Interim Financial Report Vonovia SE

for the first half-year of 2016

Key Figures

in € million **Key Financial Figures**	H1 2016	H1 2015	Change in %
Rental income	774.7	628.0	23.4
Adjusted EBITDA Rental	535.6	406.0	31.9
Adjusted EBITDA Extension	26.0	21.1	23.2
Income from disposal of properties	850.5	221.4	284.1
Adjusted EBITDA Sales	46.5	19.5	138.5
Adjusted EBITDA	604.6	445.7	35.7
EBITDA IFRS	543.9	386.1	40.9
Interest expense FFO	-162.8	-152.7	6.6
FFO 1	387.8	269.0	44.2
thereof attributable to shareholders	362.3	246.4	47.0
thereof attributable to hybrid equity	20.0	12.8	56.3
thereof attributable to minorities	5.5	9.8	-43.9
FFO 2	409.3	283.8	44.2
AFFO	358.7	229.3	56.4
FFO 1 per share in €*	0.83	0.71	16.6
Income from fair value adjustments of investment properties	-	-	-
EBT	257.8	144.2	78.8
Profit for the period	147.9	84.9	74.2
Cash flow from operating activities	432.9	313.2	38.2
Cash flow from investing activities	318.0	-2,110.9	-
Cash flow from financing activities	-748.9	546.5	-
Maintenance and modernization	295.3	265.2	11.3
thereof for maintenance expenses and capitalized maintenance	148.3	147.2	0.7
thereof for modernization	147.0	118.0	24.6

in € million **Key Balance Sheet Figures**	Jun. 30, 2016	Dec. 31, 2015	Change in %
Fair value of the real estate portfolio	23,794.1	24,157.7	-1.5
Adjusted EPRA NAV	10,952.8	11,273.5	-2.8
Adjusted EPRA NAV per share in €**	23.50	24.19	-2.8
LTV in %**	47.4	46.9	0.5 pp

Non-Financial Key Figures	H1 2016	H1 2015	Change in %
Number of units managed	394,285	389,950	1.1
thereof own apartments	340,442	348,216	-2.2
thereof apartments owned by others	53,843	41,734	29.0
Number of units bought	2,440	148,709	-98.4
Number of units sold	19,135	4,050	372.5
thereof Privatize	1,441	1,221	18.0
thereof Non-Core	17,694	2,829	525.5
Vacancy rate in %	2.8	3.5	-0.7 pp
Monthly in-place rent in €/m²	5.89	5.58	5.6
Monthly in-place rent in €/m² like-for-like***	5.81	5.65	2.8
Number of employees (as of June 30)	6,909	5,877	17.6

in € million **EPRA Key Figures**	Jun. 30, 2016	Dec. 31, 2015	Change in %
EPRA NAV	13,671.7	13,988.2	-2.3
EPRA NAV per share in €**	29.34	30.02	-2.3

	H1 2016	H1 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 Jun. 30, 2016: 466,000,624; Jun. 30, 2015: 358,462,018; prior-year value TERP-adjusted
** Based on the shares carrying dividend rights on the reporting date Jun. 30, 2016: 466,000,624; Dec. 31, 2015: 466,000,624
*** Incl. GAGFAH, Franconia excl. SÜDEWO

Contents

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

Dear Shareholders, Ladies and Gentlemen,

Just like in the first quarter of the year, we can report on positive developments for the first half of 2016 as well. We are continuing to grow on the basis of our proven strategy and are reporting improvements in our key figures. This has prompted us to once again lift our forecast for the 2016 fiscal year.

We expect to achieve FFO 1 (funds from operations) of between € 740 million and € 760 million in 2016 as a whole, an increase of 23 % as against the previous year. This means that our FFO 1 per share are expected to come in at between € 1.59 and € 1.63. Based on this, we are currently planning to distribute a dividend of € 1.05 per share for this year, up by 12 % on 2015. Admittedly, this dividend is a little conservative in light of our increased FFO 1 forecast and our usual distribution ratio of 70 %, but even though we are not planning any major acquisitions at the moment, we cannot rule them out completely until the year is out. If no major acquisitions have been made by early November, when we publish our report for the first nine months of the year, then we plan to increase the dividend to bring it up to the usual distribution ratio. As a shareholder, you will benefit either way – either from an acquisition or from a higher dividend.

We expect the EPRA NAV (net asset value) per share to rise to up to € 31. This does not yet include the positive effects expected to come from the ongoing increase in transaction prices in many locations in Germany, which is resulting in higher valuations for real estate portfolios (yield compression). We expect to be able to give you guidance on our expected NAV for the end of the year, including yield compression, in our report for the first nine months.

Our company's encouraging development in the first half of 2016 is based on growth in our three segments: in the Rental segment, the vacancy rate was down by 0.7 percentage points to 2.8 % in a reporting date comparison. Rental income rose by 23.4 % to € 774.7 million. The monthly in-place rent per square meter increased by 2.8 % to € 5.81 on a like-for-like basis, i.e. based on the same housing stocks for both June 30, 2015, and June 30, 2016. If we take the effects of acquisitions and sales into account, then the in-place rent per square meter rose by 5.6 % from € 5.58 to € 5.89.

In the Sales segment, Vonovia sold a total of 19,135 apartments in the first half of the year. In addition to the 15,551 units sold in the first quarter of the year – including the 13,570 apartments sold to the LEG Group – further sales related to a total of 3,584 apartments. We also privatized 1,441 units, achieving an increase in value of 34.5 %. This shows that we are making good progress with our value-enhancing portfolio strategy and further increasing the share of apartments in our Core portfolio in the process; the rental increases achieved pay testimony to our success.

In the Extension segment, we took further measures to enhance our property-related products and services in a targeted manner. These include those performed by our own craftspeople's organization, the upkeep of the residential environment, the cable TV business, measuring the consumption of water and heating as well as condominium administration. Our on-site support service is running smoothly and our additional services are now well established across Germany.

In summary, this means: FFO 1, our profit from operations after current interest and taxes, increased by 44.2 % year-on-year in the first six months to a total of € 387.8 million.

We are doing well on the capital market, too: our shares remained stable in the turbulent environment seen in recent months, closing trading at € 32.75 on June 30, 2016, up by 15 % on the share price recorded at the end of 2015. This means that our share price outperformed the DAX considerably and that Vonovia's stable business model was a convincing one. We also placed another two bonds with a total volume of € 1 billion in June. Our encouraging share price performance and the most recent bond placement prove that we have attractive shares offering a high distribution ratio and sustainable value growth, as well as a bond that is highly sought-after in the eurozone.

We maintain close contact with our investors to keep things this way. We want to make sure that our partners understand our innovative business model and trust our strategy. We were therefore delighted to see so many of our capital market partners accept our invitation to this year's Capital Markets Day in order to find out more about our company and our innovative strength.

In June, the United Kingdom decided to leave the European Union. This decision is associated with a great deal of economic and political uncertainty: for the UK, for the European Union, and globally. The referendum will not, however, have any direct negative impact on Vonovia's operating business. Our properties are located exclusively in Germany, which means that we are not exposed to any currency risks; our business is conducted entirely in euros, from our suppliers to our end customers.

Our expectations for 2016 make it clear that we are well positioned with our long-term business model and our solid financing structure. Economic fluctuations do not have any major impact on our operating business – including, and especially so, in these current uncertain times on the capital market.

