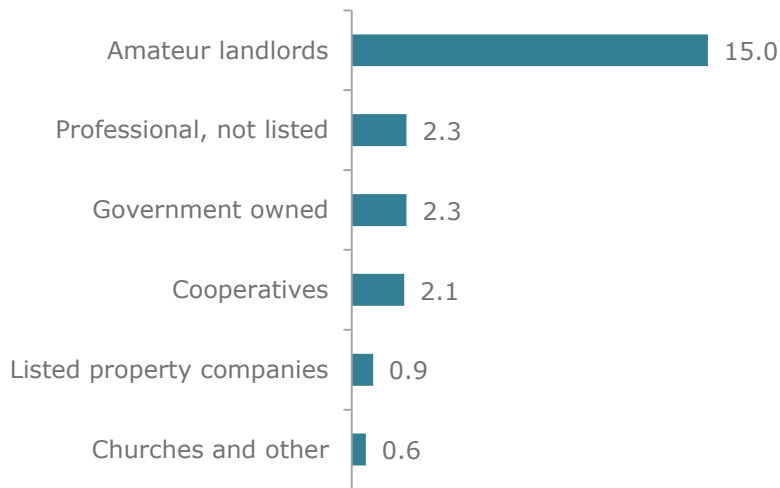


Share of disposable household income spent on rent, water, electricity and fuel

## Fragmented ownership structure

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

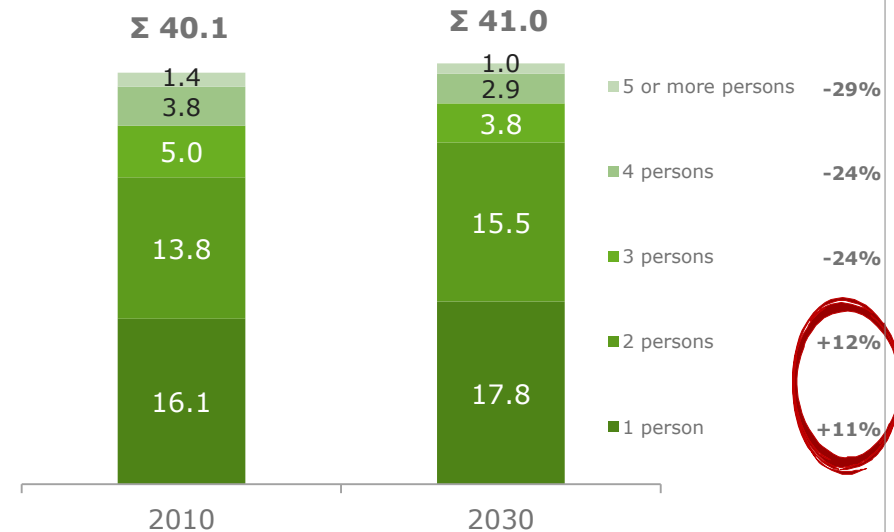
Ownership structure (million units)



## Growing number of smaller households

- While the overall population in Germany is expected to slightly decline, the number of households is forecast to grow until at least 2030 with a clear trend towards smaller households.
- The household growth is driven by various demographic and social trends including divorce rates, employment mobility etc.

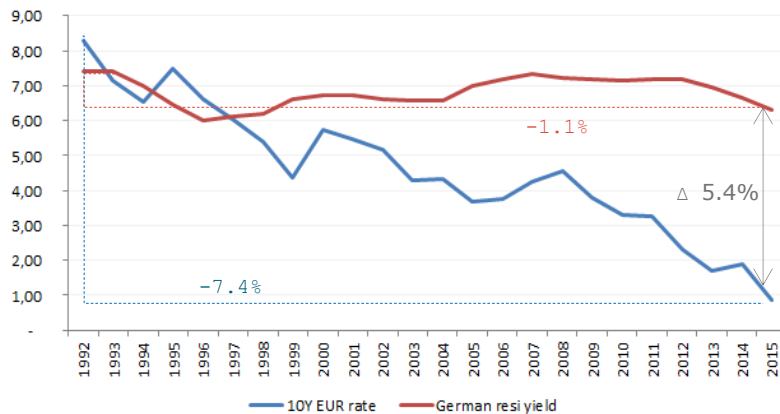
Distribution of household sizes (million)



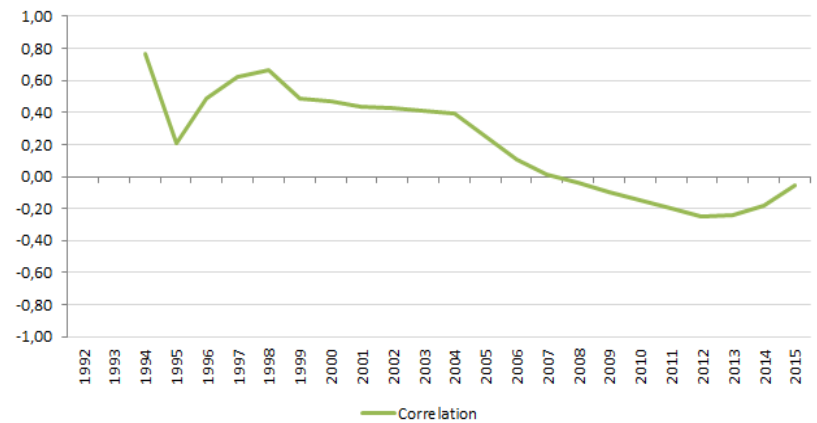
Valuation methodology for German residential properties is primarily based on market prices for assets – not on interest rates

- While market prices are affected by the general interest levels there is **no significant correlation**.
- **Other factors** such as supply/demand imbalance, rental regulation, market rent growth, location of assets etc. **outweigh the impact of interest rates** when it comes to pricing residential real estate.
- The **steep decline in interest rates** (down by 7.4% since 1992) is **not mirrored by asset yields** (down by 1.1% since 1992).
- Asset yields outperformed interest rates by 2.2% on average since 1992 and 5.4% in June 2015.

German residential yields vs. EUR interest rates<sup>1</sup>



No correlation pattern between interest rates and property values<sup>1</sup>



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

Market

**Company**

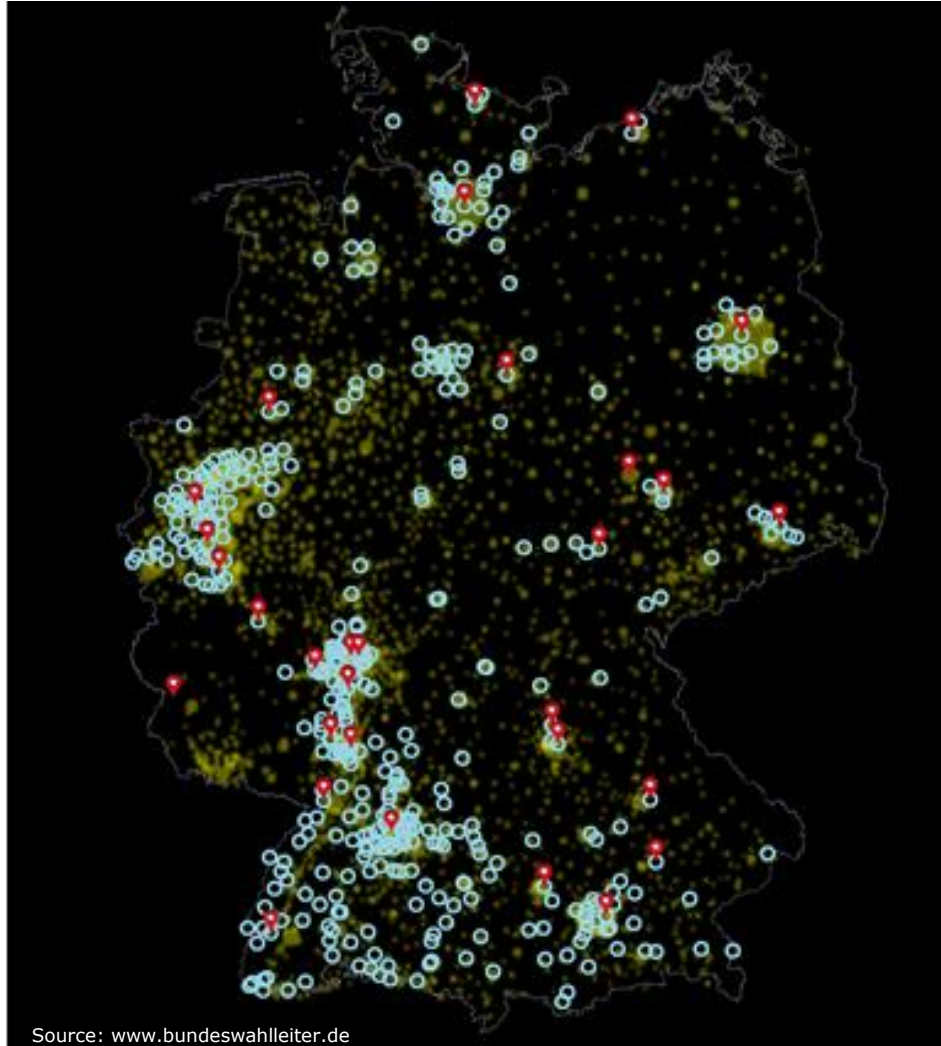
Strategy & Execution



Illustration of Germany at Night



## Illustration of Germany at Night



- Strategic Portfolio
- Vonovia Location
  - 📍 High-influx cities ("Schwarmstädte")

Source: [www.bundeswahlleiter.de](http://www.bundeswahlleiter.de)



Frankfurt, Odenwaldstr. 2-4b



Frankfurt, Am Lindenbaum 15-85A



Frankfurt, Friedlebenstr. 32



Essen, Meistersingerstrasse 20-24C



Dortmund, Binsengarten 8-24 A



Dresden, Kipsdorfer Strasse, 123-139



Dresden, Niederseidewitzer Weg, 32-40



Dresden, Berzdorfer Str. 20-24



Essen, Feldwiese 16-30



Dortmund, Doerwerstr, 68-70

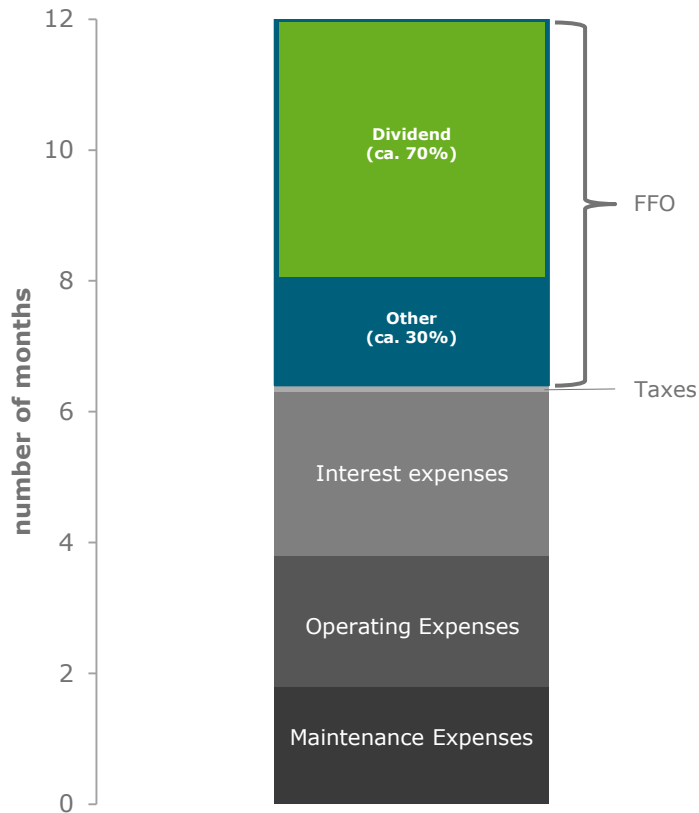


Dortmund, Lippmannstr. 2-14

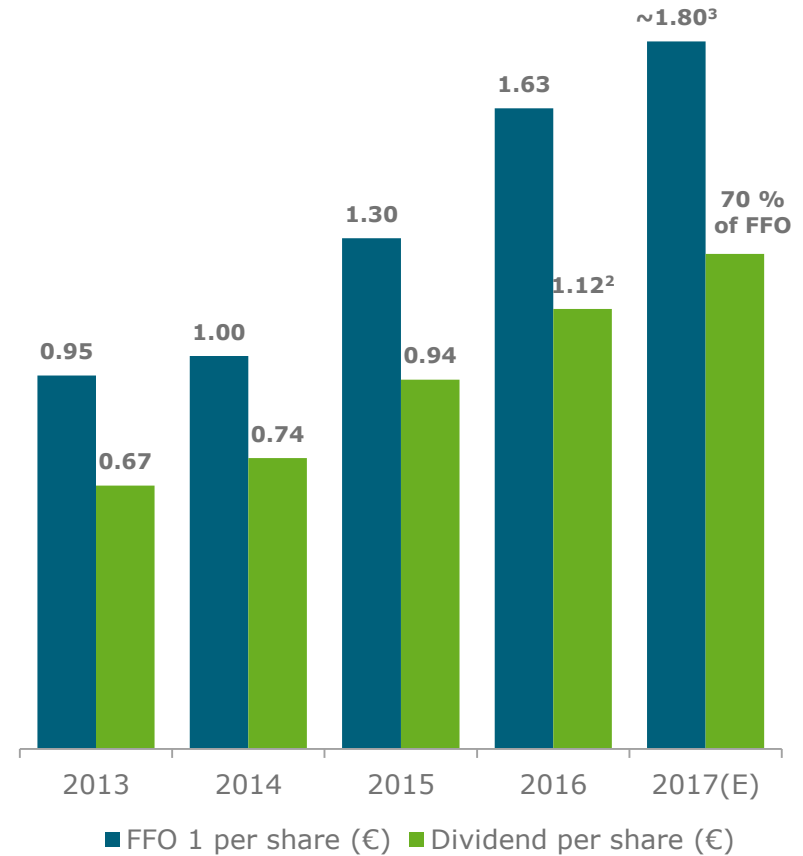


Essen, Bonnekampstr. 18-43 B

Number of months until costs are earned by recurring income<sup>1</sup>

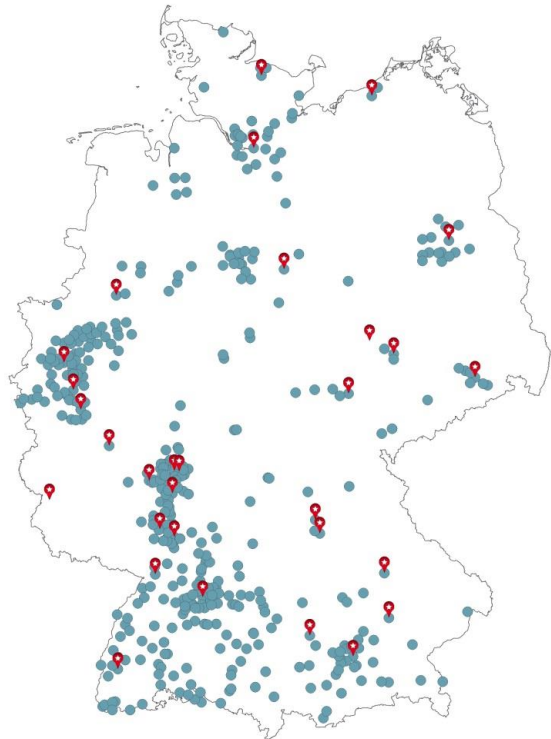


Sustainable and growing cash flow with attractive pay-out ratio



<sup>1</sup> Rental income + EBITDA Extension and Other; excluding sales effects; <sup>2</sup> To be proposed to the Annual General Shareholder Meeting. <sup>3</sup> Vonovia standalone guidance for 2017, excluding impact from conwert acquisition and based on NOSH YE2016.

## Germany's largest residential landlord with national footprint in urban regional markets



### Strategic Portfolio

- Vonovia Location
- 📍 High-influx cities ("Schwarmstädte")



Munich



Karlsruhe

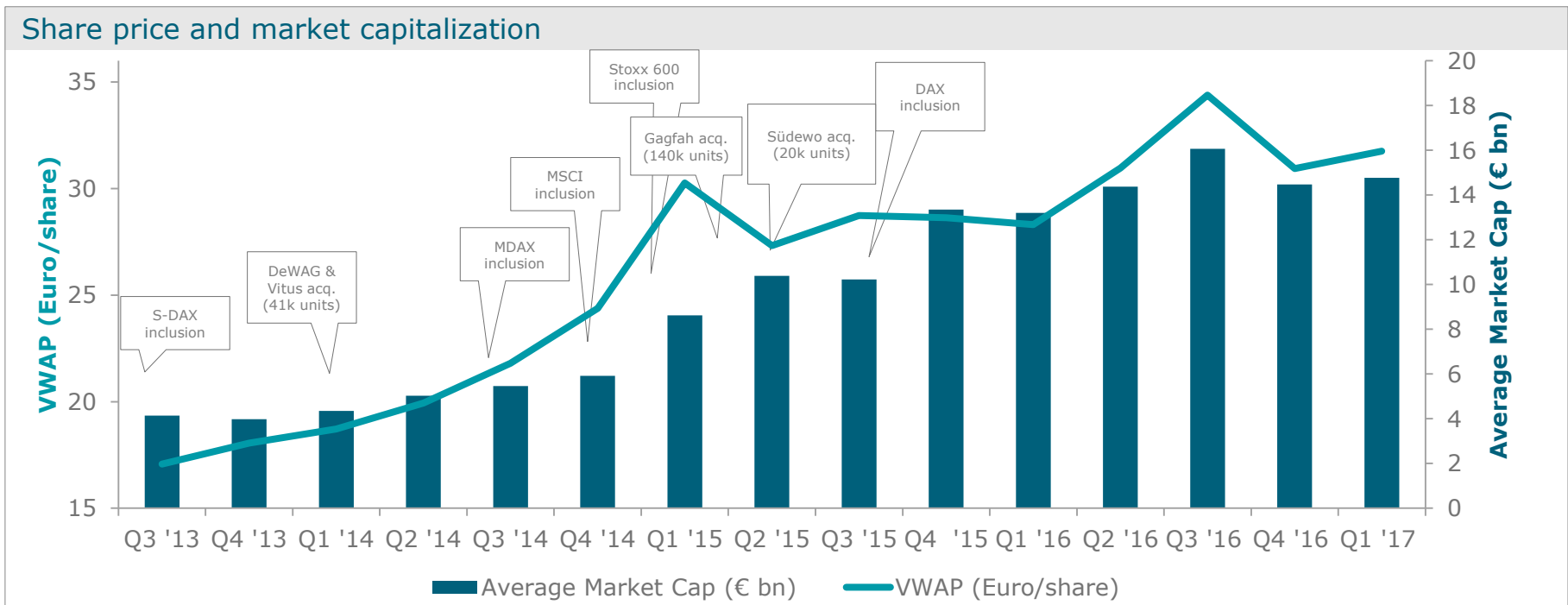


Dortmund

- Residential real estate company with **B-to-C characteristics**.
- Industrialized approach leverages **economies of scale** in a highly homogeneous asset class.
- **Strong internal growth profile** via sustainable market rent growth, **additional rent growth** from portfolio investments and dynamic extension business.
- **Market leadership** with nationwide footprint offers additional growth opportunities.
- **Robust business model** delivers highly **stable and growing cash flows**.
- **Predictable top and bottom line** with downside protection and upside potential.
- 333k apartments<sup>1</sup>
- Average apartment size of ~61 sqm
- Vacancy ~2.4% – almost fully let
- 13.5 years average tenure
- ~ €1,540m stable rental income<sup>2</sup>
- ~ €840m operating profit before sales<sup>2</sup> (FFO 1)
- Dividend policy: approx. 70% of FFO 1

<sup>1</sup> Excluding conwert; <sup>2</sup> mid-point 2017 guidance excl. conwert

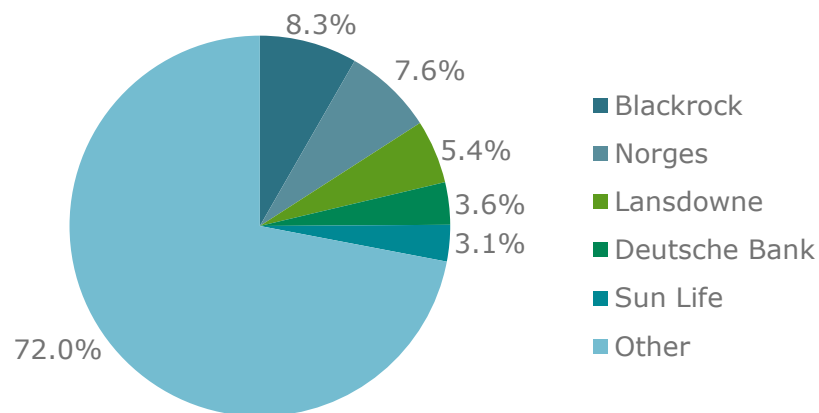
- Seed portfolios of today's Vonovia have origin in public housing provided by government, large employers and similar landlords with a view towards offering affordable housing.
- At beginning of last decade, private equity invested in German residential on a large scale including into what is Vonovia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



Source: Factset, company data



## Shareholder structure (as of December 31, 2016)

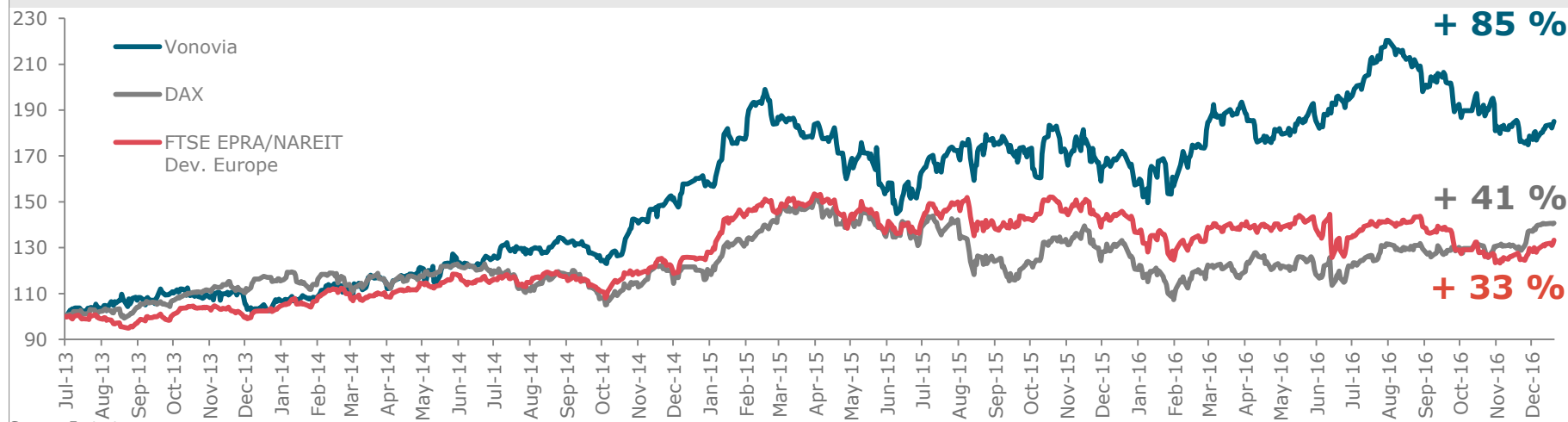


According to German law the lowest threshold for voting rights notifications is at 3%

## Share information

First day of trading	July 11, 2013	
Number of shares outstanding	466 million	
Free float based on Deutsche Börse definition	92.4%	
ISIN	DE000A1ML7J1	
Ticker symbol	VNA	
Share class	Registered shares with no par value	
Listing	Frankfurt Stock Exchange	
Market segment	Regulated Market, Prime Standard	
Major indices and weight (as of Dec. 31, 2016)		
	DAX	1.4%
	Stoxx Europe 600	0.2%
	MSCI Germany	1.3%
	GPR 250	1.1%
	FTSE EPRA/NAREIT Europe	7.3%

## VNA share price performance since IPO vs. DAX and EPRA Europe Index



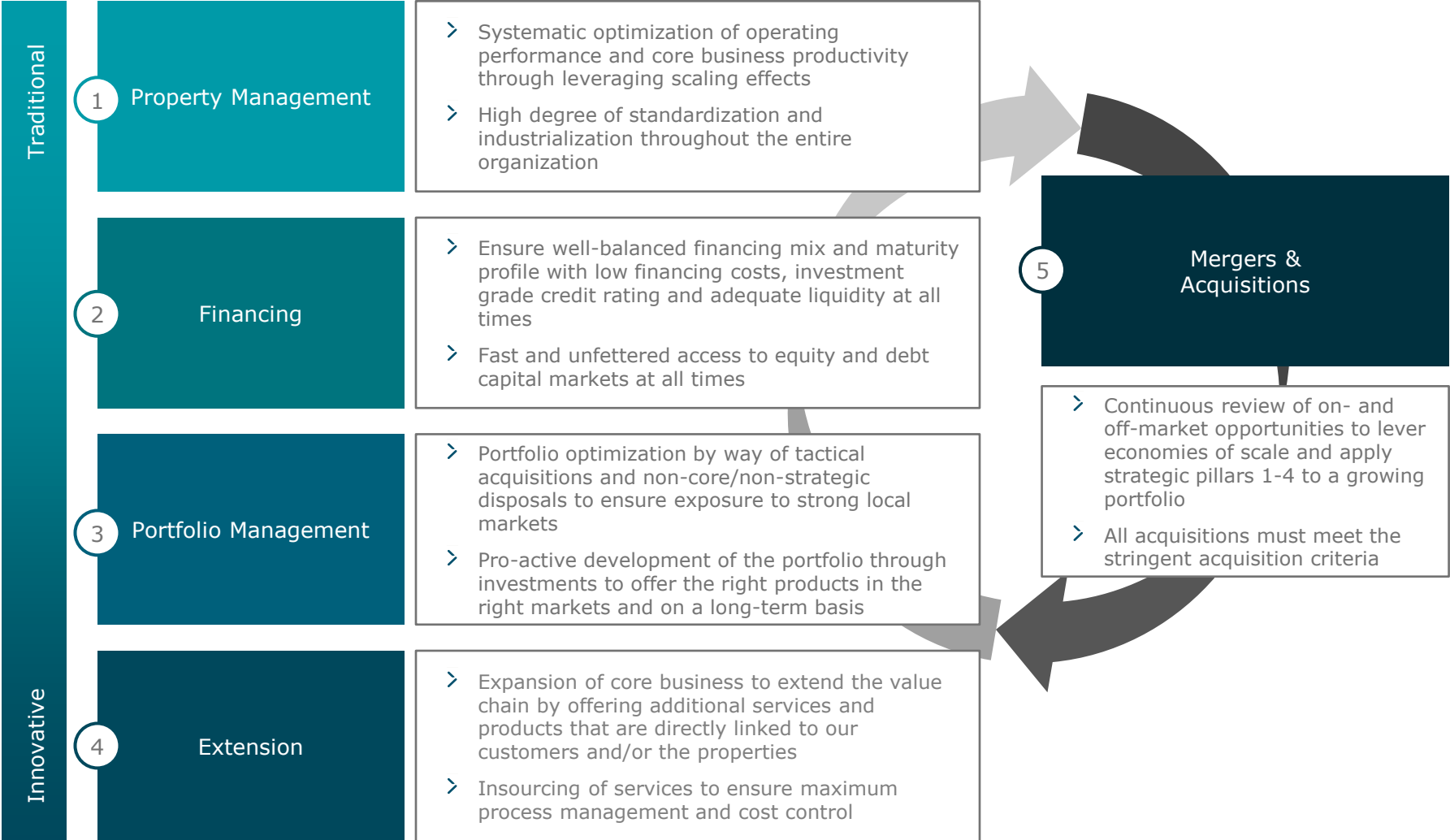
Source: Factset

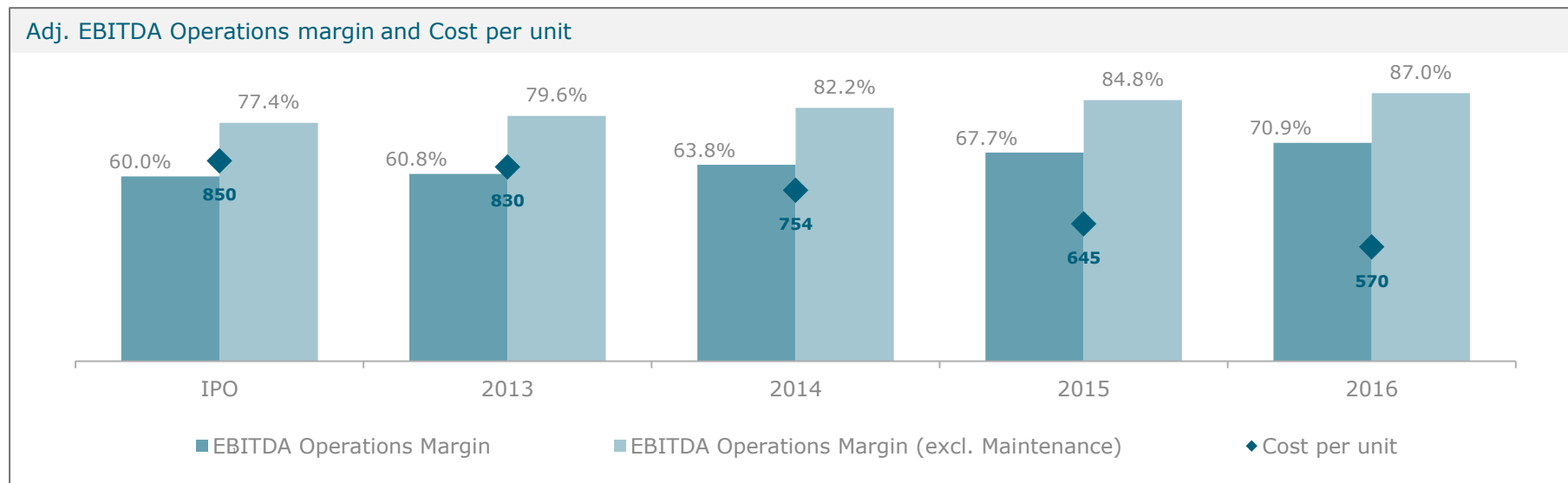
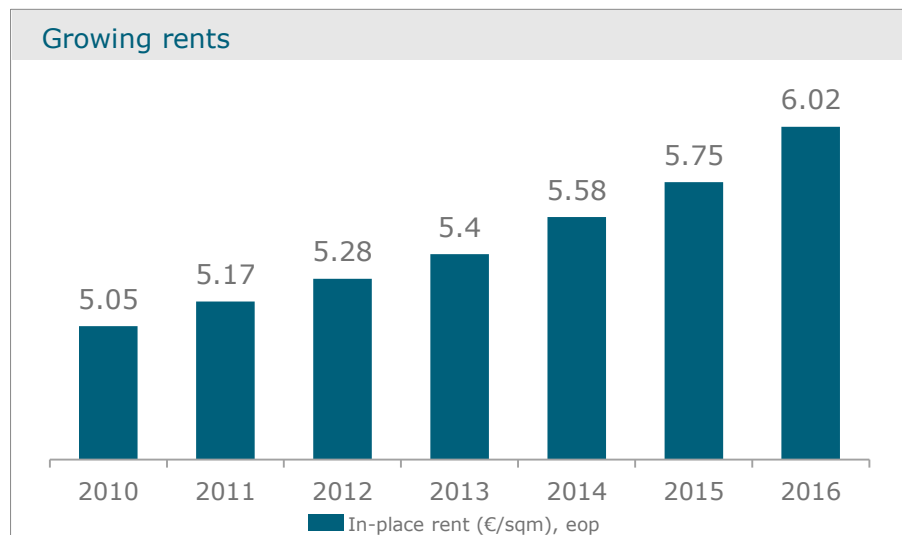
Market

Company

**Strategy & Execution**

**Reputation & Customer Satisfaction**

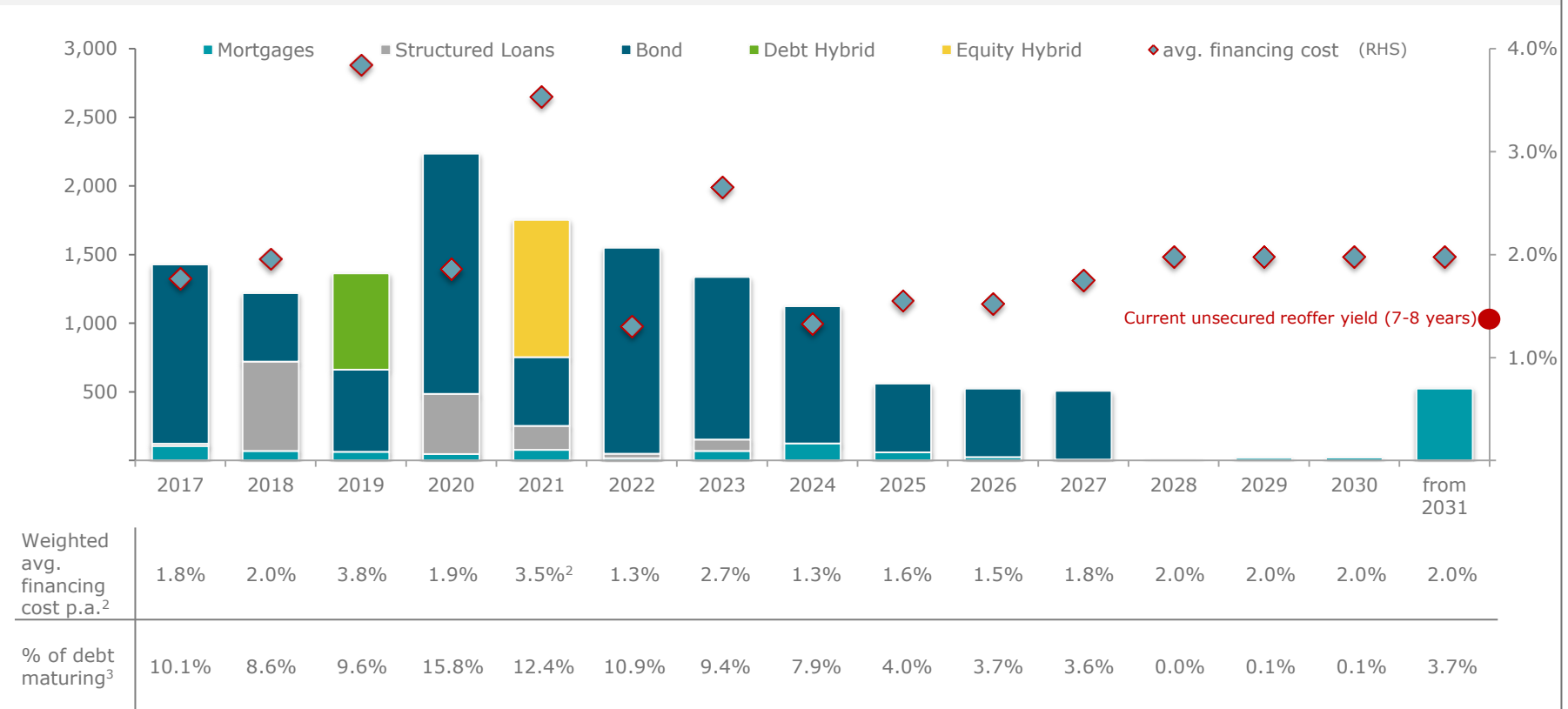




Cost per unit: (Rental Income – EBITDA Operations + Maintenance) / average # units.

# Fully-balanced Maturity Profile

## Current debt maturity profile<sup>1</sup> (€m)



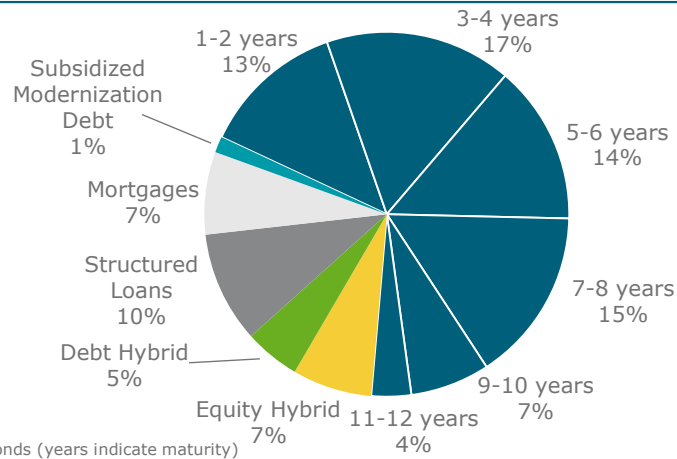
<sup>1</sup> Maturity profile as of Dec. 31, 2016, prepayment of TAURUS CMBS in February 2017 and €1.0bn bond issuance in January 2017 considered.

<sup>2</sup> Weighted avg. financing cost excl. Equity Hybrid. Including Equity Hybrid avg. interest rate of debt maturing in 2021 is 3.8%.

<sup>3</sup> Rounded figures.

# Diverse Funding Mix and Comfortable KPIs

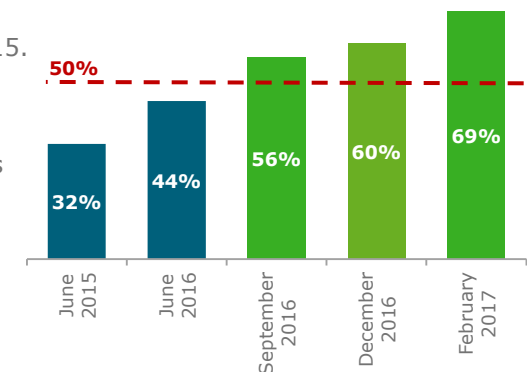
## Diverse funding mix<sup>1</sup>



KPIs	December 31, 2016	Target
LTV	41.6%	Mid-to low forties
Unencumbered assets <sup>1</sup> in %	69%	≥50%
Debt/EBITDA	10.5x	Ongoing optimization with most economic funding
Fixed/hedged debt ratio <sup>1</sup>	99%	
Global ICR (YTD)	3.7x	
Financing cost <sup>1</sup>	2.1%	
Weighted avg. maturity <sup>1</sup>	~7 years	

## Development of Unencumbrance Ratio / Impact on Financing Strategy

- Unencumbrance ratio dropped from 49.6% pre GAGFAH down to 32.1% including GAGFAH in 2015.
- After TAURUS CMBS prepayment unencumbrance ratio is ca. 69%.
- This provides enough headroom for convert integration and implementation of GAGFAH merger as well as full flexibility for our financing strategy with secured and unsecured debt instruments.
- For each upcoming refinancing we can now choose the most suitable debt instrument.