One thing that has more of an impact on our business is the regulatory framework in Germany. The shortage of living space is coming to a head in many of Germany's conurbations. Despite calls for 400,000 apartments a year in the period leading up to 2020, the number of new apartments built in 2015 was, yet again, much lower, only coming in at around 250,000. What is more, most of these apartments do not belong to the "affordable living" market segment that is relevant from Vonovia's perspective. Although the current standards are already more than comprehensive, the constant development of new requirements continues to push up construction costs. But what we need most if we want to be able to create new homes for families, students, and senior citizens is flexibility and pragmatic solutions. The corporate sector and policy-makers have to pull together to master this major challenge.

We are living up to our social responsibility to keep housing in Germany affordable and attractive – as a commercial partner that has a strong interest in ensuring satisfied tenants. Our modernization program is on track and we continue to keep the promises we have made to all of our stakeholders, as we have done in the past.

You will find details on our development in the first half of 2016 in the Interim Financial Report below. We owe these solid results to the commitment shown by our 6,900 or so employees. I would therefore like to take this opportunity to extend my explicit thanks to them.

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

Bochum, Germany, August 2016

Sincerely,

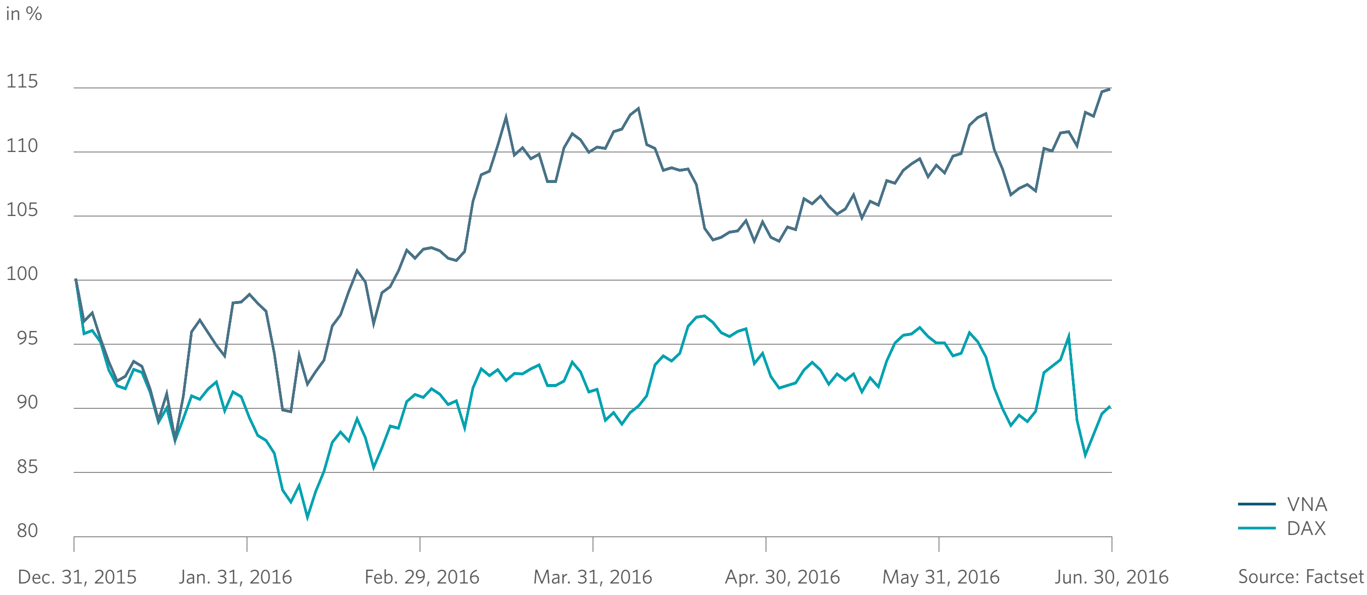
Rolf Buch
Chairman of the Management Board

Rolf Buch (CEO)

Interim Group Management Report

Vonovia SE on the Capital Market

Share Price Performance of Vonovia's Shares



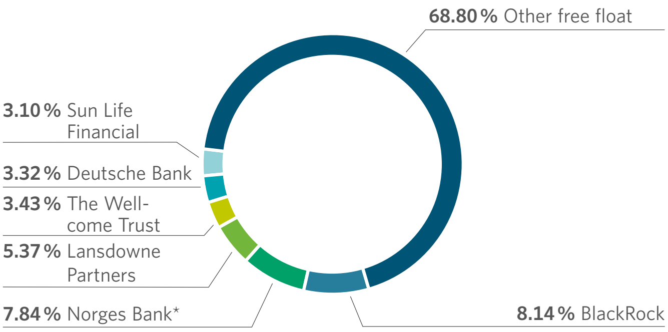
In the first six months of 2016, Vonovia's shares gained around 15 %, starting at a closing price of € 28.55 on December 31, 2015, and closing trading on June 30, 2016, at a closing price of € 32.75. During the same period, the DAX lost around 10 %, falling from 10,743 points (December 31, 2015) to 9,680 points.

The sustained low interest rate environment was one of the main reasons why Vonovia's shares were able to buck the relatively poor performance trend seen on the DAX and show themselves to be a safe investment. The DAX has also been hit by the uncertainty on the global capital markets surrounding Brexit. We do not expect the UK's referendum decision to have any direct negative impact on Vonovia SE. Our long-term national business model and diversified capital market instruments mean that we are largely independent of economic fluctuations. The stable business model and attractive risk/return profile of German real estate stocks in general, and Vonovia in particular, create sustained demand for our shares, even, and especially so, in volatile times.

Vonovia's market capitalization amounted to around € 15.3 billion as of June 30, 2016.

Shareholder Structure

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



* Investment interest as of October 26, 2015, as disclosed in writing by Norges on October 27, 2015. The last notification of voting rights submitted by Norges pursuant to the German Securities Trading Act (WpHG) was dated August 25, 2014, and showed an investment interest of 8.85 % of share capital totaling € 240,242,425.

Based on the German stock exchange's definition of free float, only the interest held by Norges Bank does not count towards the free float. This means that 92.16 % of Vonovia SE's shares were in free float on June 30, 2016.

In accordance with Vonovia's long-term strategic focus, its largest individual shareholders are investors with a similarly long-term focus such as pension funds and other funds.

2016 Annual General Meeting

The Annual General Meeting of Vonovia SE was held in Düsseldorf on May 12, 2016. 68.65 % of the share capital was represented. All of the agenda items were carried by a large majority, including the proposal to distribute a dividend of € 0.94 per share to the company's shareholders. This corresponds to a dividend yield of 3.3 % in relation to the share's closing price of € 28.55 on December 31, 2015. The dividend for the 2015 fiscal year was paid out from a contribution account for tax purposes. It was therefore paid out to shareholders without capital gains tax or the solidarity surcharge being deducted.

Investor Relations Activities

Vonovia SE is committed to transparent, ongoing dialogue with its shareholders and potential investors. In the first half of 2016, Vonovia participated in a total of nine investors' conferences and twelve 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 six 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.

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.

Our third Capital Markets Day was held in Essen on June 6 and 7, 2016, attracting a total of 55 external participants. The Eltingviertel district in the north of Essen played a key role in our decision to host the event in the city. Vonovia is collaborating with partners to turn this district into a vibrant neighborhood. A tour of the district showed the participants that sustainable district development is something that is actively put into practice at Vonovia.