<sup>1</sup> Figures as of Dec. 31, 2016, prepayment of TAURUS CMBS in February 2017 and €1.0bn bond issuance from January 2017 considered.

# Established Player in Debt Capital Markets

- **Maturity profile further smoothed** through most recent bond issuances (€2.5bn unsecured corporate bonds in 2016 and €1.0bn in January 2017).
- **Redemption of all 3 CMBS structures** inherited in the Gagfah takeover now completed (early redemption of third and last CMBS "Taurus" was Feb. 14, 2017).
- **Average interest rate now** down to **2.1%** from 2.6% at the end of 2015.
- **Unencumberance ratio** up from 0% in June 2013 to **currently 69%**.
- **Vonovia** has established itself as **one of the Top 15** Euro Investment Grade Corporate Issuers between 2014 and 2016 and has substantially reduced the issuance costs in the process.

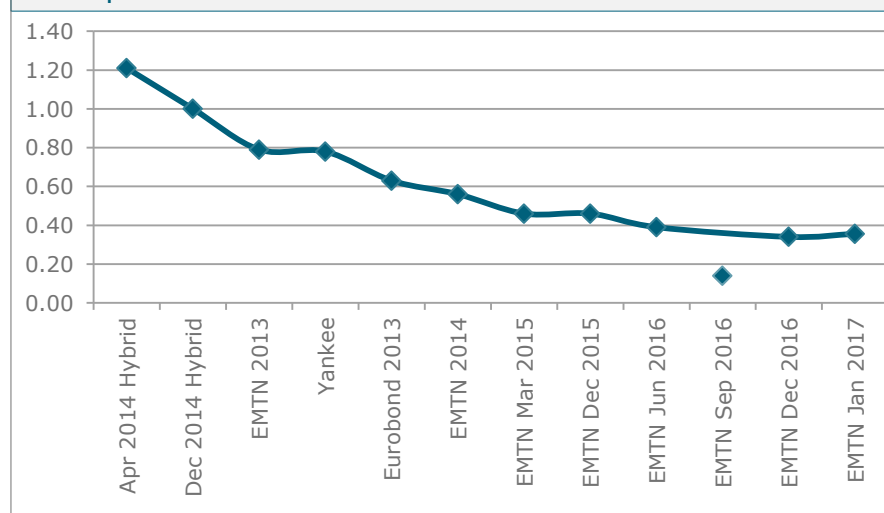
Top 15 Euro IG Corporate Issuers 2014-2016 (€m)

Issuer	2016	2015	2014	Total 2014-2016	Average Funding p.a.
1 BMW	5,919	8,205	6,170	20,294	6,765
2 VW	-	8,910	10,700	19,610	6,537
3 Anheuser-Busch inBev	13,250	3,000	2,500	18,750	6,250
4 Total SA	7,000	5,000	5,300	17,300	5,767
5 Daimler AG	10,980	3,077	3,070	17,127	5,709
6 Royal Dutch Shell	4,000	3,450	5,825	13,275	4,425
7 Telefonica SA	5,900	1,467	5,650	13,017	4,339
8 Vodafone	7,750	750	3,410	11,910	3,970
9 Coca-Cola	500	8,500	2,000	11,000	3,667
10 BP pic	3,775	2,500	4,000	10,275	3,425
11 Sanofi	4,800	2,260	3,000	10,060	3,353
12 Renault	3,830	3,200	2,200	9,230	3,077
13 Bayer AG	1,500	1,300	6,250	9,050	3,017
14 Vonovia SE	2,500	4,000	2,200	8,700	2,900
15 Verizon	3,250	-	5,400	8,650	2,883

Source: Bank of America Merrill Lynch

Non-deal Roadshow China, March 28-30, 2017

Cost per €100m



# Pro-active Portfolio Management

## Investments

More than €1bn invested in value-enhancing modernization\* between 2013 and 2016.

## Disposal

Sale of ~42k Non-core and Non-strategic assets (2013-2016) with below-average quality, location and/or strategic potential.

## Acquisition

Acquisition of more than 220k units (2013-2017 YTD, incl. convert) in attractive regions and complementary to the existing portfolio.

Pro-active portfolio management results in material improvements in quality of assets and locations.

Well-positioned to benefit from strong underlying fundamentals of entire German residential market.

Dec. 31, 2016 (unless indicated otherwise)	Residential Units	In-place rent (€/sqm)	Vacancy rate (%)	Fair value (€bn)	Fair value (%) at IPO in 2013 <sup>1</sup>	Fair value (%)
Operate	88,359	6.28	2.2	7.6	38%	28%
Upgrade Buildings (UB)	125,016	5.89	2.2	9.5	22%	35%
Optimize Apartments (OA)	89,335	6.12	1.8	7.8	13%	29%
<b>Subtotal Strategic Clusters</b>	<b>302,710</b>	<b>6.07</b>	<b>2.1</b>	<b>24.9</b>	<b>73%</b>	<b>92%</b>
Privatize	17,195	5.97	4.2	1.6	14%	6%
Non-strategic	7,480	4.70	7.3	0.3	8%	1%
Non-core	5,996	4.96	7.1	0.3	5%	1%
<b>Total</b>	<b>333,381</b>	<b>6.02</b>	<b>2.4</b>	<b>27.0</b>	<b>100%</b>	<b>100%</b>

64% of fair value in OA and UB

Non-core and non-strategic volume down to 2% (~€0.6bn) of total asset value.

<sup>1</sup> The cluster "Non-strategic" was introduced after the IPO. For comparison purposes, locations considered Non-strategic as of Sep 30, 2016, were defined as Non-strategic as of the IPO date as well.



# Substantial Reduction of Portfolio Locations

VONOVIA

03/2015 (incl. Südewo)

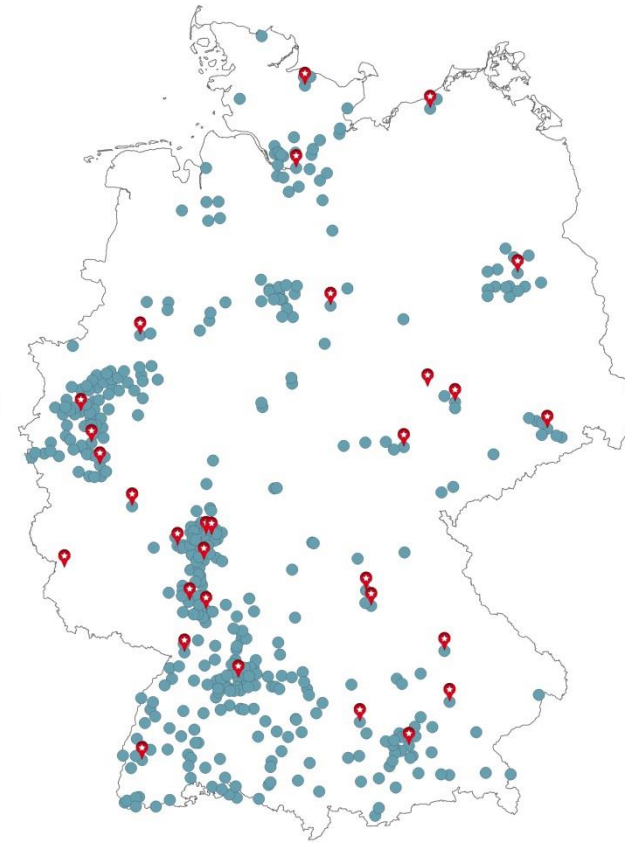
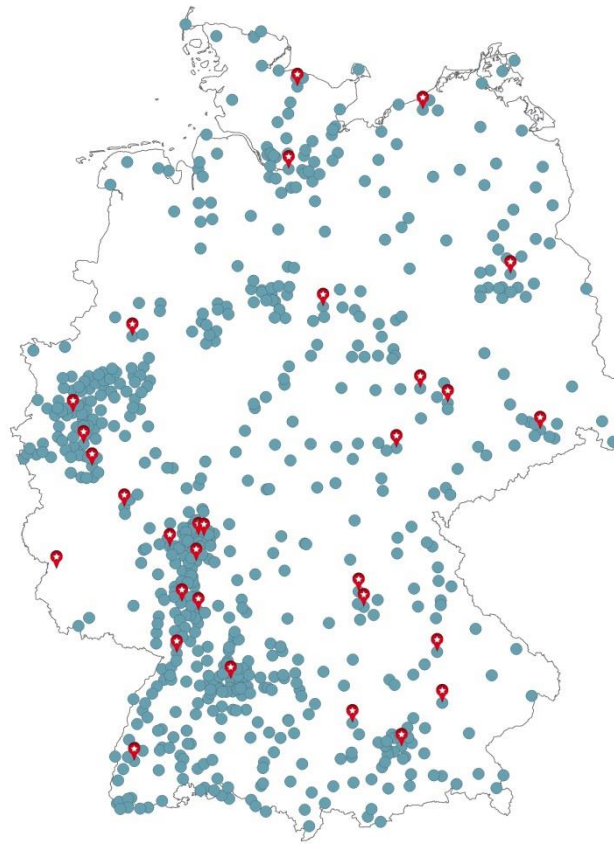
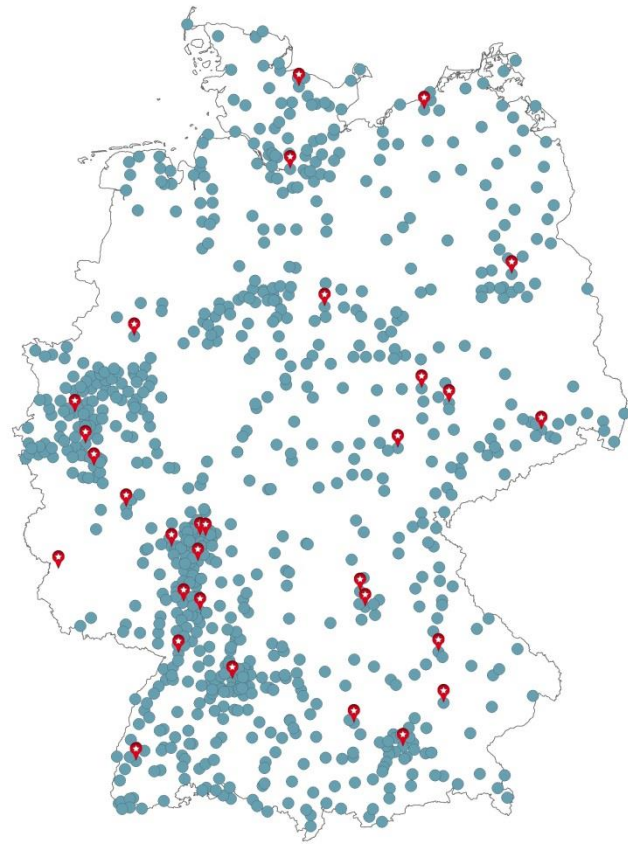
818 locations

12/2016

665 locations

Strategic Portfolio

~400 locations

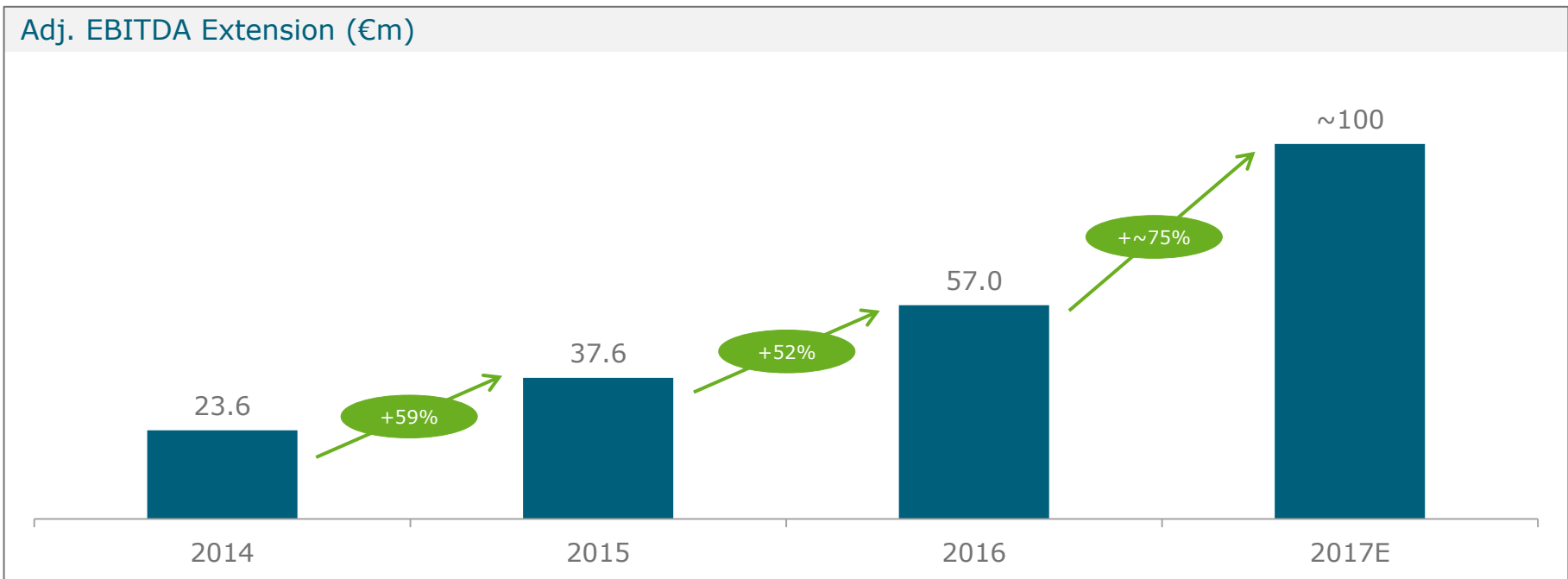


● Vonovia location

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

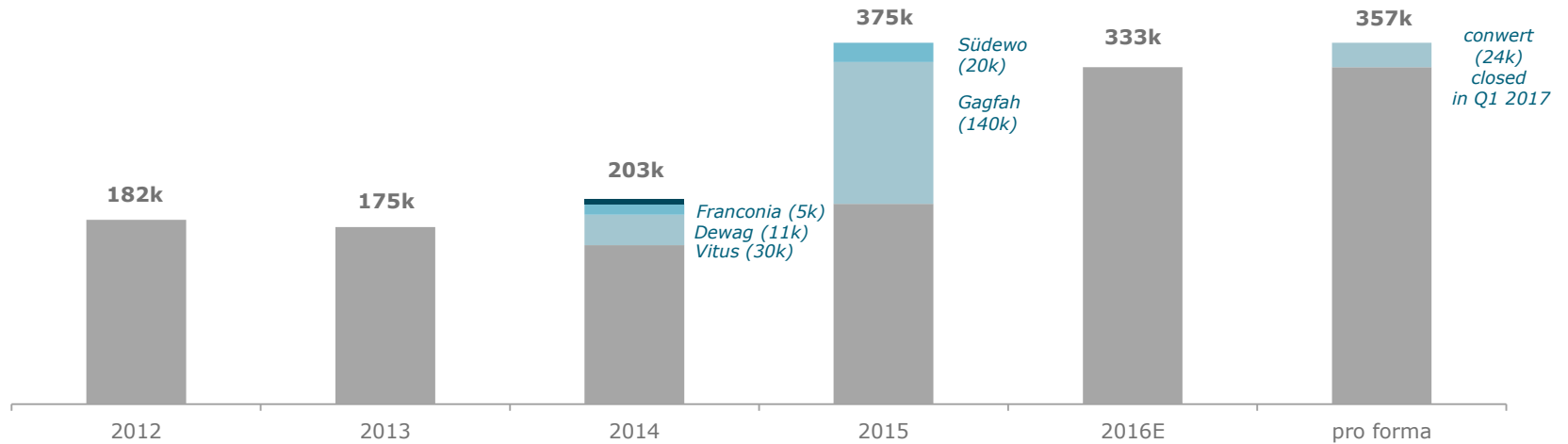
# Increasing Organic Growth through Extension Strategy **VONOVIA**

- Extension business with increasing significance and compelling growth rates.
- Contribution to Adj. EBITDA Operations\* expected to grow from ~5% in 2016 to ~8% in 2017.
- Built-in growth for future years as successful programs are applied to the entire portfolio and new initiatives are tested and rolled out.

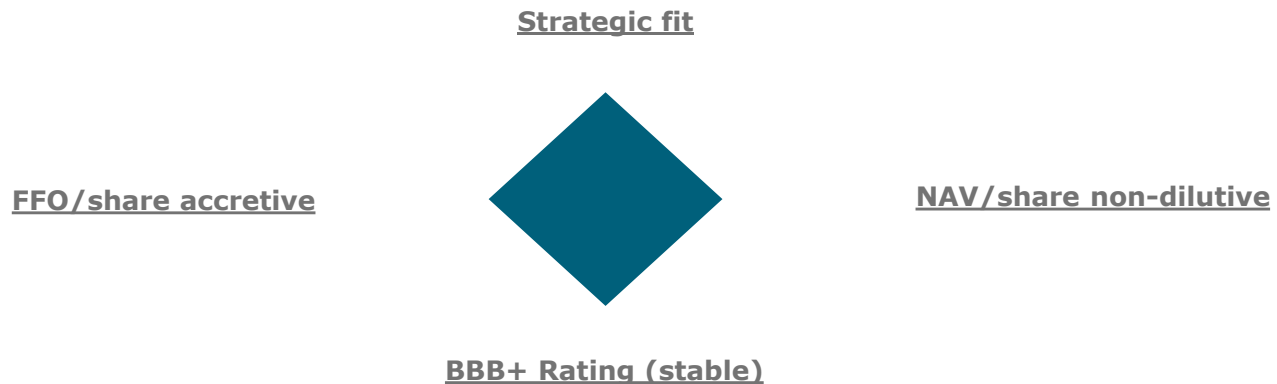


# Acquisitions – Disciplined with Strong Track Record

Track record (Total number of units incl. impact from disposals)



## Acquisition criteria



# Standalone Guidance

(Vonovia excl. conwert)

	2015 Actuals	2016 Actuals	2017 Guidance
L-f-I rent growth (eop)	2.9%	3.3%	3.5%-3.7%
Vacancy (eop)	2.7%	2.4%	<2.5%
Rental Income (€m)	1,414.6	1,538.1	1,530-1,550
FFO1 (€m)	608.0	760.8	830-850
Maintenance (€m)	330.7	~320.1	~340
Modernization & Investments (€m)	355.6	472.3	700-730
Privatization (#)	2,979	2,701	~2,300
FV step-up* (Privatization)	30.5%	36.2%	~35%
Non-core (#)	12,195	23,930	opportunistic
FV step-up* (Non-Core)	9.2%	5.4%	>0%
Dividend/share	€0.94	€1.12 <sup>1</sup>	70% of FFO 1

Accelerating rent growth

Stable top line inspite of  
~24,000 non-core sales in 2016

Double digit % organic growth

<sup>1</sup> To be proposed to the Annual General Shareholder Meeting.

# Guidance 2017

(effects from convert takeover not yet taken into account)

	EUR			CNY		
	2015 Actuals	2016 Actuals	2017 Guidance	2015 Actuals	2016 Actuals	2017 Guidance
L-f-I rental growth (eop)	2.9%	3.3%	3.5% - 3.7%	2.9%	3.3%	3.5% - 3.7%
Occupancy (eop)	97.3%	97.6%	>97.5%	97.3%	97.6%	>97.5%
Rental Income (m)	1,415	1,538	1,530 - 1,550	10,411	11,316	11,257 - 11,404
FFO1 (m)	608	761	830 - 850	4,473	5,598	6,107 - 6,254
Maintenance (m)	331	~320	~340	2,435	~2,355	~2,502
Modernization & Investments (m)	356	472	700 - 730	2,619	~3,475	5,150 - 5,371
Privatization (#)	2,979	2,701	~2,300	2,979	2,701	~2,300
FV step-up (Privatization)	30.5%	36.2%	~35%	30.5%	36.2%	~35%
Non-core (#)	12,195	23,930	opportunistic	12,195	23,930	opportunistic
FV step-up (Non-Core)	9.2%	5.4%	>0%	9.2%	5.4%	>0%
Dividend/share	0.94	1.12 <sup>1</sup>	70% of FFO 1	6.92	8.24 <sup>1</sup>	70% of FFO 1

<sup>1</sup> To be proposed to Annual General Shareholder Meeting 2017  
Exchange rates as of Mar 15, 2017 (EUR1.00 : CNY 7.36)

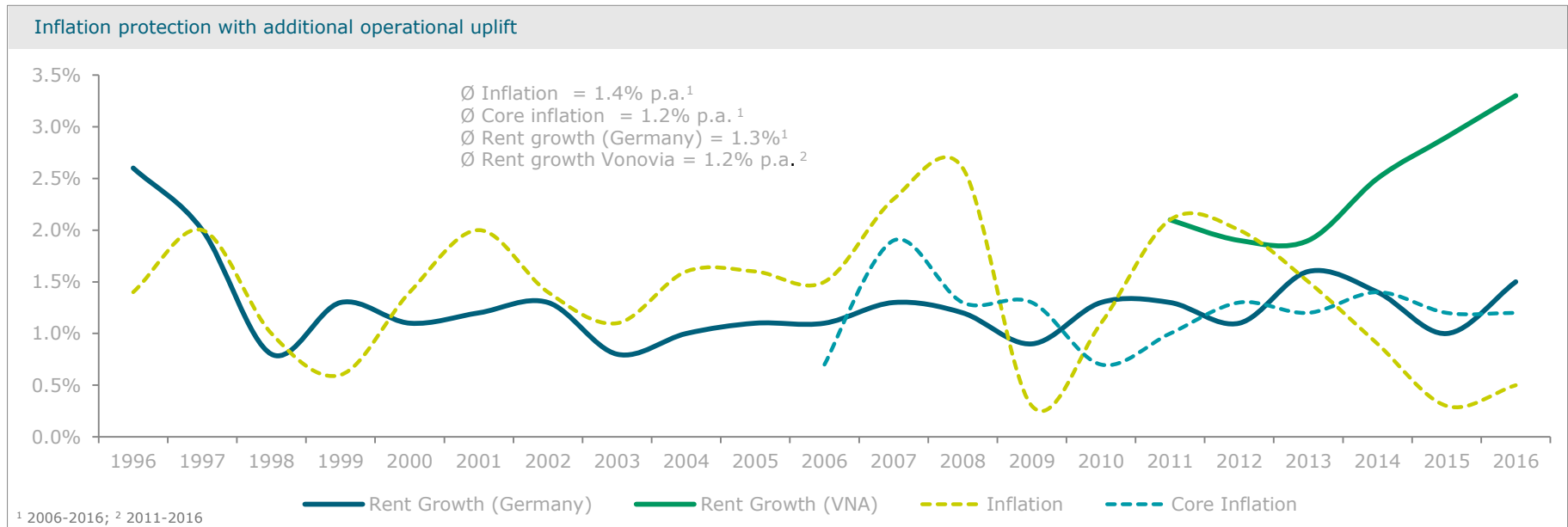
# Three Valuation Layers with Different Volatilities

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

Increasing level of perception and judgment

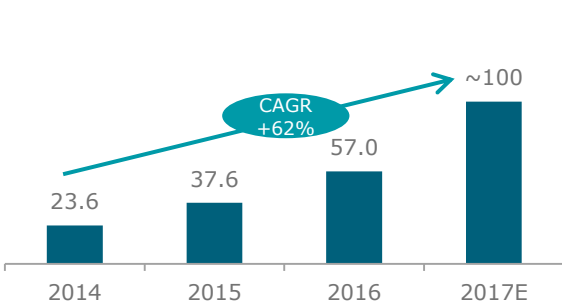
Layer	Development	Main drivers
<p><b>3</b></p> <p><b>Stock Market Valuation</b> (Stock price € per share)</p>		<ul style="list-style-type: none"> <li>Only partly driven by performance and portfolio valuation</li> <li>Negatively correlated to bund yields and interest rates</li> <li>Subject to additional macro considerations</li> </ul>
<p><b>2</b></p> <p><b>Portfolio Valuation</b> (Adj. NAV € per share)</p>		<ul style="list-style-type: none"> <li>Market prices for assets are much more relevant than interest rate levels</li> <li>Additional material factors are supply/ demand imbalance and sustainable market rent growth</li> </ul>
<p><b>1</b></p> <p><b>Cash Flow</b> (FFO &amp; Dividend € per share)</p>		<ul style="list-style-type: none"> <li>Regulated market</li> <li>No cluster risk due to high degree of granularity</li> <li>Robust business model</li> </ul>

<sup>1</sup> To be proposed to the Annual General Shareholder Meeting. <sup>2</sup> Based on 2016 eop number of shares and excluding impact from convert acquisition.



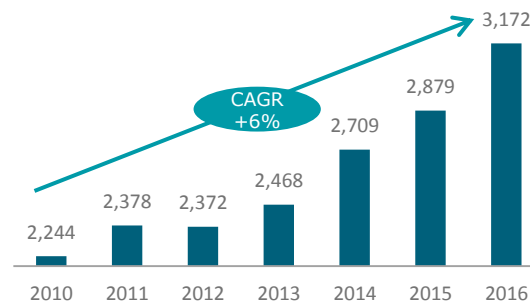
Additional sources of top-line growth adding to returns

**Adj. EBITDA Extension (€m)**



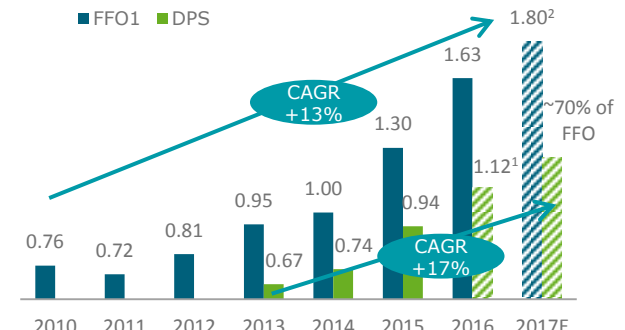
Growing EBITDA at an average of 5.9% p.a.

**Adjusted EBITDA Operations (€/avg. unit)**



... resulting in an FFO CAGR (2010-2017) of 13%

**FFO 1 (€/share) and dividend (€/share)**



<sup>1</sup> To be proposed to the Annual General Shareholder Meeting. <sup>2</sup> Based on 2016 eop number of shares and excluding impact from convert acquisition

- **Predictable top and bottom line** with downside protection and upside potential.
- Only residential company in German Blue Chip Index **DAX**; ca. €15bn market cap.
- Liquid stock with **92% free float** and ca. €45m daily turnover on Xetra.
- **Market leadership** with nationwide footprint offers additional growth opportunities.
- **Strong internal growth profile** via sustainable market rent growth, **additional rent growth** from portfolio investments and dynamic extension business.
- Industrialized approach leverages **economies of scale** in a highly homogeneous asset class.
- Proven track record of sustainable and **growing** free cash flow from operations (“FFO”) and **dividends**.



## Contact

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## Financial Calendar 2017

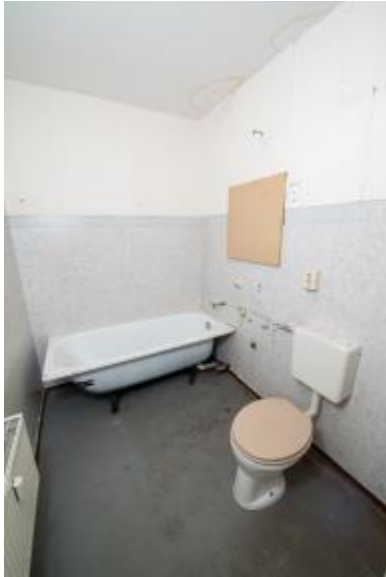
Mar 28-30	Management Roadshow (China)
Mar 29	BofAML European Real Estate Conference (London), IR only
Mar 30	Bankhaus Lampe Deutschlandkonferenz (Baden Baden), IR only
May 9	Estimated record day for dividend entitlement
<b>May 16</b>	<b>Annual General Meeting</b>
<b>May 24</b>	<b>Interim results 3M 2017</b>
May 24	Berenberg European Conference (USA)
June 1	Kepler Cheuvreux German Property Day (Paris)
Jun 7	Goldman Sachs European Financials Conference (Madrid)
June 8	Kempen European Property Seminar (Amsterdam)
~ June 12	Estimated dividend payment date
<b>June 19-20</b>	<b>Capital Markets Day (Bochum)</b>
June 22	dBAccess Berlin Conference (Berlin)
<b>Aug 2</b>	<b>Interim results 6M 2017</b>
<b>Nov 8</b>	<b>Interim results 9M 2017</b>

Vonovia Investor  
Relations Tablet App

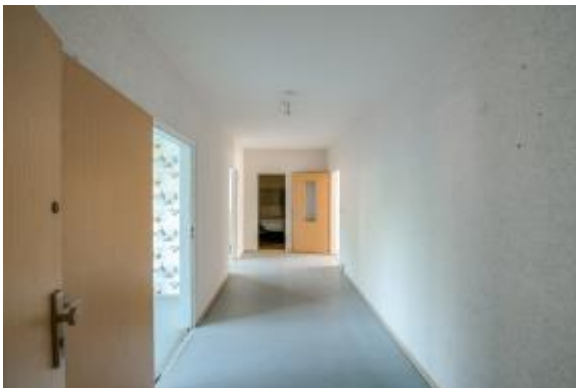
Now available for  
iOS and Android

# Appendix

Before



After



Before



After



Before



After



Before



After



Before



After



Before



Addition of new floor plus modernization investment

After



Addition of new floor plus modernization investment



Upgrade Building



Upgrade Building





# Floor Addition

VONOVIA



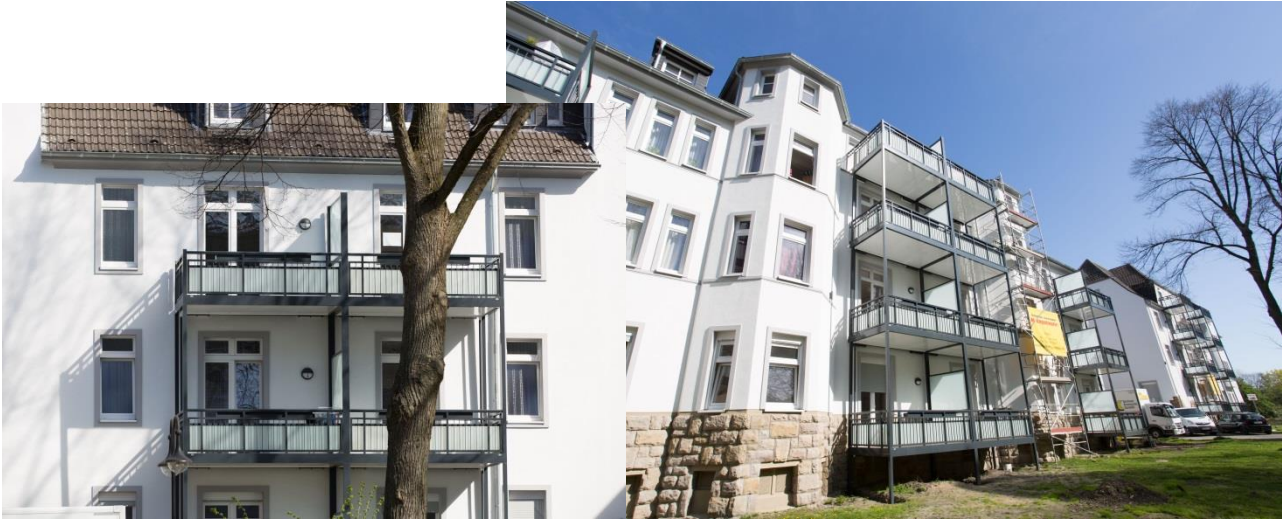


Pictures taken at the production site of our cooperation partner Modulbau Lingen.













# Full-year Results 2016

## **FFO Growth**

- › 2016 FFO1 per share up 25.1%, driven by internal growth.
- › 10% organic FFO1 growth guided for 2017 (i.e. excluding conwert).
- › Sustainable organic FFO1 growth built in for 2018 and beyond.

## **NAV Growth**

- › 2016 Adj. NAV per share\* up 27.1%, driven by performance improvements, investments and yield compression from exposure to dynamic regional markets.
- › Further substantial fair value growth potential to be unlocked in 2017 and beyond.

## **Improvements across all KPIs**

### **Compelling Guidance 2017**

- › Vonovia standalone guidance confirmed – confident to reach upper end.
- › Initial assumption for FFO1 contribution from conwert acquisition expected to be at least €60m.

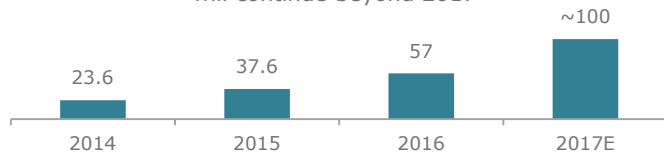
### **Updates on Several Housekeeping Topics**

# Built-in Sustainable Organic FFO Growth

- FFO is expected to **grow organically**, as rental income and EBITDA growth continue to **accelerate**.
- Broadly **stable interest rate levels** would be an **additional contributor to FFO growth**.

Predictable market rent growth of ~1.5% plus increased investments translate into further accelerating rent growth

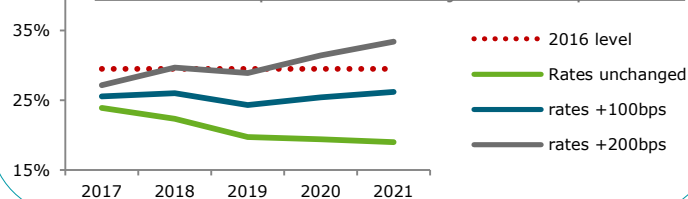
Double digit %-growth from extension will continue beyond 2017



FFO interest expense sensitivity

- Broadly unchanged interest rate environment would contribute to further FFO growth
- Expected EBITDA growth over 5-year horizon is about twice the amount of an increase in FFO interest expenses if rates went up by 200bps across the entire period

FFO interest expense as % of Adj. EBITDA Operations<sup>2</sup>



		2015	2016	2016 vs. 2015	Outlook
Number of units (ø)	'000	333	345	3.6%	↑
In-place rent l-f-l (eop)	€/month/sqm	5.82	6.01	3.3%	↑
In-place rent (eop)	€/month/sqm	5.75	6.02	4.7%	↑
Vacancy rate (eop)	%	2.7	2.4	-30bps	→
Rental income	€m	1,414.6	1,538.1	8.7%	+€123.5m ↑
Maintenance expenses	€m	-242.2	-247.4	2.1%	→
Operating expenses	€m	-248.0	-244.5	-1.4%	→
Adj. EBITDA Rental	€m	924.4	1,046.2	13.2%	↑
Adj. EBITDA Extension	€m	37.6	57.0	51.6%	↑
Adj. EBITDA Operations <sup>1</sup>	€m	957.6	1,094.0	14.2%	+€136.4m ↑
FFO interest expense	€m	-339.4	-322.7	-4.9%	
Current income taxes FFO 1	€m	-10.2	-10.5	2.9%	
FFO 1	€m	608.0	760.8	25.1%	+€152.8m ↑
FFO 1 per share	€/share	1.30	1.63	25.1%	↑

<sup>1</sup> Including Adj. EBITDA Other; <sup>2</sup> Based on internal 5-year plan as of Sep. 2016

# Increasing Rent Growth Momentum

		2016	2015	Delta
In-place rent I-f-I (eop)	€/month/sqm	6.01	5.82	+3.3%
In-place rent (eop)	€/month/sqm	6.02	5.75	+4.7%

Rent growth driver	2016 Contribution	2015 Contribution
Sitting tenants (incl. subsidized rents)	0.9%	1.1%
New lettings	0.6%	0.6%
<b>Subtotal market-driven rent growth</b>	<b>1.5%</b>	<b>1.7%</b>
Modernization	1.8%	1.2%
<b>Subtotal I-f-I rent growth</b>	<b>3.3%</b>	<b>2.9%</b>
Space creation	0.0%	0.0%
<b>Subtotal organic rent growth</b>	<b>3.3%</b>	<b>2.9%</b>
Portfolio management (+ acquisitions ./ sales)	1.4%	0.1%
<b>Total rent growth</b>	<b>4.7%</b>	<b>3.0%</b>

Note: 2015 includes 0.1% contribution from subsidized rents

## Stable Maintenance – Growing Modernization

- Stable maintenance expenses on a per sqm basis y-o-y.
- The maintenance capitalization ratio\* is not an input factor but an outcome; i.e. what type of work is expensed vs. capitalized is determined by the accounting rules implemented as a pre-defined SAP-process.