Aims of Investor Relations Work in H2 2016

We will continue to communicate openly with the capital market in the second half of 2016. 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, 24 international analysts publish studies on Vonovia on a regular basis (as of June 30, 2016). The average target share price was € 32.90 as of June 30, 2016. Of these analysts, 57 % issued a "buy" recommendation, with 30 % issuing a "hold" recommendation and only 13 % 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 (1.7 %), Stoxx Europe 600 (0.2 %), MSCI Germany (1.7 %), GPR 250 (1.2 %), FTSE EPRA/NAREIT Europe Index (7.8 %)

Fundamental Information about the Group

Company and Business Model

We successfully continued with our business model in the second quarter of 2016. This means that Vonovia still sees itself as 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.

The offices in Duisburg and Dresden now give Vonovia two central customer service locations.

We moved into the premises for our local customer service operations at our new location in Dresden, with around 300 employees now working in an office covering a total area of roughly 3,100 m². We will be moving into our second customer center, in Duisburg, in the third quarter of the year. This building offers space for all 650 employees who were previously working in a number of different locations.

As of June 30, 2016, Vonovia has a portfolio comprising 340,442 of its own residential units, 87,035 garages and parking spaces, and 3,497 commercial units in attractive cities and regions within Germany worth around € 24 billion. Our residential units are located in contiguous settlements in 734 cities and municipalities in Germany. Vonovia also manages 53,843 residential units for other owners.

The residential portfolio managed by Vonovia accounts for approximately 77 % of the Group's assets in terms of fair value.

As of June 30, 2016, Vonovia has a workforce of 6,909 employees.

Portfolio Structure

The Group's real estate portfolio covered 21,228,023 m² of living area in total as of June 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 June 30, 2016. At the end of the reporting period, the monthly in-place rent came to € 5.89 per m².

In the first half of 2016, we sold a total of 19,135 units in line with our portfolio management strategy, with 2,913 of these units attributable to block sales in the second quarter of 2016 and 13,570 attributable to block sales in the first quarter of 2016 (LEG). The largest block sale in the second quarter of 2016 comprised 1,486 apartments, largely in northern Germany, and was realized with effect from June 30, 2016. The other block sales related to the sale of 981 apartments in Hagen and 446 apartments in Bergneustadt, Mönchengladbach and Gummersbach.

				In-place rent	
	Units	Living area (in thou. m²)	Vacancy rate (in %)	(p.a. € million)	(€/m²/month)
Sales portfolio LEG Q1 2016	**13,570**	**843**	**5.0**	**46.9**	**4.88**
Block sales Q2 2016	**2,913**	**189**	**12.4**	**8.8**	**4.46**

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 six federal states, with around 40 % of them located in Baden-Württemberg.

				In-place rent	
	Units	Living area (in thou. m²)	Vacancy rate (in %)	(p.a. € million)	(€/m²/month)
Acquisition portfolio Q1 2016	**2,417**	**152**	**4.9**	**12.3**	**7.06**

The residential portfolio is as follows as of June 30, 2016:

Vonovia's Residential Portfolio

				In-place rent	
as of Jun. 30, 2016	Units	Living area (in thou. m²)	Vacancy rate (in %)	(p.a. € million)	(€/m²/month)
Strategic	**301,756**	**18,712**	**2.4**	**1,307.8**	**5.97**
Operate	125,563	7,751	2.4	540.3	5.95
Upgrade Buildings	102,760	6,253	2.5	427.8	5.85
Optimize Apartments	73,433	4,708	2.2	339.7	6.16
Non-Strategic	**12,453**	**778**	**7.3**	**41.3**	**4.78**
Privatize	**18,280**	**1,251**	**4.5**	**84.3**	**5.87**
Non-Core	**7,953**	**487**	**9.0**	**23.9**	**4.55**
Total	**340,442**	**21,228**	**2.8**	**1,457.3**	**5.89**

Regional Distribution of the Housing Stocks by German Federal State

as of Jun. 30, 2016	Units	Living area (in thou. m²)	Vacancy rate (in %)	In-place rent (p.a. in € million)	In-place rent (€/m²/month)
North Rhine-Westphalia	108,089	6,828	3.4	437.7	5.53
Saxony	44,857	2,561	3.4	155.9	5.26
Baden-Württemberg	34,569	2,209	2.5	173.5	6.72
Berlin	30,495	1,903	1.5	133.0	5.91
Hesse	24,899	1,573	1.8	134.2	7.22
Lower Saxony	22,666	1,445	2.8	96.1	5.71
Schleswig-Holstein	20,051	1,190	2.1	77.4	5.57
Bavaria	19,737	1,287	1.7	98.7	6.50
Bremen	11,400	692	3.8	41.6	5.25
Hamburg	10,969	691	1.4	53.8	6.57
Rhineland-Palatinate	4,973	341	2.7	23.3	5.85
Thuringia	2,687	168	4.5	11.2	5.78
Brandenburg	2,404	161	4.4	11.0	5.95
Saxony-Anhalt	1,328	91	9.3	4.6	4.68
Mecklenburg-Western Pomerania	1,294	89	8.2	5.4	5.44
Saarland	24	1	4.2	0.1	4.84
Total	**340,442**	**21,228**	**2.8**	**1.457.3**	**5.89**

Residential Portfolio in the 25 Largest Locations

as of Jun. 30, 2016	Units	Living area (in thou. m²)	Vacancy rate (in %)	In-place rent (p.a. in € million)	In-place rent (€/m²/month)
Dresden	37,893	2,150	2.3	135.0	5.37
Berlin	30,495	1,903	1.5	133.0	5.91
Dortmund	19,408	1,193	2.7	71.9	5.16
Essen	12,109	749	5.1	46.1	5.41
Kiel	11,970	694	1.5	44.3	5.40
Frankfurt am Main	11,686	717	0.8	66.7	7.82
Bremen	11,270	684	3.8	41.1	5.26
Hamburg	10,969	691	1.4	53.8	6.57
Bochum	7,513	431	2.5	27.7	5.49
Hanover	7,190	461	2.3	32.8	6.08
Cologne	6,403	449	1.5	38.0	7.18
Duisburg	5,524	333	3.9	20.1	5.23
Munich	5,480	361	1.0	30.8	7.17
Bonn	5,172	363	2.2	27.6	6.47
Stuttgart	4,641	290	1.7	27.9	8.14
Bielefeld	4,628	306	2.7	18.1	5.06
Heidenheim an der Brenz	3,955	242	4.8	16.7	6.05
Osnabrück	3,915	248	2.7	16.3	5.62
Gelsenkirchen	3,861	246	5.4	13.7	4.94
Düsseldorf	3,534	228	2.2	19.6	7.34
Braunschweig	3,496	215	1.6	14.1	5.54
Gladbeck	3,127	192	3.0	11.5	5.17
Zwickau	3,106	174	10.6	8.0	4.28
Herne	2,908	184	2.6	11.1	5.13
Mannheim	2,747	184	4.1	14.2	6.69
Subtotal of the 25 largest locations	**223,000**	**13,687**	**2.5**	**939.9**	**5.87**
Other locations	117,442	7,541	3.4	517.3	5.92
Total	**340,442**	**21,228**	**2.8**	**1,457.3**	**5.89**

Report on Economic Position

Development of the Economy and the Industry

German Economic Upswing Continues

According to the Kiel Institute for the World Economy (IfW), the German economy remains on an upward trend this year. Whereas the high rate of expansion in the first quarter of 2016 was due primarily to the mild winter weather and the additional refugee spending (0.7 %), the second quarter of 2016 is expected to show a slower expansion rate (forecast: 0.3 %). Nevertheless, the domestic economy is still exhibiting robust development, with full order books and a sustained increase in investment. This year, the IfW expects to see gross domestic product (GDP) expand by an estimated 1.9 %. Purchasing power is still on the increase thanks to sustained low crude oil prices, the low rate of inflation overall, higher monetary social benefits and a robust labor market. The IfW expects the corresponding boost to private consumption to result in an increase of 2.0 % this year. The IfW expects investment to become the second pillar propping up the upswing, a trend that is likely to be attributable primarily to rising construction investment, while equipment investments are expected to stabilize. While business expectations are looking brighter, the geopolitical risks remain relatively high. The conflicts in the Middle East and the associated tension within Europe in matters relating to refugee policy are not the only factors having an impact on the economic climate. The United Kingdom's decision to leave the EU is currently dealing a particularly damaging blow to confidence in the ability of European institutions to function, and is weakening the EU's position as an investment destination. The monetary policy pursued by the European Central Bank (ECB) remains extremely expansive and is likely to result in further distortions in terms of price and production structures.

The situation on the labor market continued to improve. According to the German Federal Statistical Office, the number of people employed was up by 563,000 in May 2016, a year-on-year increase of 1.3 %. The German Federal Employment Agency (Bundesagentur für Arbeit) published an unemployment rate of 5.9 % for June. This is down by 97,000, or 0.3 percentage points, compared with the same month of last year.

While consumer price development has settled at a relatively low level in recent months, the rate of inflation – based on the consumer price index – rose again by 0.3 % in June 2016, compared with a year-on-year increase of only 0.1 % in May 2016 and a contraction of -0.1 % in April 2016. A marked drop in the price of household energy and fuel continued to have a dampening effect, whereas the prices of services, including apartment rents, were up again slightly in the second quarter of 2016.

Housing Market

Further Increase in House Prices and Rents

As in the previous months, quoted rents continued to rise at the start of the second quarter of 2016, increasing, at a nationwide level, by 0.5 percentage points month-on-month in April 2016 and 0.4 percentage points in May 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. Experts at ImmobilienScout24 say that the main factor driving up rents is the high level of demand and that supply is lagging well behind. In order to relieve the tense situation in Germany's towns and cities, ImmobilienScout24 believes that more subsidies are needed to promote the construction of new apartments instead of restrictive measures to regulate the market. The data released by ImmobilienScout24 suggests that the quoted prices of owner-occupied apartments have also increased further across Germany since the start of the year. Most recently, this increase was once again slightly ahead of the increase in rents. The prices for newly built apartments rose by 1.2 percentage points month-on-month in April 2016, and by 1.1 percentage points in May 2016. The prices for existing owner-occupied apartments increased by 1.8 percentage points in April 2016 and 1.6 percentage points in May 2016. ImmobilienScout24 says that the price increases are caused by rising demand, while the supply of housing remains unchanged.

German Residential Investment Market Settles Down Following Record Result

According to information from the real estate consultancy firm CBRE, the German residential investment market achieved a total transaction volume of around € 4.5 billion in the first half of 2016. Even excluding the merger of GAGFAH with Deutsche Annington (Vonovia), the acquisition of the SÜDEWO Group by Deutsche Annington (Vonovia), and the takeover of Westgrund by Adler Real Estate – transactions that were all executed in 2015 – the transaction volume in the first half of 2016 was down on the prior-year value. The analysis includes transaction bundles encompassing 50 or more units. The fact that the market is currently settling down following the record result seen in 2015 is said to point toward more intense competition for good investment products. With sustained high demand for high-volume residential portfolios, the lack of suitable products on core markets was the main factor limiting the transaction volume. On the other hand, CBRE reports dynamic market activity in the segment for medium-sized portfolios. Due to the stable economic situation in Germany, CBRE says that an increasing number of international investors are venturing onto the German residential real estate market. Transaction activity is also being driven by the ongoing portfolio optimization measures taken by major portfolio holders, the shift towards niche products, and the growing appeal of eastern German cities as investment destinations. CBRE expects to see a transaction volume running into the double-digit billions for 2016 as a whole.

Rent Ceiling Barely Affecting Rent Increases

The German Tenancy Amendment Act was passed last year. The Act states that when properties located in housing markets that are evidently strained are rented to new tenants, the rent charged cannot be any more than 10 % above the standard local comparative rent ("rent ceiling"). These provisions do not apply to newly built apartments or apartments that have undergone extensive modernization, or in cases in which the previous rent was already above the threshold. The new regulations, which apply for a limited period, are already in force in eleven German federal states. A recent study conducted by the German Institute for Economic Research (DIW Berlin) shows that the rent ceiling has had virtually no impact on rent increases. On the contrary, the Institute reports that the increases in rent were actually even more pronounced in the short term. DIW Berlin says that the regulatory intervention has also, however, only had a slight impact on investor return expectations and purchase prices. Federal Justice Minister Heiko Maas (SPD) has already announced subsequent improvements to the rent celling that will be introduced if it proves ineffective. One possible option would be an obligation to disclose previous rents automatically. Maas has also said that the draft version of a second package of tenancy legislation is currently being coordinated between the relevant government departments, the aim being to revamp the provisions that apply to rent increases after modernization and the rent indices, for example. The federal state of Berlin recently introduced its own initiative for amendments to tenancy law in the German upper house (Bundesrat).

Economic Development of the Group

Business Development in the First Half of 2016 – An Overview

Following the positive start to the fiscal year in the first quarter of 2016, we were able to continue with our successful **operating performance overall** in the second quarter of 2016. This is also reflected in our key figures.

Results of Operations

The performance indicators for 2016 include all acquisitions made in 2015 with an earnings contribution for the months from January to June 2016. By contrast, the figures for the first half of 2015 only include GAGFAH with an earnings contribution for the months from March to June 2015 and Franconia with an earnings contribution for the months from April to June 2015. The first half of 2015 does not include any earnings contributions made by SÜDEWO, as this company was not acquired until after June 30, 2015. This means that a direct comparison of performance indicators is only possible to a limited extent.

In the first half of 2016, income from property management was in line with our expectations and came in at a total of € 1,119.4 million (H1 2015: € 927.8 million). Income from disposal of properties stood at € 850.5 million in the first half of 2016 (H1 2015: € 221.4 million).

In the first half of 2016, the GAGFAH portfolio contributed € 409.4 million toward income from property management (March to June 2015: € 284.8 million) and € 204.6 million toward income from disposal of properties (March to June 2015: € 78.2 million). In the first half of 2016, the Franconia portfolio contributed € 14.1 million toward income from property management (April to June 2015: € 7.3 million) and € 0.2 million toward income from disposal of properties (April to June 2015: € 0.0 million). The SÜDEWO portfolio contributed € 69.0 million toward income from property management and € 1.8 million toward income from disposal of properties.

Our key performance indicators also showed positive development in line with our expectations. All in all, FFO 1 in the first half of 2016 came in at € 387.8 million, up by 44.2 % over the first half of 2015. EBITDA IFRS amounted to € 543.9 million and was therefore up considerably, namely by 40.9 %, over the figure for the first half of 2015 (€ 386.1 million). Adjusted EBITDA increased by 35.7 % from € 445.7 million in the first half of 2015 to € 604.6 million in the first half of 2016. Our EPRA NAV dropped by 2.3 %, from € 13,988.2 million at the end of 2015 to € 13,671.7 million as of June 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 developed in the first half of 2016.