€m (unless indicated otherwise)	2016	2015	Delta
Expenses for maintenance	247.4	242.2	+2.1%
Capitalized maintenance	72.7	88.5	-17.9%
Total	320.1	330.7	-3.2%
Maintenance capitalization ratio	23%	27%	

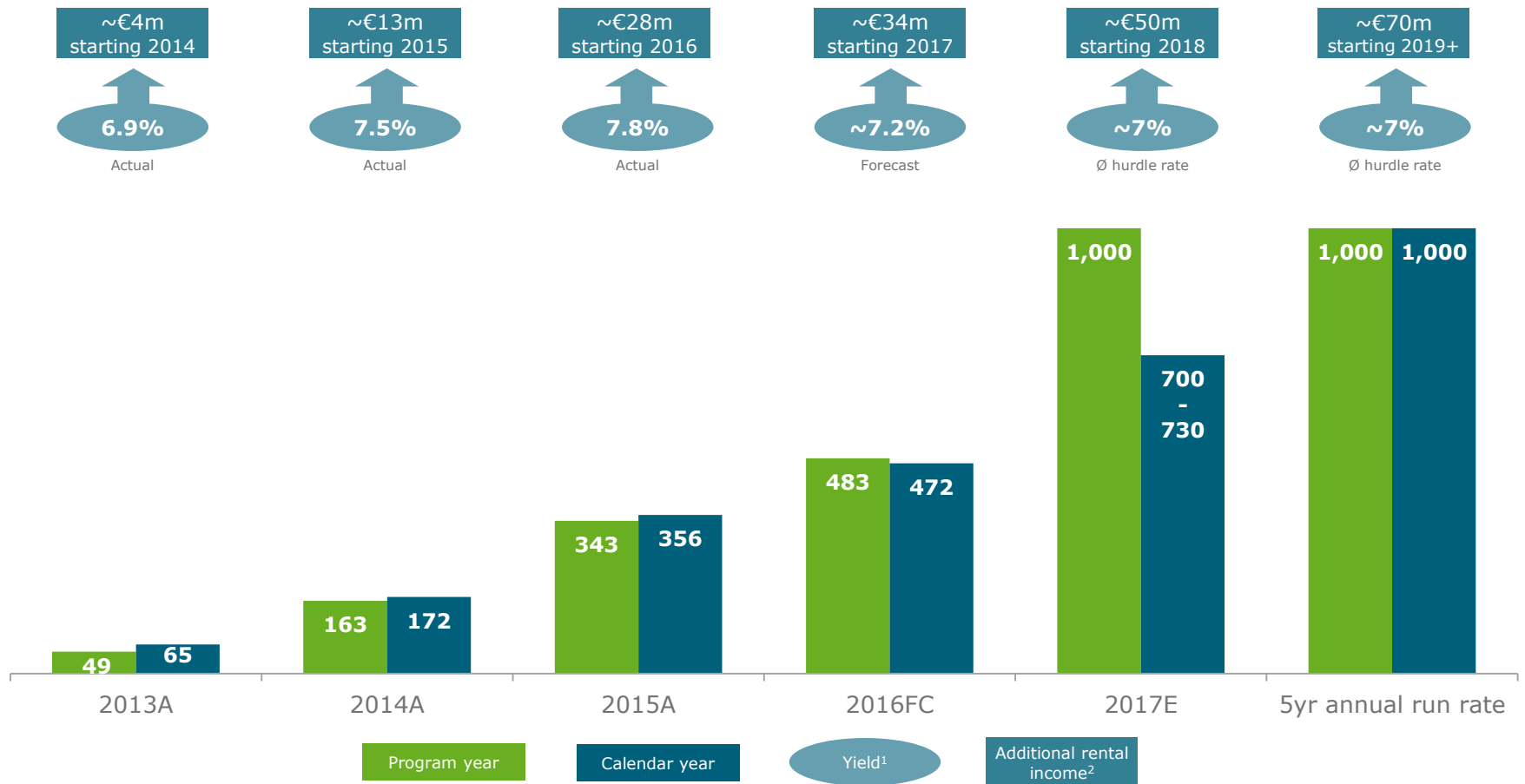
€/sqm	2016	2015	Delta
Expenses for maintenance	11.50	11.66	-1.3%
Capitalized maintenance	3.38	4.26	-20.7%
Total	14.88	15.92	-6.5%

Investments (modernization, new initiatives, space creation)	472.3	355.6	+32.8%
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# Growing Investment Program

- Modernization investments and space creation are increasingly meaningful organic growth drivers.
- Investments in year one generally lead to rent growth in year two.

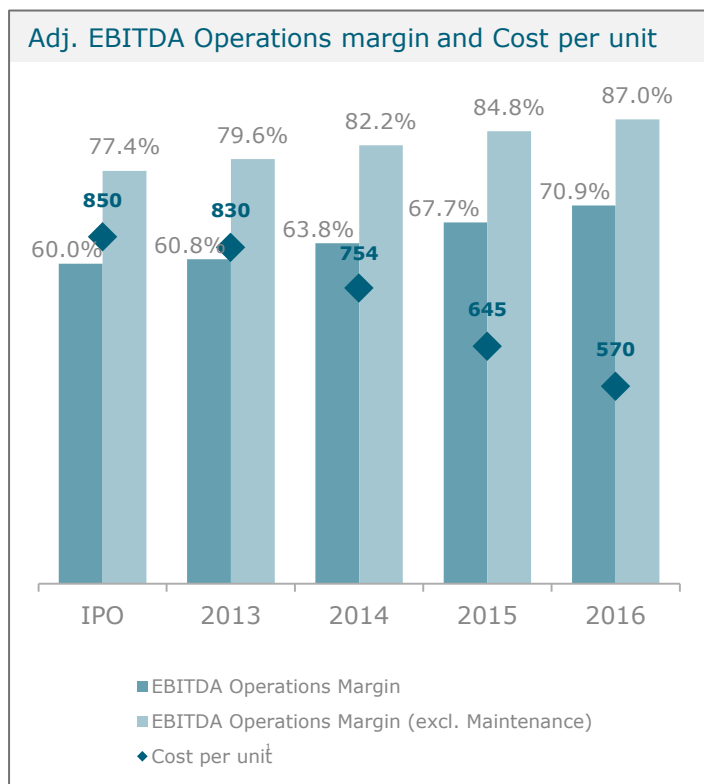
## Increasing investment volume for Optimize Apartments, Upgrade Buildings, New Initiatives and Space Creation (€m)



<sup>1</sup> Program year; <sup>2</sup> Additional rental income from investment yield. Illustrative as portion of the additional rent may shift between years.

## Continued EBITDA Margin Expansion

- Adj. EBITDA Operations margin\* of 70.9% in 2016, up from 67.7% in 2015.
- Expensed vs. capitalized maintenance varies between companies and is a major discretionary factor in the EBITDA margin, which is why Vonovia reports Adj. EBITDA margins incl. and excl. maintenance.
- Excluding expensed maintenance and including operating costs and corporate SG&A the margin was 87.0% in 2016 up from 84.8% in 2015.



€m	2016	2015	Delta
Rental income	1,538.1	1,414.6	8.7%
Maintenance expenses	-247.4	-242.2	2.1%
Operating expenses	-244.5	-248.0	-1.4%
<b>Adj. EBITDA Rental</b>	<b>1,046.2</b>	<b>924.4</b>	<b>13.2%</b>
Income	851.2	428.7	98.6%
of which external	108.1	59.3	82.3%
of which internal	743.1	369.4	>100%
Operating expenses	-794.2	-391.1	>100%
<b>Adj. EBITDA Extension</b>	<b>57.0</b>	<b>37.6</b>	<b>51.6%</b>
Adj. EBITDA Other <sup>2</sup>	-9.2	-4.4	>100%
<b>Adj. EBITDA Operations</b>	<b>1,094.0</b>	<b>957.6</b>	<b>14.2%</b>

<sup>1</sup> Cost per unit: (Rental Income – EBITDA Operations + Maintenance) / average # units. <sup>2</sup> Mainly consolidation

# Substantial LTV Reduction

€m (unless indicated otherwise)	Dec. 31, 2016	Dec. 31, 2015	Delta
Non-derivative financial liabilities	13,371.0	14,939.9	-10.5%
Foreign exchange rate effects	-209.9	-179.4	17.0%
Cash and cash equivalents	-1,540.8	-3,107.9	-50.4%
<b>Net debt</b>	<b>11,620.3</b>	<b>11,652.6</b>	<b>-0.3%</b>
Sales receivables	-135.4	-330.0	-59.0%
Additional loan amount for outstanding acquisitions	---	134.9	
<b>Adj. net debt</b>	<b>11,484.9</b>	<b>11,457.5</b>	<b>0.2%</b>
Fair value of real estate portfolio	27,115.6	24,157.7	12.2%
Fair value of outstanding acquisitions	---	240.0	
Shares in other real estate companies	503.1	13.7	>100%
<b>Adj. fair value of real estate portfolio</b>	<b>27,618.7</b>	<b>24,411.4</b>	<b>13.1%</b>
<b>LTV</b>	<b>41.6%</b>	<b>46.9%</b>	<b>-530bps</b>

Depending on the final outcome of the second offer period for convert, the pro forma LTV will be around **45%** and therefore below the 2015YE level and towards the upper end of our target range.



Vonovia uses the valuation uplift to buy convert in a predominantly all-cash transaction, effectively translating value growth into an accretive acquisition.



## 25.1% FFO1 per Share Growth

- Increased Adj. EBITDA Operations and reduced financing costs lead to 25.1% FFO1 growth.
- AFFO of €689.2m is approx. 1.3x proposed dividend amount.

€m (unless indicated otherwise)	FY 2016	FY 2015	Delta
Adj. EBITDA Operations	1,094.0	957.6	+14.2%
FFO interest expense	-322.7	-339.4	-4.9%
Current income taxes FFO1	-10.5	-10.2	+2.9%
FFO1	760.8	608.0	+25.1%
of which attributable to Vonovia's shareholders	713.4	555.5	+28.4%
of which attributable to Vonovia's hybrid capital investors	40.0	33.0	+21.2%
of which attributable to non-controlling interests	7.4	19.5	-62.1%
Capitalized maintenance	-71.6	-87.5	-18.2%
AFFO*	689.2	520.5	+32.4%
Current income taxes FFO2	-29.5	-17.0	+73.5%
Adjusted EBITDA Sales	92.5	71.1	+30.1%
FFO2	823.8	662.1	+24.4%
FFO1 € / share (eop NOSH)	1.63	1.30	+25.1%
FFO1 € / share (avg. NOSH)	1.63	1.51	+8.5%
AFFO € / share (eop NOSH)	1.48	1.12	+32.4%
AFFO € / share (avg. NOSH)	1.48	1.29	+14.8%

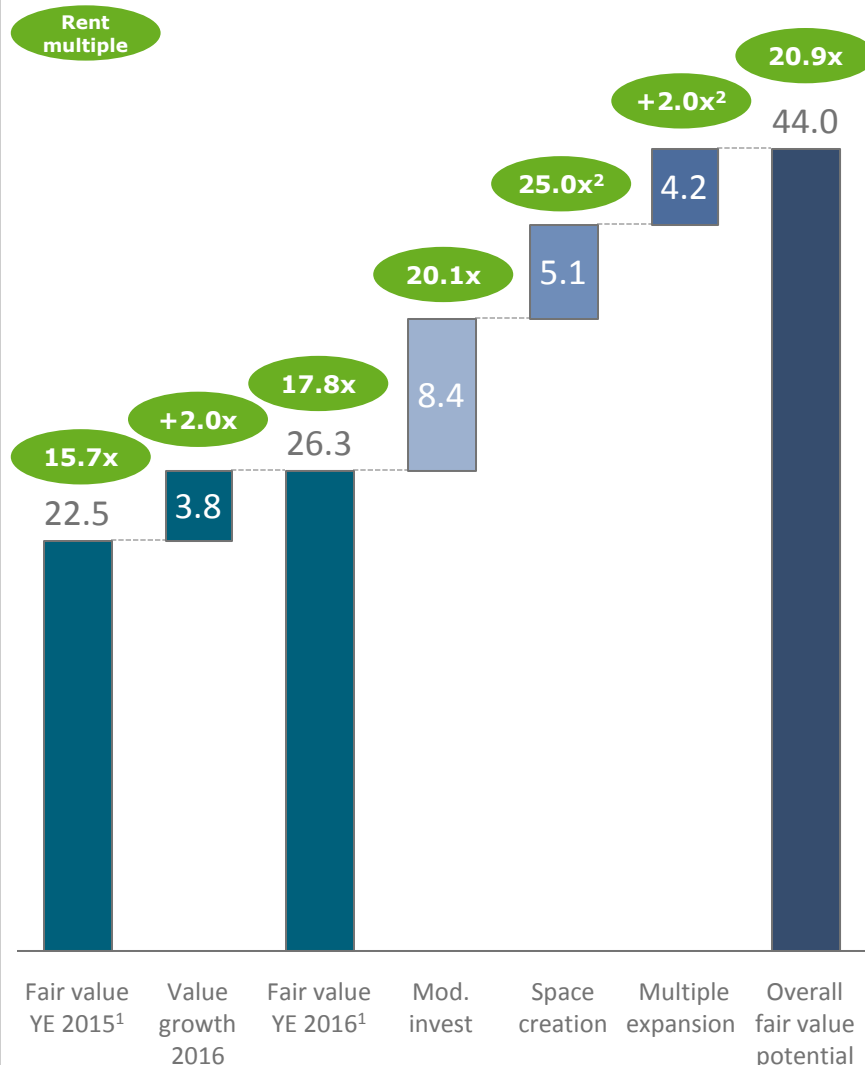
# Privatization Margin Up; Record Non-core Volume

- Privatization volume slightly below prior year but improved margin of 36.2%.
- Increased non-core and non-strategic volume for a combined total of 36,125 units over last two years, actively tapping the transaction market to clean up the portfolio.

€m (unless indicated otherwise)	2016		2015		2016		2015	
	<u>Privatization</u>		<u>Non-core/Non-strategic</u>		<u>Total</u>			
No. of units sold	2,701	2,979	23,930	12,195	26,631	15,174		
Income from disposal	267.4	262.7	960.5	463.3	1,227.9	726.0		
Fair value of disposal*	-196.3	-201.3	-911.4	-424.4	1,107.7	625.7		
Adj. profit from disposal	71.1	61.4	49.1	38.9	120.2	100.3		
Fair value step-up (%)	36.2%	30.5%	5.4%	9.2%				
Selling costs					-27.7	-29.2		
Adj. EBITDA Sales					92.5	71.1		

# Estimated Value Growth Potential to be Unlocked

Illustrative fair value growth potential (€bn)



## Assumptions

Our portfolio management strategy of **modernization investments, space creation and a focus on growth markets** is expected to result in substantial value creation going forward.

### 1) What we can influence

- Value growth potential from **modernization investments**.
  - 30% valuation uplift for properties following modernization work in Upgrade Building Cluster.
  - 30% rent growth for Modernization Clusters<sup>3</sup>.
  - 10% rent growth for Operate Cluster.
- Value growth potential from **space creation**.
  - 26k units at average letting rent of €10 per sqm and month and a market multiple of 25x.

### 2) Market dynamics beyond our influence

- Assumption for value growth potential from exposure to **growth markets** with positive dynamics through additional yield compression / multiple expansion.

Note: Value growth shown on this page is indicative. While we believe the underlying assumptions are reasonable, the actual future development may differ. <sup>1</sup> Strategic portfolio only incl. privatization properties in strategic locations; <sup>2</sup> Market comparables; <sup>3</sup> (i) Upgrade Buildings plus (ii) Optimize Apartments plus (iii) Optimize Apartments within Upgrade Buildings Cluster (Total volume of currently ~290k units)

## 27.1% Adj. NAV per Share Growth

- Valuation uplift of 16.2% contributes to 27.1% Adj. NAV per share growth.

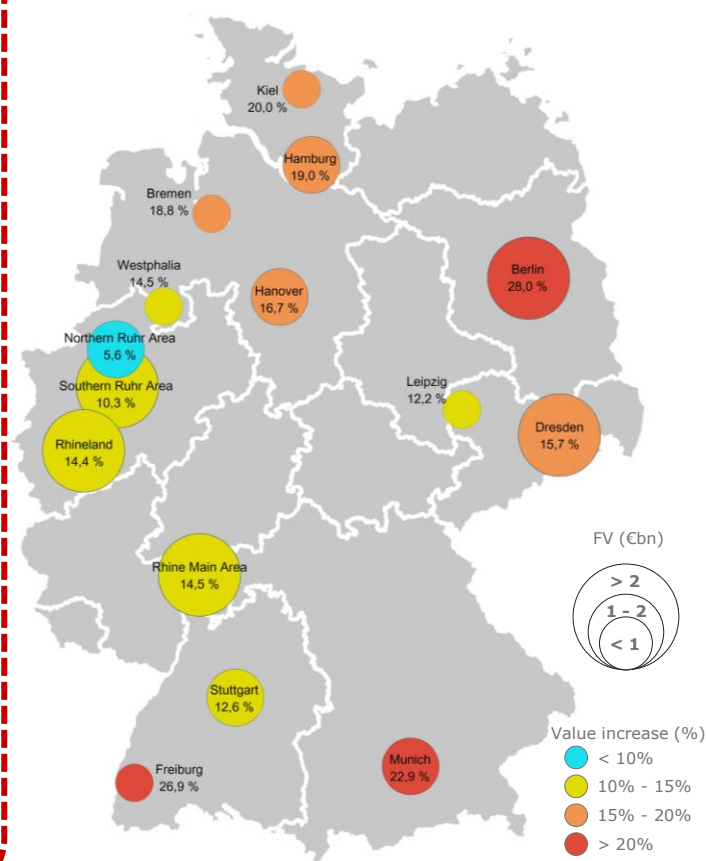
€m (unless indicated otherwise)	Dec. 31, 2016	Dec. 31, 2015	Delta
Equity attributable to Vonovia's shareholders	12,467.8	10,620.5	+17.4%
Deferred taxes on investment properties and assets held for sale	4,550.3	3,241.2	+40.4%
Fair value of derivative financial instruments <sup>1</sup>	44.4	169.9	-73.9%
Deferred taxes on derivative financial instruments	-15.4	-43.4	-64.5%
EPRA NAV	17,047.1	13,988.2	+21.9%
Goodwill	-2,718.9	-2,714.7	+0.2%
Adj. NAV	14,328.2	11,273.5	+27.1%
<b>EPRA NAV €/share</b>	<b>36.58</b>	<b>30.02</b>	<b>+21.9%</b>
<b>Adj. NAV €/share</b>	<b>30.75</b>	<b>24.19</b>	<b>+27.1%</b>

<sup>1</sup> Adjusted for effects from cross currency swaps.

# Valuation Uplift Across All Regional Markets – But Varying Magnitudes

Regional Market	Fair value (€ million)	Fair value (€/sqm)	Multiple (in-place-rent)	Change in value (€ million)	Change in value (I-F-I in %)	of which yield compression
Berlin	3,448	1,640	22.6	753.2	28.0%	24.2%
Rhineland (Cologne, Düsseldorf, Bonn)	2,847	1,437	18.2	351.9	14.4%	8.4%
Rhine Main Area (Frankfurt, Darmstadt, Wiesbaden)	3,100	1,695	19.0	386.8	14.5%	9.8%
Southern Ruhr Area (Dortmund, Essen, Bochum)	2,371	889	13.8	220.0	10.3%	2.8%
Dresden	2,439	1,070	16.4	331.6	15.7%	4.9%
Stuttgart	1,585	1,701	19.3	170.1	12.6%	9.8%
Hamburg	1,733	1,595	20.0	274.9	19.0%	16.4%
Munich	1,652	2,497	26.8	290.5	22.9%	19.6%
Northern Ruhr Area (Duisburg, Gelsenkirchen)	1,291	758	12.4	67.9	5.6%	0.5%
Hanover	1,027	1,167	16.6	145.1	16.7%	8.1%
Kiel	861	1,020	15.4	143.2	20.0%	11.7%
Bremen	762	1,070	17.1	118.5	18.8%	14.0%
Westphalia (Münster, Osnabrück)	589	929	14.5	74.3	14.5%	6.0%
Freiburg	493	1,759	21.6	104.6	26.9%	23.2%
Leipzig	261	1,010	15.3	28.3	12.2%	8.8%
Other Strategic Locations	1,882	1,243	17.1	246.1	15.1%	8.6%
<b>Total Strategic Locations</b>	<b>26,341</b>	<b>1,293</b>	<b>17.8</b>	<b>3,707.1</b>	<b>16.6%</b>	<b>10.9%</b>

- Strongest valuation uplift in Berlin, Munich and Freiburg.
- B locations such as Bremen, Kiel and Hannover with above-average valuation gains, but Northern Ruhr Area with only 5.6% uplift underperformed all other Regional Markets.