Key Performance Indicators of Vonovia

in € million	H1 2016	H1 2015
Income from property management	1,119.4	927.8
thereof rental income	774.7	628.0
Adjusted EBITDA Rental	535.6	406.0
Adjusted EBITDA Extension	26.0	21.1
Income from disposal of properties	850.5	221.4
Adjusted EBITDA Sales	46.5	19.5
EBITDA IFRS	543.9	386.1
Adjusted EBITDA	604.6	445.7
FFO 1*	387.8	269.0
FFO 2 (FFO 1 incl. adjusted EBITDA Sales/current income taxes Sales)	409.3	283.8
AFFO*	358.7	229.3
Number of employees (as of June 30)	6,909	5,877
Number of units bought	2,440	148,709
Number of units sold	19,135	4,050
thereof Privatize	1,441	1,221
thereof Non-Core	17,694	2,829
Vacancy rate in %	2.8	3.5
Monthly in-place rent (€/m²)	5.89	5.58
Number of residential units in portfolio	340,442	348,216

* Current income taxes in H1 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

In the **Rental segment,** we continued our operating business as expected and achieved a further increase in our rental income.

Adjusted EBITDA Rental

in € million	H1 2016	H1 2015
Rental income	774.7	628.0
Maintenance expenses	-119.0	-107.1
Operating expenses*	-120.1	-114.9
Adjusted EBITDA Rental	**535.6**	**406.0**

* Correction of property management costs for H1 2015 from the former amount of € -94.3 million to € -114.9 million in operating expenses due chiefly to the resegmentation of the Extension segment

We were able to improve our operating performance yet again in H1 2016. **Adjusted EBITDA Rental** increased by 31.9 % from € 406.0 million in the first half of 2015 to € 535.6 million in the first half of 2016. Within this context, it is important to remember that the earnings figures for the first half of 2015 only include the earnings contribution made by the GAGFAH portfolio in the months from March to June 2015, and the earnings contribution made by the Franconia portfolio in the months from April to June 2015. Due to the new segmentation of our business in the fourth quarter of 2015, the presentation of the prior-year figures has been adjusted accordingly. The adjusted EBITDA Rental was calculated for a smaller area as at June 30, 2016, 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 prior-year figures were adjusted accordingly. Adjusted EBITDA Rental reported for the previous year was reduced by € 20.2 million as a result. This earnings contribution is now attributable to the new Extension segment.

Our **rental income** in the Rental segment increased by 23.4 % from € 628.0 million in the first half of 2015 to € 774.7 million in the first half of 2016. The GAGFAH portfolio contributed € 282.5 million (March to June 2015: € 190.7 million) to this amount, with the Franconia portfolio contributing € 9.7 million (April to June 2015: € 4.9 million) and the SÜDEWO portfolio contributing € 52.7 million. If we leave the addition of the acquired portfolios of GAGFAH, Franconia, SÜDEWO and the acquisitions made in the first six months of 2016 out of the equation, then rental income came to € 423.4 million in the first half of 2016, down slightly on the level seen in the first half of 2015 (€ 432.3 million) as a result of the disposals.

The monthly in-place rent per square meter rose from € 5.58 at the end of June 2015 to € 5.89 in June 2016. This corresponds to an increase of 5.6 % in total. At the end of June, the GAGFAH portfolio was included in the Group value at a monthly in-place rent of € 5.64/m² (end of June 2015: € 5.45/m²), the Franconia portfolio at a monthly in-place rent of € 6.02/m² (end of June 2015: € 5.82/m²), and the SÜDEWO portfolio at a monthly in-place rent of € 6.96/m². The monthly in-place rent per square meter, on a like-for-like basis (incl. GAGFAH, Franconia), came to € 5.81/m² at the end of the first half of 2016. This corresponds to an increase of 2.8 % compared to the level of € 5.65/m² at the end of the first half of 2015.

We were able to further reduce our vacancy rate in the first half of 2016. It dropped from 3.5 % at the end of the first half of 2015 to 2.8 % at the end of the first half of 2016. The 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 first half of 2015 to 2.6 % at the end of the first half of 2016.

We consistently continued our modernization and maintenance strategy in the reporting period as planned. **Expenses for maintenance** incurred in the Rental segment totaled € 119.0 million in the first half of 2016 and were therefore up by 11.1 % on the expenses for maintenance incurred in the first half of 2015, which came in at € 107.1 million, largely due to acquisitions.

The expenses for maintenance taken into account in the Rental segment include the intra-Group profits made by our own craftspeople's organization, which is responsible for performing/coordinating services, in order to ensure that these services are valued in line with standard market conditions. The expenses for maintenance reported in the Rental segment can largely be derived from the expenses for maintenance reported in accordance with the IFRS, plus personnel and non-personnel expenses and the intra-Group profits made by our own craftspeople's organization, and less capitalized internal expenses.

In the reporting period, expenses for maintenance totaling € 44.8 million were attributable to the GAGFAH portfolio (March to June 2015: € 29.8 million), with € 1.6 million attributable to the Franconia portfolio (April to June 2015: € 1.8 million) and € 3.9 million attributable to the SÜDEWO portfolio. Expenses for maintenance in the subportfolio, excluding the acquired GAGFAH, Franconia and SÜDEWO portfolios, came in at € 67.5 million, down by around 10.6 % on the figure for the first half of 2015 (€ 75.5 million), mainly due to disposals. We increased our value-enhancing modernization program by 24.6 % to € 147.0 million in the first half of 2016, as compared to a volume of € 118.0 million in the first half of 2015. This means that, including capitalized maintenance of € 29.3 million, we invested a total volume of € 295.3 million (H1 2015: € 265.2 million) in modernization and maintenance work on our properties in the first half 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 intra-Group profits made by our own craftspeople'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	H1 2016	H1 2015
Expenses for maintenance	119.0	107.1
Capitalized maintenance	29.3	40.1
Modernization work	147.0	118.0
Total cost of modernization and maintenance*	**295.3**	**265.2**
thereof sales of own craftsmen's organization	276.9	168.8
thereof bought-in services	18.4	96.4

* Incl. intra-Group profits for HI 2016: € 20.1 million (thereof € 0.3 million capitalized maintenance and € 3.2 million modernization); H1 2015: € 11.5 million (thereof € 0.4 million capitalized maintenance and € 1.5 million modernization)

In relation to the average number of square meters of living area, this corresponds to spending on modernization and maintenance of € 13.46 per m² in the first half of 2016 (H1 2015: € 14.15 per m²).

The operating expenses include all expenses for the Rental segment that are not included in expenses for maintenance. We also use this figure to report revenue or other income from property management that is offset by costs, such as rent subsidies or income from the settlement of ancillary costs.

In the first half of 2016, **operating expenses** in the Rental segment came to € 120.1 million, up by € 5.2 million over the prior-year value of € 114.9 million due to acquisitions.

Extension

We were also able to successfully continue with our strategy in the **Extension segment.** By way of example, we expanded our property-related services further and increased the range of services provided by our craftspeople's organization, in particular, making a key contribution to the improvement of 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 71,000 owner-occupied apartments on a fiduciary basis.

Our Extension segment combines all of 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 own craftspeople'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 parties
> The management of units for other owners
> Metering services for measuring the consumption of water and heating
> Insurance services for our own apartments and for third parties

We were able to further boost our earnings power in the Extension segment in the first half 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 craftspeople's organization for those companies in the Group with real estate holdings. Compared with the first half of 2015, segment income in the Extension segment rose by 90.4 % in total, from € 175.2 million to € 333.6 million in the first half of 2016. Our craftspeople's organization, which performs and coordinates maintenance and modernization services for Vonovia's overall portfolio itself, made a key contribution to this increase. Since the beginning of the 2016 fiscal year, all modernization and maintenance measures have been commissioned/coordinated via Deutsche TGS, even if individual services are then passed on to subcontractors. This results in a further increase in internal income.

Operating expenses came in at € 307.6 million in the first half of 2016, around 100 % higher than the figure for the first half of 2015 (€ 154.1 million). 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 craftspeople's organization for those companies in the Group with real estate holdings. All in all, adjusted EBITDA Extension rose to € 26.0 million in the first half of 2016, up by 23.2 % on the figure of € 21.1 million reported in the first half of 2015.

Adjusted EBITDA Extension

in € million	H1 2016	H1 2015
Income	333.6	175.2
thereof external income	56.7	22.6
thereof internal income	276.9	152.6
Operating expenses	-307.6	-154.1
Adjusted EBITDA Extension	**26.0**	**21.1**

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 that do not relate to maintenance, and in 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 € 277 per unit in the first half of 2016 (H1 2015: € 316).

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 67.9 % in the first half of 2015 to 71.9 % in the first half of 2016, which equates to an improvement of 4.0 percentage points.

Sales

We have continued our sales strategy in the Sales segment in the first half 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.

In the first half of 2016, we sold a total of 19,135 units, with 2,913 of these units attributable to block sales in the second quarter of 2016 and 13,570 attributable to block sales in the first quarter of 2016. The largest block sale in the second quarter of 2016 comprised 1,486 apartments, largely in northern Germany, and was realized with effect from June 30, 2016. The other block sales related to the sale of 981 apartments in Hagen with effect from June 30, 2016, and 446 apartments in Bergneustadt, Mönchengladbach and Gummersbach with effect from April 30, 2016.

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

Sales in the Privatize Portfolio

in € million	H1 2016	H1 2015
Number of units sold	1,441	1,221
Income from disposal of properties	133.3	123.6
Fair value of properties sold*	-99.1	-92.8
Adjusted profit from disposal of properies	**34.2**	**30.8**
Fair value step-up in %	34.5	33.2

* The fair values of properties sold including fair value effects from assets held for sale

At 1,441, the number of units sold in the first half of 2016 was up by 18.0 % year-on year (H1 2015: 1,221). Sales proceeds increased by 7.8 % from € 123.6 million in the first half of 2015 to € 133.3 million in the first half of 2016. At 34.5 %, the fair value step-up was slightly higher than the value for the previous year (33.2 %). 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 and 101 units sold as part of the block sales in the second quarter of 2016) are left out of the equation, the fair value step-up came to 37.4 % in the first half of 2016.

79 residential units were privatized from the GAGFAH portfolio in the first half of 2016 (H1 2015: 328). No units from the Franconia or SÜDEWO portfolios were privatized in 2016, as in the previous year.

Non-Core Sales

in € million	H1 2016	H1 2015
Number of units sold	17,694	2,829
Income from disposal of properties	717.2	97.8
Fair value of properties sold*	-693.1	-97.0
Adjusted profit from disposal of properties	**24.1**	**0.8**
Fair value step-up in %	3.5	0.8

* The fair values of properties sold including fair value effects from assets held for sale

In the Non-Core portfolio, we continued to sell properties that do not fit in with our medium- to long-term strategy as the opportunity arises. With 17,694 units sold in the first half of 2016, the sales volume was up considerably on the value for the first half of 2015 (2,829 units). This figure includes 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.

4,948 Non-Core units (H1 2015: 1,074 Non-Core units) were sold from the GAGFAH portfolio, 19 from the Franconia portfolio (H1 2015: zero Non-Core units) and 130 from the SÜDEWO portfolio.

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

Adjusted EBITDA Sales

in € million	H1 2016	H1 2015
Income from disposal of properties	850.5	221.4
Carrying amount of assets sold	-830.4	-204.8
Revaluation of assets held for sale	17.0	15.2
Profit on disposal of properies (IFRS)	**37.1**	**31.8**
Revaluation (realized) of assets held for sale	-17.0	-15.2
Revaluation from disposal of assets held for sale	38.2	15.0
Adjusted profit from disposal of properties	**58.3**	**31.6**
Selling costs	-11.8	-12.1
Adjusted EBITDA Sales	**46.5**	**19.5**

The adjusted profit from disposal of properties rose considerably from € 31.6 million in the first half of 2015 to € 58.3 million in the first half 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 total adjustment in the first half of 2016 was € 21.1 million, compared with € -0.2 million in the first half 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 € 11.8 million, down slightly on the value of € 12.1 million reported in the first half of 2015. Adjusted EBITDA Sales increased by 138.5 % from € 19.5 million in the first half of 2015 to € 46.5 million in the first half 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 pre-retirement 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 half of 2016, non-recurring items came to € 49.1 million, down by 18.4 % on the figure for the previous year (€ 60.2 million). 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	H1 2016	H1 2015
Business model optimization/ development of new fields of business	8.0	2.1
Acquisition costs incl. integration costs*	22.9	50.7
Refinancing and equity measures	1.5	0.6
Severance payments/pre retirement part-time work arrangements	16.7	6.8
Total non-recurring items	**49.1**	**60.2**

* 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 € 604.6 million in the first half of 2016 and was therefore € 158.9 million above the comparable figure for the previous year of € 445.7 million. In the first half of 2016, we are reporting the financial income from investments in other real estate companies outside of adjusted EBITDA for the first time. For the first half 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 € 9.5 million in the first half of 2016.

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 € 543.9 million in the first half of 2016, € 157.8 million above the comparable figure of € 386.1 million for the first half of 2015.

FFO

In the reporting period, we were able to increase our primary key figure for the sustained earnings power of our core business, FFO 1, by € 118.8 million or 44.2 % compared with the first half of 2015 to € 387.8 million.

Funds from Operations (FFO)

in € million	H1 2016	H1 2015
Profit for the period	**147.9**	**84.9**
Financial result*	276.1	237.1
Income taxes	109.9	59.3
Depreciation and amortization	10.0	4.8
Net income from fair value adjustments of investment properties	-	-
= EBITDA IFRS	**543.9**	**386.1**
Non-recurring items	49.1	60.2
Total period adjustments from assets held for sale	21.1	-0.2
Financial income from investments in other real estate companies	-9.5	-0.4
= Adjusted EBITDA	**604.6**	**445.7**
Adjusted EBITDA Sales	-46.5	-19.5
Adjusted EBITDA Other	3.5	0.9
Adjusted EBITDA Extension	-26.0	-21.1
= Adjusted EBITDA Rental	**535.6**	**406.0**
Adjusted EBITDA Extension	26.0	21.1
Adjusted EBITDA Other	-3.5	-0.9
FFO interest expense	-162.8	-152.7
Current income taxes FFO 1**	-7.5	-4.5
= FFO 1	**387.8**	**269.0**
Capitalized maintenance	-29.1	-39.7
= AFFO	**358.7**	**229.3**
Current income taxes Sales**	-25.0	-4.7
FFO 2 (FFO 1 incl. adjusted EBITDA Sales/current income taxes Sales)	**409.3**	**283.8**
FFO 1 per share in €***	0.83	0.71
AFFO per share in €***	0.77	0.61

* Excluding income from other investments

** Current income taxes in H1 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 FFO1 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 qualifying for a dividend on the reporting date Jun. 30, 2016: 466,000,624; June. 30, 2015: 358,462,018; due to the subscription right share issue, which allowed the new shares to be purchased at a discount, the key figures per share have been adjusted to make them comparable to the values including the rights issue (TERP adjustment). The adjustment factor is calculated based on the last share price prior to the deduction of subscription rights (€ 26.46) divided by the assumed share price following the issue of new shares (€ 25.18) (TERP, theoretical ex-rights price). This results in an adjustment factor of 1.051, by which the actual values for 2015 were divided in order to ensure comparability.