# Strategic Clusters – Highest Yield Compression in Modernization Clusters

- The highest uplift from both yield compression and overall was in the two modernization clusters Upgrade buildings and Optimize apartments, confirming our modernization strategy.
- Yield compression also in Non-core and Non-strategic locations but substantially higher in strategic markets.

Strategic Cluster	Fair value (€ million)	Fair value (€/sqm)	Multiple (in-place-rent)	Change in value (€ million)	Change in value (l-f-l in %)	of which yield compression
Operate	7,602	1,281	16.4	887.8	13.5%	8.8%
Upgrade buildings	9,470	1,236	17.9	1553.7	19.8%	12.2%
Optimize apartments	7,800	1,370	19.0	1087.6	16.5%	11.4%
<b>Strategic</b>	<b>24,872</b>	<b>1,290</b>	<b>17.7</b>	<b>3,529.2</b>	<b>16.8%</b>	<b>10.9%</b>
Privatize	1,586	1,323	18.9	189.1	13.5%	10.4%
Non-Strategic	265	576	11.0	14.2	5.4%	3.8%
Non-Core	290	685	12.5	13.5	5.5%	2.7%
<b>Total</b>	<b>27,013</b>	<b>1,264</b>	<b>17.6</b>	<b>3,745.9</b>	<b>16.3%</b>	<b>10.7%</b>

# Value Growth of Acquisition Portfolios Exceeds Goodwill

- Aggregate value growth of close to €3bn across acquisition portfolios.
- Acquisition premium already fully recovered through value accretion.



€m	Acquisition year	Fair Value at acquisition (I-f-I current portfolio) <sup>1</sup>	Fair value Dec. 31, 2016	Value growth since acquisition	Goodwill	Value growth vs. goodwill
Dewag	2014	980	1,259	279	11	268
Vitus	2014	988	1,260	272	95	177
Gagfah	2015	7,714	9,753	2,039	2,265	-226
Franconia	2015	284	361	77	-	77
Südewo	2015	1,732	1,966	234	346	-112
Grainger Portfolio	2016	251	263	12	-	12
<b>Total</b>		<b>11,949</b>	<b>14,862</b>	<b>2,913</b>	<b>2,717</b>	<b>196</b>

<sup>1</sup> Acquisition portfolio adjusted for sales and shown on a like-for-like basis for better comparison. Delta to total goodwill results from IVV acquisition with a goodwill of €2.1m.

# Goodwill – Headroom Grown, Value Up, Performance Assumptions Confirmed

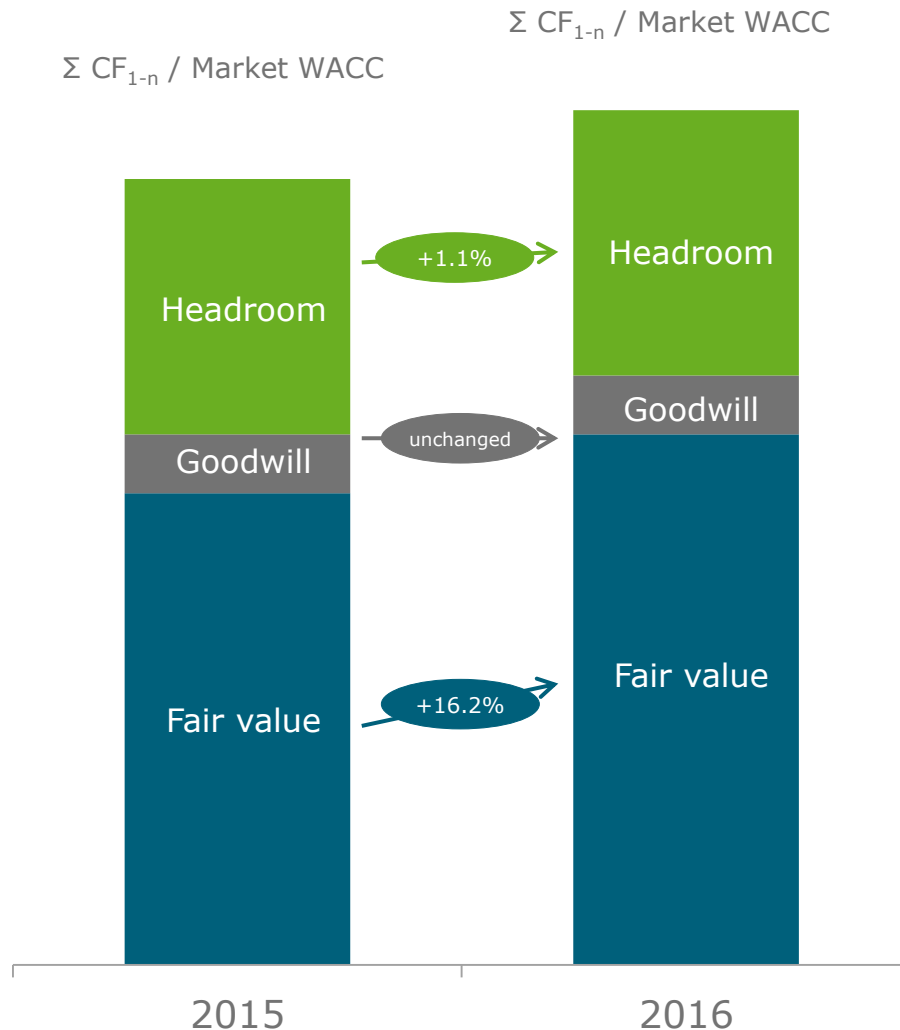
- While the fair value grew across all cash generating units (CGU) in 2016, the impairment test still resulted in a 1.1% **increase** of the headroom for the goodwill, as most regions saw the increase in fair value supported by an increase in the underlying cash flows.
- Except for the Region East (predominantly Berlin), the change in the headroom for the goodwill was considerably smaller than the respective fair value uplift; i.e. the fair value uplift in most regions was also driven by a stronger cash flow profile.

## Development of Fair Value and Headroom

		% of total headroom Dec. 31, 2016	Headroom 2016 vs. 2015	Fair Value 2016 vs. 2015
CGU 1	North (Hamburg, Kiel, etc.)	13%	-5.1%	+16.7%
CGU 2	East (predominantly Berlin)	6%	-27.0%	+26.2%
CGU 3	Southeast (Dresden, Leipzig, etc.)	9%	-2.5%	+12.5%
CGU 4	West (Dortmund, Essen, etc.)	16%	-4.9%	+6.3%
CGU 5	Middle (Frankfurt, Cologne, etc.)	19%	+5.3%	+13.8%
CGU 6	South (Munich, Stuttgart, etc.)	17%	+19.3%	+14.5%
CGU 7	Central	2%	n/a	n/a
CGU 8	Extension segment	19%	n/a	n/a
<b>Total</b>		<b>100%</b>		

CGU = cash generating unit





- Impairment test compares
  - **fair value** (determined by CBRE) + **goodwill** vs.
  - capitalized earnings value calculated by external auditor, using cash flow projections from Vonovia's internal 5-year business plan, applying a market WACC
- No impairment as long as **headroom** exists; i.e. as long as capitalized earnings value exceeds fair value plus goodwill

# Modular Construction – Pilot Project Completed

- Pilot project in Bochum with 14 residential units.
- Factory-based construction of modules with construction costs of €1,800 per sqm (all-in, excl. land, which we already owned).
- On-site assembly of modules within only 5 days.
- Construction completed in mid December 2016 and fully let by mid January 2017.
- In-place rent of slightly above €9 per sqm (vs. €7.20 for Vonovia properties in immediate vicinity).
- Estimated completion of ~1,000 units in 2017<sup>1</sup>.



<sup>1</sup> Subject to obtaining building permits

# All Regional Markets Show Upward Potential

Regional Markets	Fair Value			In-place rent							Average p.a. rent growth forecast CBRE (5 yrs) (%)	Average rent growth (%) from Optimize Apartments
	(€ million)	(€/sqm)	Multiple (in-place rent)	Residential units	Living area ('000 sqm)	Vacancy (%)	Total (p.a. € million)	Residential (p.a. € million)	(€/month/sqm)	Change like-for-like (%)		
Berlin	3,448	1,640	22.6	32,454	2,034	1.5	152	145	6.02	3.2	3.1	40.7
Rhine Main Area (Frankfurt, Darmstadt, Wiesbaden)	3,100	1,695	19.0	28,203	1,799	2.2	163	157	7.42	3.7	3.3	37.9
Rhineland (Cologne, Düsseldorf, Bonn)	2,847	1,437	18.2	28,669	1,928	2.6	157	149	6.60	4.0	2.9	31.5
Dresden	2,439	1,070	16.4	37,983	2,155	1.8	149	139	5.47	3.7	3.2	36.8
Southern Ruhr Area (Dortmund, Essen, Bochum)	2,371	889	13.8	42,834	2,606	2.7	172	165	5.43	3.5	1.9	29.5
Hamburg	1,733	1,595	20.0	16,644	1,054	1.8	87	82	6.55	3.5	3.1	34.8
Munich	1,652	2,497	26.8	9,773	643	0.7	62	57	7.50	3.8	4.6	51.9
Stuttgart	1,585	1,701	19.3	14,303	901	1.7	82	78	7.36	2.2	2.9	35.2
Northern Ruhr Area (Duisburg, Gelsenkirchen)	1,291	758	12.4	27,097	1,680	3.2	104	101	5.18	3.5	1.8	24.1
Hanover	1,027	1,167	16.6	13,668	866	2.3	62	60	5.88	2.8	2.9	33.3
Kiel	861	1,020	15.4	13,989	813	1.3	56	53	5.49	2.4	2.3	33.9
Bremen	762	1,070	17.1	11,339	691	3.1	45	42	5.27	3.7	3.1	33.8
Westphalia (Münster, Osnabrück)	589	929	14.5	9,652	625	2.3	41	39	5.38	3.7	2.6	28.6
Freiburg	493	1,759	21.6	4,063	278	1.0	23	22	6.72	3.0	3.8	41.2
Leipzig	261	1,010	15.3	4,089	255	2.6	17	17	5.61	1.4	2.4	23.5
Other Strategic Locations	1,882	1,243	17.1	23,514	1,490	2.3	110	106	6.10	3.5	3.1	35.0
<b>Total Strategic Locations</b>	<b>26,341</b>	<b>1,293</b>	<b>17.8</b>	<b>318,274</b>	<b>19,817</b>	<b>2.2</b>	<b>1,480</b>	<b>1,412</b>	<b>6.07</b>	<b>3.4</b>	<b>2.9</b>	<b>34.2</b>

- Full Vonovia **guidance** for 2017 **including conwert** will be published with Q1 2017 results on **May 24**.
- Vonovia **stand-alone guidance** for FFO1 is **€830m - €850m**.
- **Conservative first assessment** based on conwert 2016 FFO1 guidance of €80m as a starting point gives in an initial assumption of **approx. €60m FFO1 contribution** from conwert for 2017.
- In any scenario – second offer period all cash or all shares and irrespective of acceptance ratio – the conwert acquisition is **FFO1 per share and NAV per share accretive from day 1**.

I	Conwert update
II	Scrip dividend as alternative
III	Next portfolio valuation at the end of Q2 2017
IV	Gagfah: cross-border merger
V	Vonovia's stake in Deutsche Wohnen
VI	CEO contract extended to Feb. 2023

# Housekeeping I conwert Meets All Acquisition Criteria

## Acquisition criteria



## Smooth transaction

- > One of the **largest European RE transactions in 2016** with €2.8bn transaction volume.
- > **After four failed takeover attempts** in recent years by third parties, **Vonovia successfully completed** the transaction within only **four months**.
- > **Terms** communicated upon announcement in September were **never changed** even when markets turned negative.
- > **Flawless execution** from preparation to the announcement and all the way to the settlement; no leakage, no delays, no interloper, no regulatory intervention, no changes to deal structure or timing.

## What has changed since the announcement

	At Announcement	Since Announcement / Today
Share vs. cash	Share alternative at €17.58 per share substantially more attractive than mandatory cash offer at €16.16 per share	Of the 72.9m shares, only 0.7m were tendered for shares with the remaining 72.2 for cash
Financial synergies	€5m (€61m break costs to realize synergies)	Current interest rate environment makes realization of these synergies difficult to achieve
Operational synergies	Operational synergies of €7m	First view indicates higher operational synergies than anticipated
conwert non-core portfolio	~€600m	~€330m have been closed or announced since Sep 5
conwert NAV	€16.40 as per Q2 2016	~€17 (est.) as per YE2016

→ Next update with Q1 earnings release on May 24

# Housekeeping I

## Tender Offer for conwert – Residual Timeline

✓	Sep 5, 2016	<ul style="list-style-type: none"> <li>&gt; <b>Announcement</b> of the intention to make a voluntary take-over offer</li> <li>&gt; Support from conwert board and management</li> <li>&gt; Commitment from Adler to tender all its conwert shares</li> </ul>
✓	Oct 6 & Oct 28, 2016	<ul style="list-style-type: none"> <li>&gt; <b>Approval</b> from German Federal Cartel Office; Clearance from Austrian Federal Competition Authority</li> </ul>
✓	Nov 17, 2016	<ul style="list-style-type: none"> <li>&gt; <b>Publication</b> of the offer document</li> </ul>
✓	Nov 18 – Dec 19, 2016	<ul style="list-style-type: none"> <li>&gt; <b>Acceptance period</b></li> </ul>
✓	Dec 22, 2016	<ul style="list-style-type: none"> <li>&gt; Publication of final results of acceptance period: <b>71.54% acceptance ratio</b></li> </ul>
✓	Dec 23, 2016	<ul style="list-style-type: none"> <li>&gt; Start of <b>second acceptance period</b></li> </ul>
✓	Jan 16, 2017	<ul style="list-style-type: none"> <li>&gt; <b>Payment and settlement</b> (conwert fully consolidated as of Jan 10, 2017)</li> </ul>
✓	Jan 27, 2017	<ul style="list-style-type: none"> <li>&gt; <b>conwert EGM (Vonovia holds 4 of the 6 seats on conwert's Administrative Board)</b></li> </ul>
✓	Mar 23, 2017	<ul style="list-style-type: none"> <li>&gt; <b>End of second acceptance period</b></li> </ul>
	Apr 2017	<ul style="list-style-type: none"> <li>&gt; <b>Payment and settlement</b> second acceptance period</li> </ul>
	Jul 2017	<ul style="list-style-type: none"> <li>&gt; All relevant conwert <b>data and systems fully integrated</b> in Vonovia platform</li> </ul>

### Choice

- Scrip dividend as an **alternative** to cash dividends **offers choice** to investors.

### Increasingly best practice

- **Well established** in many **international markets** like the US or UK and **increasingly popular in Germany** as well.
- E.ON, Deutsche Telekom, Lufthansa and others have been offering their shareholders for some years now cash dividends and as an alternative an equal dividend amount in the form of shares.

### Process

- **Supervisory Board** defines scrip dividend structure and price.
- **Annual General Meeting** approves total dividend amount.
- **Shareholders** choose cash or shares until early June.
- **Payout date** will be **mid-June**.



### Valuation & Timing

- › **Gross asset real estate value** represents more than **83% of total assets**.
- › Equity capital markets continue to use the **NAV as share price proxy**.
- › **NAV guidance without yield compression** is of **limited use**.
- › So far no need to conduct more than one valuation a year, but with more pronounced yield compression in many local markets in 2016 and most likely beyond the **annual valuation cycle is too long**.
- › **Next portfolio valuation** will be as of **June 30, 2017**.

### Methodology & Process

- › **Same Methodology** for half-year valuation as for the year-end valuation.
- › For practical purposes, the valuation pool will comprise the largest 20 cities plus any other location for which there is indication of strong valuation movements. **Data set and result** of mid-year valuation will be **meaningful enough** to ensure that **majority of the valuation movements** of first two quarters is captured and **reflected in financial accounts**.
- › Process and timing **agreed with our auditors**.
- › **Half-year valuations** to be **conducted for as long as there is market evidence** of material valuation changes over a 6-months period.



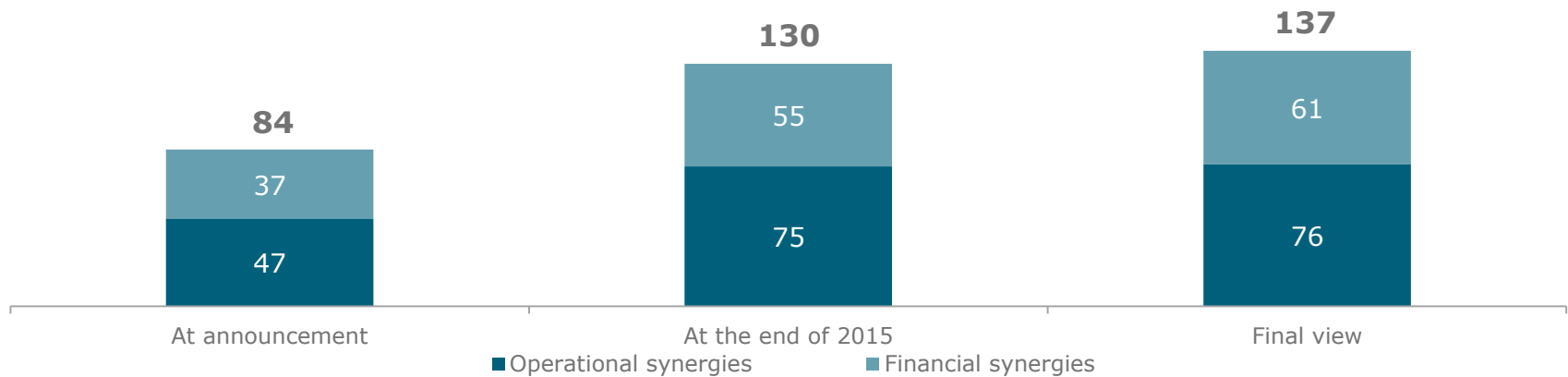
- › **NAV guidance suspended**

# Housekeeping IV

## Gagfah Cross-border Merger

<p>Vonovia ownership</p>	<ul style="list-style-type: none"> <li>➤ Vonovia holds <b>93.8%</b> of all Gagfah shares.</li> </ul>
<p>Redemption of CMBS completed</p>	<ul style="list-style-type: none"> <li>➤ After <b>redeeming the last Gagfah CMBS</b> in Feb 2017, Vonovia is <b>currently analyzing the final step of the integration</b> by way of a <b>cross-border merger</b> of Gagfah S.A. into Vonovia SE, effectively completing the last leg of the integration and <b>further reducing legal and governance complexities</b>.</li> </ul>
<p>Cross-border merger</p>	<ul style="list-style-type: none"> <li>➤ A successful merger would lead to a <b>mandatory exchange</b> of all outstanding shareholders' Gagfah shares against Vonovia shares in a fixed exchange ratio.</li> <li>➤ After completing the company valuations and after a merger audit by a court-appointed, independent auditor, the governing bodies of Vonovia SE and Gagfah S.A. will deliberate on the merger and the <b>exchange ratio</b>.</li> </ul>

Synergy expectations over time (€m)



Note: Chart shows expected synergies at the different points in time; realization of full synergies in 2017

### Vonovia's stake in Deutsche Wohnen

- Vonovia owns 16.8m shares in Deutsche Wohnen. This equals 4.74% based on the 354.7m shares outstanding.