The **financial result** in the first half of 2016 came to € -276.1 million, considerably lower than the comparable figure for the first half of 2015 of € -237.1 million. This was largely due to the increased financing costs due to our acquisition activities. In the first half of 2016, the operating FFO-related interest result came to € -162.8 million, 6.6 % higher than the comparable value for the first half of 2015 due to acquisitions.

Reconciliation of Financial Result to Net Cash Interest

in € million	H1 2016	H1 2015
Income from other non-current loans	1.0	1.0
Interest income	10.4	0.7
Interest expenses	-287.5	-238.8
Financial result*	**-276.1**	**-237.1**
Adjustments:		
Transaction costs	20.0	53.8
Prepayment penalties and commitment interest	68.8	0.9
Effects from the valuation of non-derivative financial instruments	-13.0	-14.8
Derivatives	-0.5	35.4
Interest accretion to provisions	5.9	4.6
Accrued interest	32.2	27.9
Other effects	5.1	4.1
Net cash interest	**-157.6**	**-125.2**
Deferred interest adjustment	-32.2	-27.9
EMTN interest adjustment**	17.5	-
Adjusment financial income from investments in other real estate companies	9.5	0.4
FFO interest expense	**-162.8**	**-152.7**

* 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 half of 2016, the profit for the period came to € 147.9 million, up considerably on the value of € 84.9 million reported in the first half of 2015, which is due to the full inclusion of GAGFAH, Franconia and SÜDEWO in 2016.

Assets

Asset and Capital Structure

Consolidated Balance Sheet Structure

	Jun. 30, 2016		Dec. 31, 2015	
	in € million	in %	in € million	in %
Non-current assets	27,320.4	88.3	26,678.6	86.2
Current assets	3,620.6	11.7	4,280.5	13.8
Total assets	**30,941.0**	**100.0**	**30,959.1**	**100.0**
Equity	11,598.3	37.5	11,866.9	38.3
Non-current liabilities	17,660.6	57.1	17,405.0	56.2
Current liabilities	1,682.1	5.4	1,687.2	5.5
Total equity and liabilities	**30,941.0**	**100.0**	**30,959.1**	**100.0**

At the end of the first half of 2016, Vonovia's **total assets** came to € 30,941.0 million, on a par with the value at the end of last year. 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 due to the disposal of assets held for sale. At € 11,598.3 million, **total equity** is down on the value reported at the end of 2015 by € 268.6 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 by the positive overall first-half result of € 161.0 million. This brings the **equity ratio** down by 0.8 percentage points to 37.5 %. **Liabilities** were up on the value reported at the end of 2015 by € 250.5 million. New borrowing and the repayment of non-derivative liabilities are virtually neck and neck. The increase in non-current liabilities is mainly due to the increase in deferred taxes and provisions for pensions.

Within **total equity,** retained earnings fell by € 42.7 million in the first half of 2016 due to actuarial losses after deferred taxes as a result of the renewed drop in interest rates. Effects from cash flow hedges also put pressure on equity in the amount of € 48.8 million. By contrast, total equity increased due to the positive profit for the first half of the year in the amount of € 147.9 million, as well as due to the valuation effects of the Deutsche Wohnen shares, which pushed equity up by € 105.5 million.

The value of our **Investment Properties,** our most important asset, came to € 23,695.9 million at the end of the first half of 2016, which corresponds to 76.6 % of our total assets. The values of our real estate portfolio are a key factor influencing the assessment of our asset position and therefore the reporting of one of our important performance indicators, net asset value (NAV).

Another major asset, which amounts to € 2,718.9 million or 8.8 % of total assets, relates to the goodwill reported under intangible assets, which increased slightly by € 4.0 million due to the acquisition of a condominium administration business and adjustments to the purchase price allocation. Goodwill remains unimpaired.

Fair Values

Calculating and showing the fair values of our real estate portfolio provides a control parameter inside the company and also helps 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 have an impact on the fair values of Vonovia are assessed every quarter. If necessary, the real estate portfolio is revalued. The assessment did not reveal any need for value adjustments as of June 30, 2016. The changes in value resulting from our extensive modernization measures have, however, been reflected and shown in the capitalized modernization costs.

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 first half of 2016, the net asset value (NAV), in accordance with EPRA standards, was down slightly on the level at the end of 2015 at € 13,671.7 million. The adjusted EPRA NAV fell slightly from € 11,273.5 million to € 10,952.8 million. This corresponds to a drop in adjusted EPRA NAV per share from € 24.19 to € 23.50 and is largely due to the dividend distribution.

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

in € million	Jun. 30, 2016	Dec. 31, 2015
Equity attributable to Vonovia's shareholders	**10,305.5**	**10,620.5**
Deferred taxes on investment properties/ assets held for sales	3,245.0	3,241.2
Fair value of derivative financial instruments*	161.7	169.9
Deferred taxes on derivative financial instruments	-40.5	-43.4
EPRA NAV	**13,671.7**	**13,988.2**
Goodwill	-2,718.9	-2,714.7
Adjusted EPRA NAV	**10,952.8**	**11,273.5**
EPRA NAV per share in €**	**29.34**	**30.02**
Adjusted EPRA NAV per share in €**	**23.50**	**24.19**

* Adjusted for effects from cross currency swaps
** Based on the number of shares on the reporting date Jun. 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	H1 2016	H1 2015
Cash flow from operating activities	432.9	313.2
Cash flow from investing activities	318.0	-2,110.9
Cash flow from financing activities	-748.9	546.5
Net changes in cash and cash equivalents	**2.0**	**-1,251.2**
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	**3,109.9**	**313.6**

At the end of the first half of 2016, cash flow from **operating activities** came to € 432.9 million, compared to € 313.2 million at the end of the first half of 2015. The increase is attributable to the increased business volume due to the full inclusion of the acquired portfolios in the first half of 2016. The figures for the first half of 2015 did not include SÜDEWO and only included GAGFAH with the contribution made in the months from March to June, and Franconia with the contribution made in the months from April to June. The cash flow from operating activities was hit by the change in working capital of € 61.6 million and by tax payments amounting to € 11.4 million in the first half of 2016.

The cash flow from **investing activities** in the amount of € 318.0 million is mainly influenced by proceeds from the disposal of properties amounting to € 905.4 million. 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 € 170.1 million.

The cash flow from **financing activities** shows a payout balance for the first half of 2016 of € 748.9 million, compared with a proceeds balance of € 546.5 million for the first half of 2015. The cash flow from financing activities in the first half of 2016 was influenced by scheduled and unscheduled loan repayments in the amount of € 1,046.3 million, as well as new borrowing in the amount of € 1,043.0 million in total, comprising the bond placement of June 6, 2016, with a nominal value of € 1.0 billion and mortgages (largely funds relating to the German government-owned development bank, KfW).

The financing costs came to € 140.1 million and interest payments to € 160.3 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.

As of the end of the first half of 2016, **cash and cash equivalents** came to € 3,109.9 million, on a par with the level seen at the end of 2015 (€ 3,107.9 million). These funds will be used in the course of 2016 for planned refinancing measures.

Financing

Responsibility for financing the Group as a whole and the Group companies individually lies with Vonovia SE. The latter raises the funds required, in line with the financing strategy and the resulting financing plans, in a flexible manner on the international equity and debt capital markets.

In its publication dated March 10, 2015, the rating agency Standard & Poor's assigned Vonovia a long-term corporate credit rating of BBB+ with a stable outlook and a short-term credit rating of A-2. In keeping with this assessment, the creditworthiness of the unsecured bonds issued was definitively confirmed as BBB+ on October 15, 2015.