### Purchase price & unrealized gains

- The shares were purchased at an average purchase price of €24.10 for a total consideration of €405.5m.
- Based on the €31.67 closing price on March 3, 2017, the stake has a market value of €532.6m, resulting in a book gain of €127.1m (+31%).

### Deutsche Wohnen stake in Vonovia's numbers

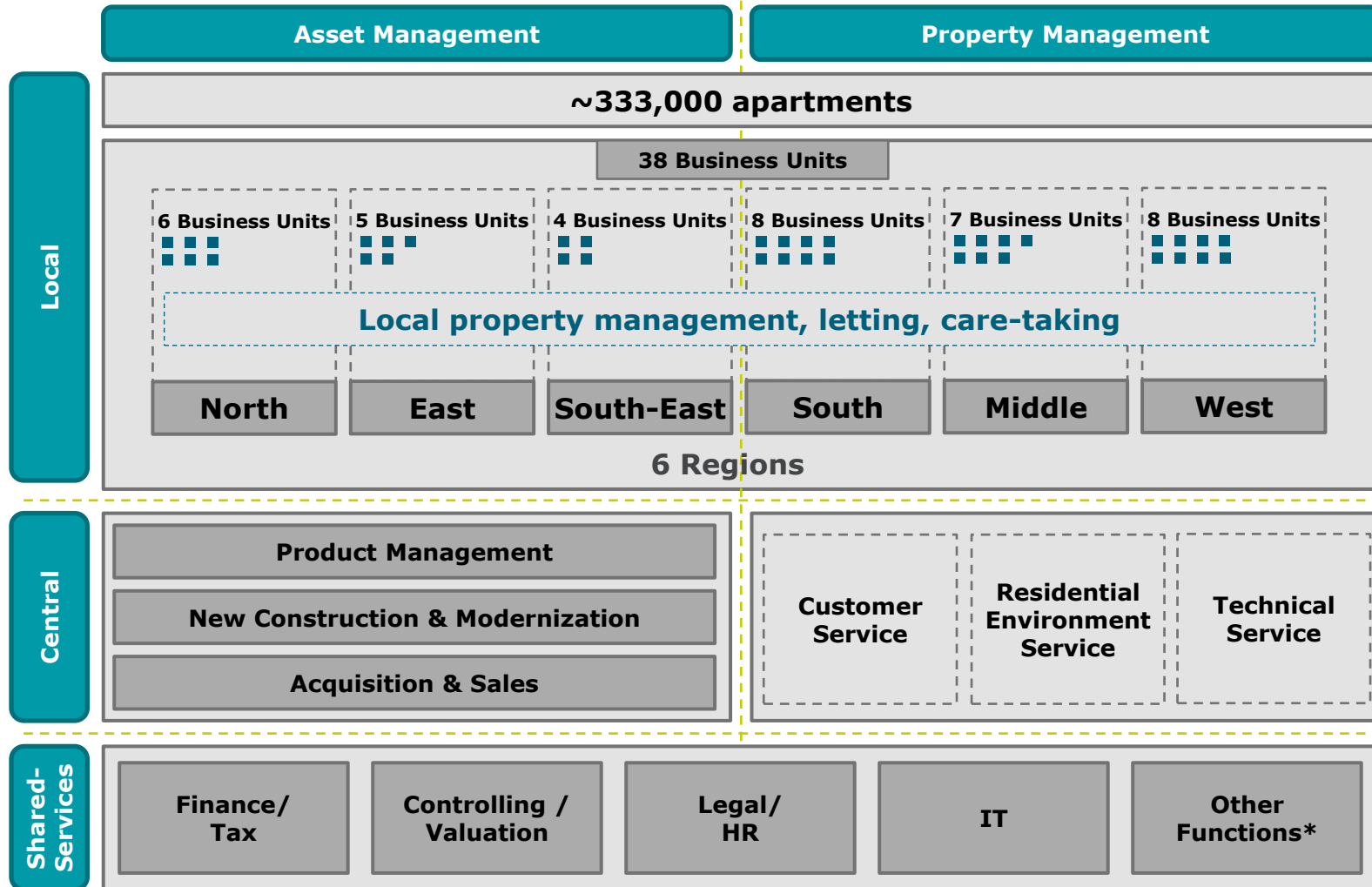
- Deutsche Wohnen shares are accounted for under "available-for-sale securities" in IFRS (in non-current assets).
- Accounting on a mark-to-market basis, with adjustments to fair market value accounted for in "Other comprehensive income."
- Included with market value in LTV denominator.
- FFO interest expense includes interest expense for share purchase (approx. €6m) and dividend payment of €9.1m for 2016.

## **Built-in sustainable organic FFO1 growth going forward.**

- FFO1 is expected to **grow organically**, as rental income and EBITDA growth continue to **accelerate**.
- Broadly **stable interest rate levels** would be an **additional contributor to FFO1 growth**.
- **Positive FFO1 trajectory** even in an immediate 200bps interest rate hike scenario.

## **Fair value growth potential to be unlocked.**

- Our portfolio management strategy has put the **portfolio on a growth track**.
- **Modernization investments** and **space creation** are expected to be the main drivers of future value growth.
- Yield compression / **multiple expansion from exposure to growth markets** expected to be additional value driver.



\*Other shared services: Internal Audit, Communications, Central Procurement, Insurances, Investor Relations, Accounting



**CFO**  
**Dr. A. Stefan Kirsten**

- > Since 2011 CFO of Vonovia
- > Former CEO of Majid Al Futtaim Group LLC (real estate development company focusing mainly on retail and entertainment ventures in the Emirates)
- > Former CFO of Metro AG and ThyssenKrupp AG in Germany
- > Contract expires Dec. 31, 2020

**CEO**  
**Rolf Buch**

- > Since 2013 CEO of Vonovia
- > Former management board member of Bertelsmann SE
- > Former CEO of Arvato AG (global BPO service provider with more than 60,000 employees in over 40 countries)
- > Contract expires Feb. 28, 2023

**COO**  
**Klaus Freiberg**

- > Board member since 2010
- > Responsible for the property management (customer care service, management and letting of portfolio)
- > Former senior manager of Arvato Group; supervised and optimized the service centers of Deutsche Post and Deutsche Telekom
- > Contract expires Jan. 31, 2022

**CCO**  
**Gerald Klinck**

- > Board member since 2012
- > Former CFO of GAGFAH Group
- > 20+ years experience in leading positions in the real estate industry
- > Contract expires at the AGM 2018

# Growth Across All KPIs

VONOVIA

		2016	2015	Delta
Average number of residential sqm	'000	21,509	20,773	+3.5%
In-place rent (eop)	€/month/sqm	6.02	5.75	+4.7%
In-place rent I-f-I (eop)	€/month/sqm	6.01	5.82	+3.3%
Vacancy rate (eop)	%	2.4%	2.7%	-30bps
Rental income	€m	1,538.1	1,414.6	+8.7%
Cost per average unit	€	570	645	-11.6%
Adj. EBITDA Operations	€m	1,094.0	957.6	+14.2%
Rental	€m	1,046.2	924.4	+13.2%
Extension	€m	57.0	37.6	+51.6%
Other (i.e. consolidation)	€m	-9.2	-4.4	>100%
FFO 1	€m	760.8	608.0	+25.1%
FFO 1 per share (eop NOSH)	€	1.63	1.30	+25.1%
FFO 1 per share (avg. NOSH)	€	1.63	1.51	+8.5%
AFFO	€m	689.2	520.5	+32.4%
Adj. EBITDA Sales	€m	92.5	71.1	+30.1%
Adj. EBITDA (Total)	€m	1,186.5	1,028.7	+15.3%
FFO 2	€m	823.8	662.1	+24.4%

+10.2%  
per avg. unit  
(€3,172 vs.  
€2,878)

+20.7%  
per sqm  
(€2,206 vs.  
€1,827)

+19.9%  
per sqm  
(€1,264 vs.  
€1,054)

		Dec. 31, 2016	Dec. 31, 2015	Delta
Fair value of real estate portfolio	€m	27,115.6	24,157.7	+12.2%
EPRA NAV	€/share	36.58	30.02	+21.9%
Adj. NAV	€/share	30.75	24.19	+27.1%
LTV	%	41.6%	46.9%	-530bps
Dividend paid	€m	438.0	276.2	€161.8m

# Reconciliation IFRS Profit to FFO

VONOVIA

€m (unless indicated otherwise)	FY 2016	FY 2015	Delta
<b>PROFIT FOR THE PERIOD</b>	<b>2,512.9</b>	<b>994.7</b>	152.6%
Financial result	433.0	414.0	4.6%
Income taxes	1,346.9	739.8	82.1%
Depreciation and amortization	27.0	13.4	>100%
Net income from fair value adjustments of investment properties	-3,236.1	-1,323.5	>100%
<b>= EBITDA IFRS</b>	<b>1,083.7</b>	<b>838.4</b>	29.3%
Non-recurring items	94.5	209.4	-54.9%
Total period adjustments from assets held for sale	17.9	-18.7	>100%
Financial income from investments in other real estate companies	-9.6	-0.4	>100%
<b>= ADJUSTED EBITDA</b>	<b>1,186.5</b>	<b>1,028.7</b>	15.3%
Adjusted EBITDA Sales	-92.5	-71.1	30.1%
<b>= ADJUSTED EBITDA OPERATIONS</b>	<b>1,094.0</b>	<b>957.6</b>	14.2%
Interest expense FFO	-322.7	-339.4	-4.9%
Current income taxes FFO 1	-10.5	-10.2	2.9%
<b>= FFO 1</b>	<b>760.8</b>	<b>608.0</b>	25.1%
Capitalized maintenance	-71.6	-87.5	-18.2%
<b>= AFFO</b>	<b>689.2</b>	<b>520.5</b>	32.4%
Current income taxes FFO2	-29.5	-17.0	73.5%
<b>FFO 2 (FFO 1 incl. Adjusted EBITDA Sales/current income taxes Sales)</b>	<b>823.8</b>	<b>662.1</b>	24.4%
FFO 1 per share in € (eop NOSH)	1.63	1.30	25.1%
AFFO per share in € (eop NOSH)	1.48	1.12	32.4%
Number of shares (million) eop	466	466	---

Increase due to fair value adjustment of investment properties vs. increase of deferred tax liabilities

EBITDA increase mainly driven by rental business

Increase of adjusted EBITDA sales\* due to higher Non-core sales volume and higher core step-ups

Adjusted EBITDA Operations\* reflects operational performance as well as acquisitions\* and expansion strategy in Extension Segment



€m (unless indicated otherwise)	FY 2016	FY 2015	Delta
Income from property letting	2,170.0	2,035.3	6.6%
Other income from property management	39.3	28.2	39.4%
<b>Income from property management</b>	<b>2,209.3</b>	<b>2,063.5</b>	7.1%
Income from disposal of properties	1,227.9	726.0	69.1%
Carrying amount of properties sold	-1,177.7	-658.7	78.8%
Revaluation of assets held for sale	52.0	51.7	0.6%
<b>Profit on disposal of properties</b>	<b>102.2</b>	<b>119.0</b>	-14.1%
<b>Net income from fair value adjustments of investment properties</b>	<b>3,236.1</b>	<b>1,323.5</b>	>100%
Capitalized internal expenses	341.0	174.9	95.0%
Cost of materials	-1,081.9	-972.5	11.2%
Personnel expenses	-353.8	-359.7	-1.6%
Depreciation and amortization	-27.0	-13.4	>100%
Other operating income	105.3	73.1	44.0%
Other operating expenses	-249.5	-263.5	-5.3%
Financial income	27.1	8.0	>100%
Financial expenses	-449.0	-418.4	7.3%
<b>Earnings before tax</b>	<b>3,859.8</b>	<b>1,734.5</b>	>100%
Income taxes	-1,346.9	-739.8	82.1%
<b>Profit for the period</b>	<b>2,512.9</b>	<b>994.7</b>	>100%
Attributable to:			
Vonovia's shareholders	2,300.7	923.5	>100%
Vonovia's hybrid capital investors	40.0	40.0	0.0%
Non-controlling interests	172.2	31.2	>100%
<b>Earnings per share (basic and diluted) in €</b>	<b>4.94</b>	<b>2.29</b>	>100%

L-f-I-rent increase of 3.3%, thereof 1.8% due to modernization\*. Vacancy rate down from 2.7% in 2015 to 2.4% in 2016

Increase in sales from 15,174 in 2015 to 26,631 in 2016 (thereof 23,930 non-core); lower non-core step-up in 2016 5.4% (2015: 9.2%)

Positive operational development and high market dynamics for residential property market in Germany

Significant expansion of value accretive modernization

# Balance Sheet (1/2 – Total Assets)

€m (unless indicated otherwise)	Dec. 31, 2016	Dec. 31, 2015	Delta	
<b>Assets</b>				
Intangible assets	2,743.1	2,724.0	0.7%	
Property, plant and equipment	115.7	70.7	63.6%	Increase mainly due to revaluation € 3.2bn
Investment properties	26,980.3	23,431.3	15.1%	Increase mainly due to the acquisition* and valuation of Deutsche Wohnen shares
Financial assets	585.9	221.7	>100%	
Other assets	15.2	158.5	-90.4%	
Income tax receivables	-	0.1	-100%	2015 include advance payments made on acquisitions of companies and real estate
Deferred tax assets	19.6	72.3	-72.9%	
<b>Total non-current assets</b>	<b>30,459.8</b>	<b>26,678.6</b>	<b>14.2%</b>	
Inventories	5.0	3.8	31.6%	Decrease due to lower receivables from the sale of properties
Trade receivables	164.4	352.2	-53.3%	
Financial assets	153.2	2.0	>100%	Positive market values from cross-currency swaps
Other assets	102.7	113.4	-9.4%	
Income tax receivables	34.6	23.1	49.8%	Decrease mainly due to scheduled and unscheduled loan repayments, mainly GRF 1 and 3-yr 2013 bond
Cash and cash equivalents	1,540.8	3,107.9	-50.4%	
Assets held for sale	61.6	678.1	-90.9%	2015 including 13,570 units sale to LEG
<b>Total current assets</b>	<b>2,062.3</b>	<b>4,280.5</b>	<b>-51.8%</b>	
<b>Total assets</b>	<b>32,522.1</b>	<b>30,959.1</b>	<b>5.0%</b>	

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

VONOVIA

€m (unless indicated otherwise)	Dec. 31, 2016	Dec. 31, 2015	Delta
<b>Equity and liabilities</b>			
Subscribed capital	466.0	466.0	0.0%
Capital reserves	5,334.9	5,892.5	-9.5%
Retained earnings	6,665.4	4,309.9	54.7%
Other reserves	1.5	-47.9	>100%
<b>Total equity attributable to Vonovia's shareholders</b>	<b>12,467.8</b>	<b>10,620.5</b>	<b>17.4%</b>
Equity attributable to hybrid capital investors	1,001.6	1,001.6	0.0%
<b>Total equity attributable to Vonovia's shareholders and hybrid capital investors</b>	<b>13,469.4</b>	<b>11,622.1</b>	<b>15.9%</b>
Non-controlling interests	419.0	244.8	71.2%
<b>Total equity</b>	<b>13,888.4</b>	<b>11,866.9</b>	<b>17.0%</b>
Provisions	607.9	612.9	-0.8%
Trade payables	1.3	0.9	44.4%
Non derivative financial liabilities	11,643.4	13,951.3	-16.5%
Derivatives	19.1	144.5	-86.8%
Liabilities from finance leases	94.7	94.9	-0.2%
Liabilities to non-controlling interests	9.9	46.3	-78.6%
Other liabilities	83.3	25.9	>100%
Deferred tax liabilities	3,769.5	2,528.3	49.1%
<b>Total non-current liabilities</b>	<b>16,229.1</b>	<b>17,405.0</b>	<b>-6.8%</b>
Provisions	370.8	429.5	-13.7%
Trade payables	138.8	91.6	51.5%
Non derivative financial liabilities	1,727.6	988.6	74.8%
Derivatives	57.5	58.8	-2.2%
Liabilities from finance leases	4.5	4.4	2.3%
Liabilities to non-controlling interests	2.7	9.8	-72.4%
Other liabilities	102.7	104.5	-1.7%
<b>Total current liabilities</b>	<b>2,404.6</b>	<b>1,687.2</b>	<b>42.5%</b>
<b>Total liabilities</b>	<b>18,633.7</b>	<b>19,092.2</b>	<b>-2.4%</b>
<b>Total equity and liabilities</b>	<b>32,522.1</b>	<b>30,959.1</b>	<b>5.0%</b>

Increase results from revaluation of Deutsche Wohnen shares partly compensated by the valuation of cash flow hedges

Mainly repayment of CMBS GRF 1 and CMBS GRF2 and repayments of portfolio loans, issue of EMTN bonds of total € 2.5bn

Decrease mainly due to contractual reductions and premature terminations

The 2016 figures include purchase price liabilities in the amount of € 76.1m

The increase results from the final maturity of two Bonds in 2017

	<b>FY 2016 / Dec. 31, 2016</b>	<b>FY 2015 / Dec. 31, 2015</b>
Headcount (eop)	7,437	6,368
EPRA vacancy rate (eop)	2.2%	2.5%
IFRS profit for the period (€/share)	4.94	2.29
Number of units acquired	2,815	168,632
Number of units sold	26,631	15,174
Total residential sqm ('000; eop)	20,781	22,271

<b>Valuation parameters</b>	<b>2016</b>	<b>2015</b>
Management costs per residential unit p.a.	€255	€252
Maintenance costs (ongoing + apt. improvement per sqm) p.a.	€13.66 p.a.	€13.41 p.a.
Discount rate	5.5%	5.8%
Capitalization rate	4.3%	4.7%
Market rent increase p.a.	1.2% p.a.	1.2% p.a.
Stabilized vacancy rate	2.4%	2.7%
<b>Valuation results</b>	<b>2016</b>	<b>2015</b>
Net initial yield	4.0%	4.5%
Gross yield	5.7%	6.5%
In-place rent multiple	17.6x	15.4x
Fair Value (€/sqm)	1,264	1,054

# Y-o-y Valuation Growth

- Substantial value growth across the portfolio but yield compression clearly more pronounced in some regions than others.

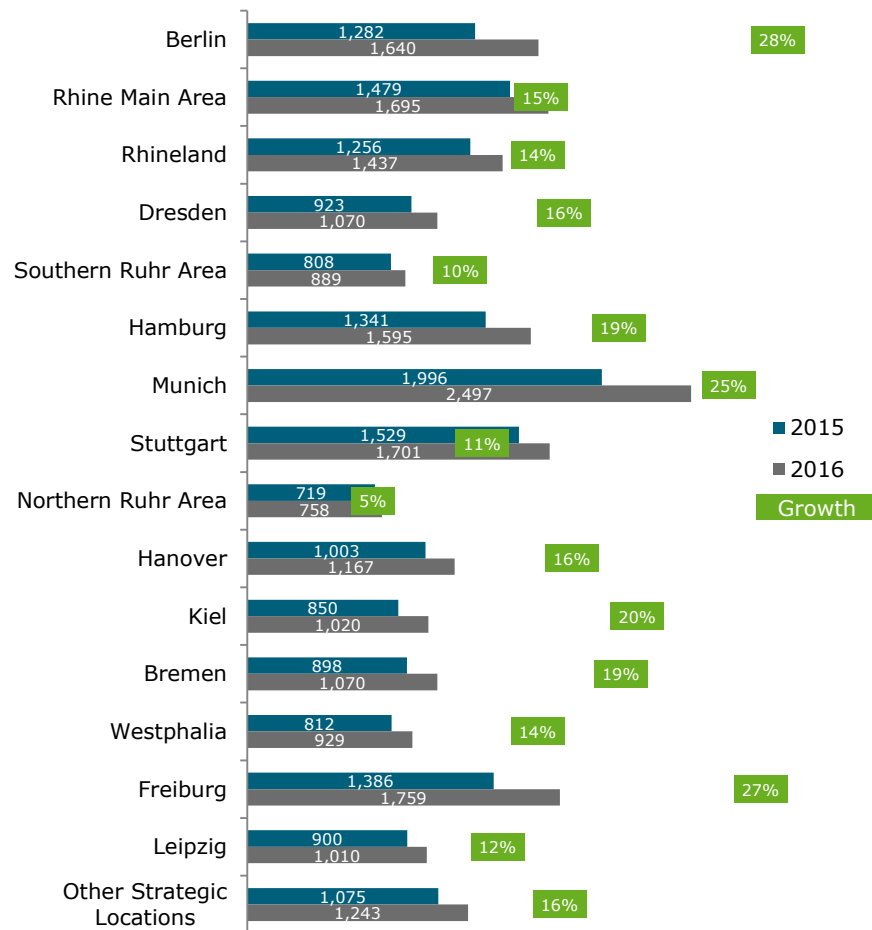
Regional Markets	2015				2016				Delta	
	Fair Value		Multiple (in-place rent)	Residential units	Fair Value		Multiple (in-place rent)	Residential units	Fair Value (€/sqm)	Multiple (in-place rent)
	(€ million)	(€/sqm)			(€ million)	(€/sqm)				
Berlin	2,709.2	1,282	18.2	32,563	3,448.3	1,640	22.6	32,454	28%	24%
Rhine Main Area (Frankfurt, Darmstadt, Wiesbaden)	2,708.4	1,479	17.2	28,262	3,099.8	1,695	19.0	28,203	15%	10%
Rhineland (Cologne, Düsseldorf, Bonn)	2,460.9	1,256	16.5	28,214	2,847.4	1,437	18.2	28,669	14%	10%
Dresden	2,108.7	923	14.7	38,047	2,438.6	1,070	16.4	37,983	16%	11%
Southern Ruhr Area (Dortmund, Essen, Bochum)	2,169.1	808	12.9	43,224	2,370.7	889	13.8	42,834	10%	7%
Hamburg	1,455.3	1,341	17.5	16,622	1,733.2	1,595	20.0	16,644	19%	14%
Munich	1,292.4	1,996	22.8	9,543	1,651.9	2,497	26.8	9,773	25%	18%
Stuttgart	1,355.3	1,529	17.5	13,743	1,584.7	1,701	19.3	14,303	11%	10%
Northern Ruhr Area (Duisburg, Gelsenkirchen)	1,245.5	719	12.2	27,531	1,290.8	758	12.4	27,097	5%	2%
Hanover	877.8	1,003	14.6	13,575	1,027.1	1,167	16.6	13,668	16%	14%
Kiel	719.5	850	13.2	14,009	861.2	1,020	15.4	13,989	20%	17%
Bremen	630.9	898	14.7	11,170	761.6	1,070	17.1	11,339	19%	16%
Westphalia (Münster, Osnabrück)	513.9	812	13.2	9,638	588.9	929	14.5	9,652	14%	10%
Freiburg	389.8	1,386	17.5	4,076	493.3	1,759	21.6	4,063	27%	23%
Leipzig	234.2	900	14.1	4,116	260.7	1,010	15.3	4,089	12%	9%
Other Strategic Locations	1,655.0	1,075	15.3	23,931	1,882.5	1,243	17.1	23,514	16%	12%
<b>Total Strategic Locations</b>	<b>22,525.7</b>	<b>1,106</b>	<b>15.7</b>	<b>318,264</b>	<b>26,340.7</b>	<b>1,293</b>	<b>17.8</b>	<b>318,274</b>	<b>17%</b>	<b>13%</b>

Note: Excluding Non-strategic locations; Changes are real case, not like-for-like

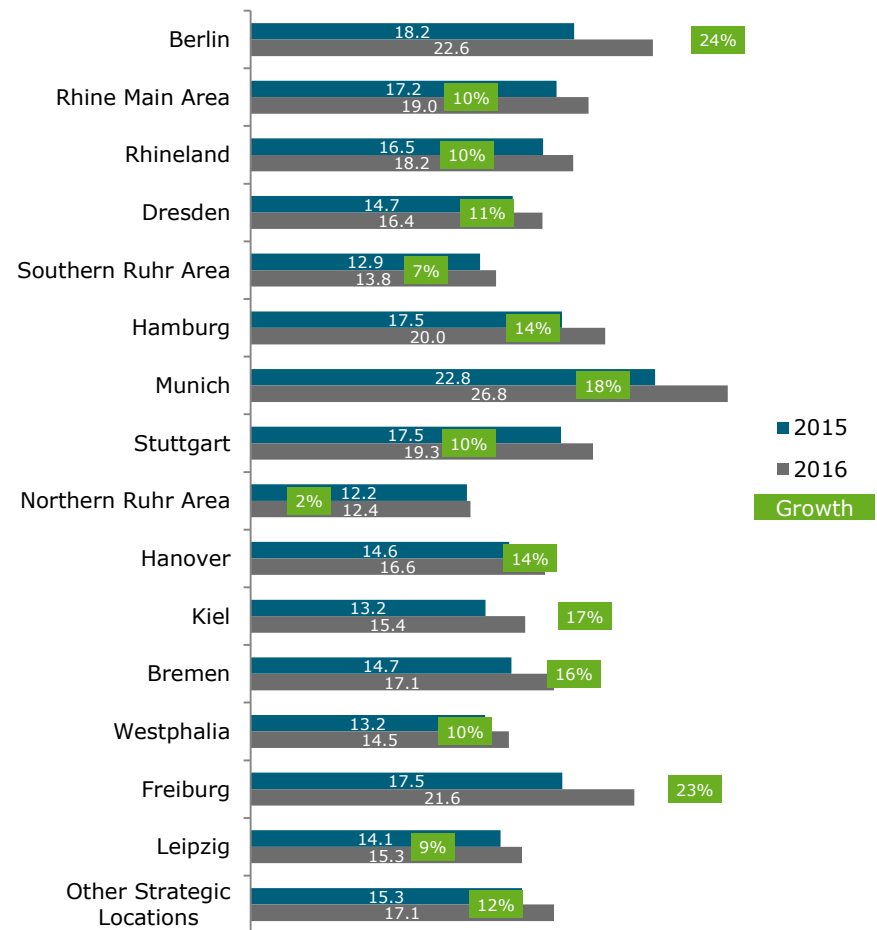
# Y-o-y Valuation Growth

- Substantial value growth across the portfolio but movements clearly more pronounced in some regions than others.

Fair value €/sqm



In-place rent multiple



Note: Excluding Non-strategic locations; Changes are real case, not like-for-like

## Corporate Investment grade rating

Rating agency	Rating	Outlook	Last Update
Standard & Poor's	BBB+	Stable	06 September 2016

## Bond ratings

Name	Tenor & Coupon	ISIN	Amount	Issue price	Coupon	Final Maturity Date	Rating
Bond 002 (EUR-Bond)	6 years 3.125%	DE000A1HNW52	€ 600m	99.935%	3.125%	25 July 2019	BBB+
Bond 003 (USD-Bond)	4 years 3.200%	US25155FAA49	USD 750m	100.000%	2.970%*	02 Oct 2017	BBB+
Bond 004 (USD-Bond)	10 years 5.000%	US25155FAB22	USD 250m	98.993%	4.580%*	02 Oct 2023	BBB+
Bond 005 (EMTN)	8 years 3.625%	DE000A1HRVD5	€ 500m	99.843%	3.625%	08 Oct 2021	BBB+
Bond 006 (Hybrid)	60 years 4.625%	XS1028959671	€ 700m	99.782%	4.625%	08 Apr 2074	BBB-
Bond 007 (EMTN)	8 years 2.125%	DE000A1ZLUN1	€ 500m	99.412%	2.125%	09 July 2022	BBB+
Bond 008 (Hybrid)	perpetual 4%	XS1117300837	€ 1,000m	100.000%	4.000%	perpetual	BBB-
Bond 009A (EMTN)	5 years 0.875%	DE000A1ZY971	€ 500m	99.263%	0.875%	30 Mar 2020	BBB+
Bond 009B (EMTN)	10 years 1.500%	DE000A1ZY989	€ 500m	98.455%	1.500%	31 Mar 2025	BBB+
Bond 010A (EMTN)	2 years 0.950%+3M EURIBOR	DE000A18V120	€ 750m	100.000%	0.835% hedged	15 Dec 2017	BBB+
Bond 010B (EMTN)	5 years 1.625%	DE000A18V138	€ 1,250m	99.852%	1.625%	15 Dec 2020	BBB+
Bond 010C (EMTN)	8 years 2.250%	DE000A18V146	€ 1,000m	99.085%	2.250%	15 Dec 2023	BBB+
Bond 011A (EMTN)	6 years 0.875%	DE000A182VS4	€ 500m	99.530%	0.875%	10 Jun 2022	BBB+
Bond 011B (EMTN)	10 years 1.500%	DE000A182VT2	€ 500m	99.165%	1.500%	10 Jun 2026	BBB+
Bond 012 (EMTN)	2 years 0.380%+3M EURIBOR	DE000A185WC9	€ 500m	100.000%	0.140% hedged	13 Sep 2018	BBB+
Bond 013 (EMTN)	8 years 1.250%	DE000A189ZX0	€ 1,000m	99.037%	1.250%	06 Dec 2024	BBB+
Bond 14A (EMTN)	5 years 0.750%	DE000A19B8D4	€ 500m	99.863%	0.750%	25 Jan 2022	BBB+
Bond 14B (EMTN)	10 years 1.750%	DE000A19B8E2	€ 500m	99.266%	1.750%	25 Jan 2027	BBB+

\* EUR-equivalent Coupon



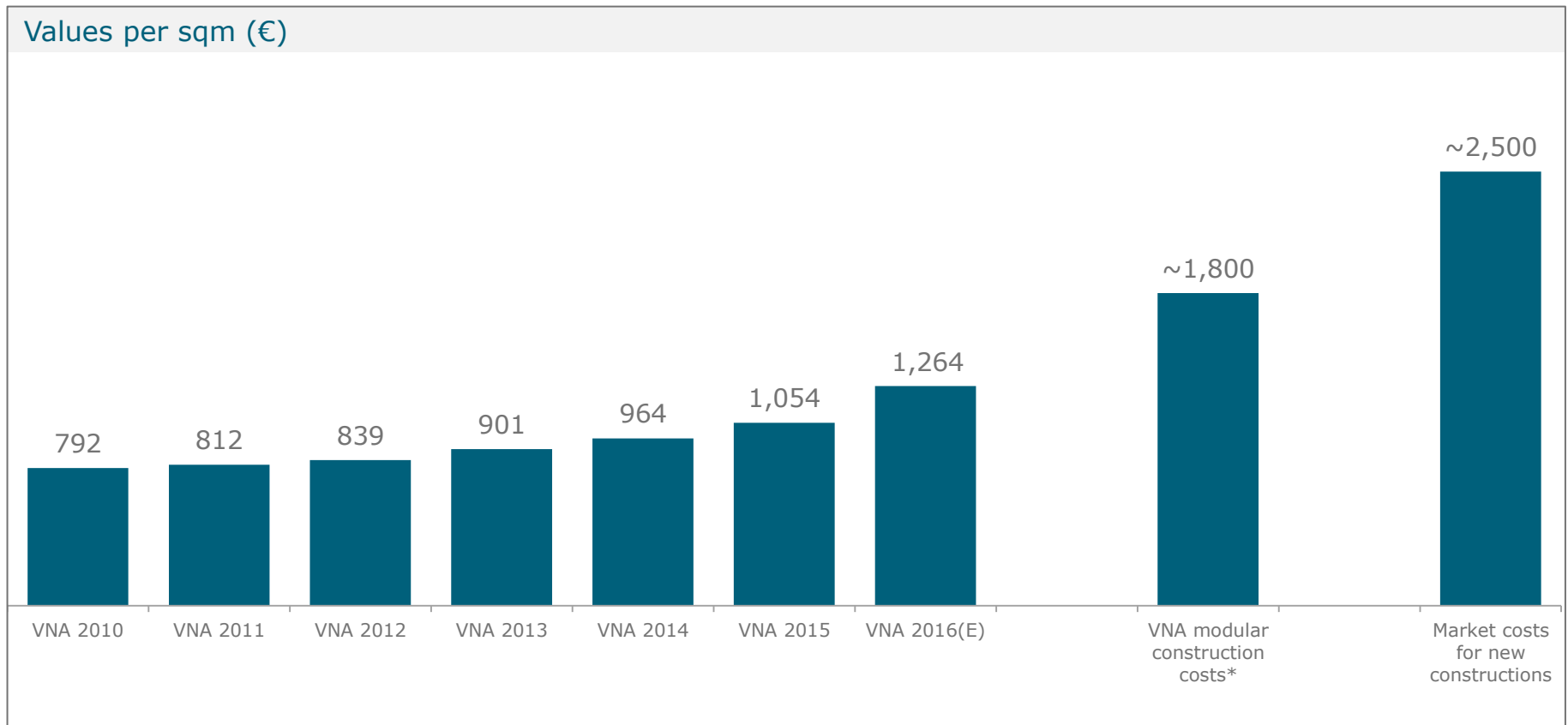
> Bond KPIs

Covenant	Level	Dec. 31, 2016
<b>LTV</b>		
Total Debt / Total Assets	<60%	<b>41%</b>
<b>Secured LTV</b>		
Secured Debt / Total Assets	<45%	<b>11%</b>
<b>ICR</b>		
Last 12M EBITDA / Last 12M Interest Expense	>1.80x	<b>3.68x</b>
<b>Unencumbered Assets</b>		
Unencumbered Assets / Unsecured Debt	>125%	<b>225%</b>

> Rating KPIs

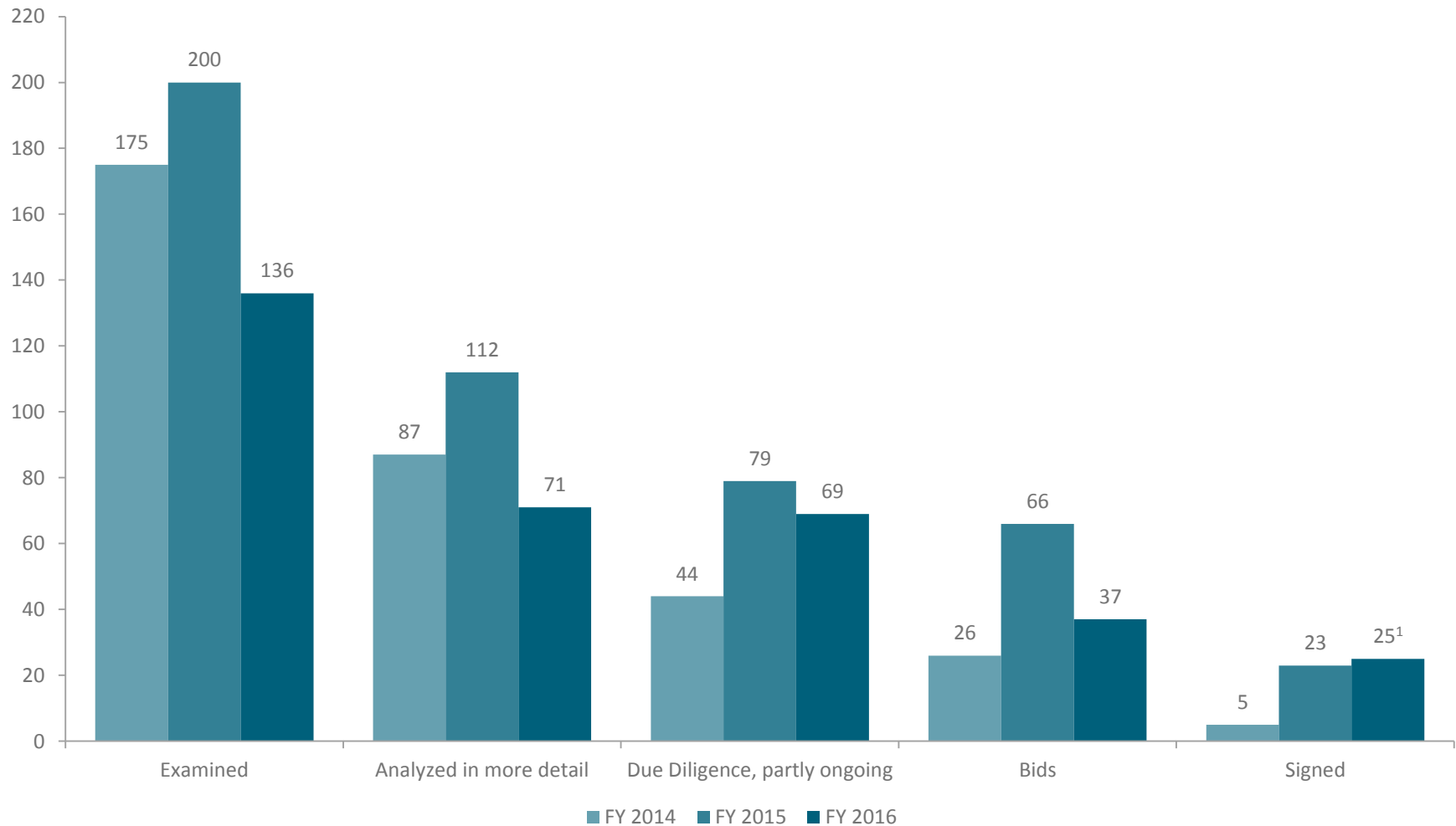
Covenant	Level (BBB+)
<b>Debt to Capital</b>	
Total Debt / Total Equity + Total Debt	<60%
<b>ICR</b>	
Last 12M EBITDA / Last 12M Interest Expense	>1.80x

- In-place valuations are still only half of replacement values, in spite of accelerating valuation growth in recent years.



Note: VNA 2010 – 2014 refers to Deutsche Annington Portfolio at the time.

Acquisition pipeline ('000 units) – excl. Gagfah



<sup>1</sup> conwert Immobilien SE transaction closed in Q1 2017.

# Extension - Innovation as Growth Driver

- Continuous flow of innovative projects that are all immediately linked to the apartment or customer/rental contract.



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