When it comes to debt capital financing, Vonovia mainly makes use of Vonovia Finance B.V., its Dutch subsidiary. A European medium-term notes program (EMTN program) was launched 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 € 9.7 billion, € 6.0 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.

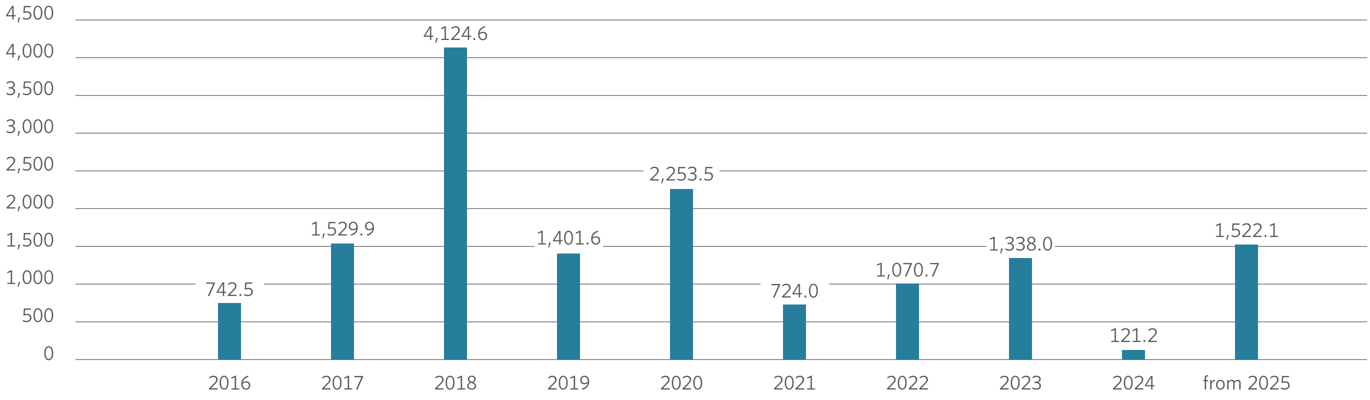
One of the focal points of the financing plan derived from the financing strategy is the refinancing of the liabilities taken over in the context of the GAGFAH acquisition. In order to secure the advantageous interest rate level, five interest rate hedging transactions had already been concluded in the fall of 2015 with a volume of around € 2.7 billion. As part of the ongoing modifications to the financing plan, four out of the five interest rate hedging transactions in question were terminated. Two hedging transactions were allocated to the most recent EMTN drawdown amounting to € 1.0 billion on June 6, 2016, as the corresponding hedged item, and the two other terminated hedging transactions were recognized, with an effect on net income, at their current negative fair value of € 54.5 million.

The bond placement of June 6, 2016 and the available liquidity will be used in 2016 primarily to refinance existing bonds, as well as secured and structured financing.

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

Maturity Profile

as of June 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 and which was valued at € 1.8 billion as of June 30, 2016, early on the next interest payment date, namely 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.

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	Jun. 30, 2016	Dec. 31, 2015
Non-derivative financial liabilities	15,058.6	14,939.9
Foreign exchange rate effects	-161.6	-179.4
Cash and cash equivalents	-3,109.9	-3,107.9
Net debt	**11,787.1**	**11,652.6**
Receivables in Sales*	-266.8	-330.0
Additional purchase price for outstanding acquistions	–	134.9
Adjusted Net Debt*	**11,520.3**	**11,457.5**
Fair value of the real estate portfolio	**23,794.1**	**24,157.7**
Fair value of outstanding acquisitions	-	240.0
Shares in other real estate companies	514.4	13.7
Adjusted fair value of the real estate portfolio**	**24,308.5**	**24,411.4**
LTV	**47.4 %**	**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	Jun. 30, 2016	Dec. 31, 2015
Non-derivative financial liabilities	15,058.6	14,939.9
Total assets	30,941.0	30,959.1
LTV bond covenants	**48.7 %**	**48.3 %**

Subsequent Events

Subsequent Events

Between June 30, 2016, and the time at which the interim report was published, there was one major event subject to a reporting requirement, namely the irrevocable and binding announcement made on July 6 regarding the early repayment of the CMBS (commercial mortgage-backed security) GRF-1 (German Residential Funding 1 from 2013) financing in the amount of € 1.8 billion on August 22, 2016.

Opportunities and Risks

For the purposes of the interim financial statements as of June 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

New Factors Influencing the Overall Framework

German Economy Remains on an Upward Trajectory

After the German economy reported solid growth of 1.7 % in real terms in 2015, upward forces continue to dominate the economic situation, despite unpredictable risks associated with the foreign trade environment. The Kiel Institute for the World Economy (IfW) expects GDP to expand by 1.9 % in the course of 2016.

The IfW still expects consumer spending, both among private households and by the state, to be the main factor driving growth in 2016. Construction investment is also still contributing to an upswing, as the underlying conditions (solid labor market as a measure of residential construction investment and high tax revenue as a measure of infrastructure investment) continue to show positive development. Corporate investment is also expected to be a further pillar propping up the economy. In purely arithmetical terms, foreign trade is not expected to provide any growth impetus. The upswing, which will be driven primarily by the domestic economy in 2016, is expected to result in imports growing at a much faster rate than exports. The labor market remains in a robust condition, with employment levels on the rise and employment-friendly wage development. Consumer prices are expected to remain stable on average in 2016 – mainly due to oil prices. The low inflation rates will, in turn, drive private consumer spending. The inflation rate is, however, expected to start increasing again considerably in 2016. Although the rate of inflation already showed a year-on-year increase of 0.3 % in June 2016, the ECB only considers prices to be "stable" if the inflation rate comes to at least the 2.0 % mark. According to the IfW, the public budgets continue to show slight surpluses – despite the sharp increase in spending in connection with the migration of refugees. Financing costs for the state and the corporate sector alike are likely to drop further due to the government bond purchase program launched in March 2016.

Looking ahead to 2017, the IfW expects to see a further acceleration in economic momentum, predicting GDP growth of 2.1 %. This forecast rests on the fact that the expansion forces in the domestic economy will remain strong, the monetary environment will continue to provide considerable stimulus, and the outlook for exports is expected to improve as the global economy recovers.

The IfW's forecast does not, however, account for Brexit. Given the close economic ties between Germany and the UK, the decision of the United Kingdom to leave the EU is likely to put a damper on German growth in 2017. The Macroeconomic Policy Institute (IMK) currently expects 0.2 percentage points to be shaved off the growth rate. According to the IfW, risks to the growth forecast also lie in geopolitical tension resulting from conflicts in the Middle East, any sharp increase in crude oil prices, the uncertain development of the external value of the euro, and the increasing susceptibility of the German economy to overheating and the negative developments that would come as a result.

Real Estate Market: Further Price Increases Expected

According to experts from Deutsche Bank Research (DB Research), excess demand on the residential market and, as a result, prices are expected to increase further in 2016. As a result, they forecast a nationwide price increase of 6 % year-on-year. The price increase forecast for existing properties ranges from around 7.5 % in "A" and "B" cities to around 6.25 % in "C" cities and around 3.5 % in "D" cities. If prices continue to increase beyond 2016, however, this would likely come hand in hand with excessive valuations, meaning that painful adjustment processes could await at the end of the cycle. 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. 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. It expects to see a slight increase in quoted rents over the next few months, too. But while further price increases for existing apartments are also likely over the coming months, experts from ImmobilienScout24 expect to see a damper on the price trend for newly built apartments in the medium term. They add that there is a question mark hanging over the effectiveness of the rent ceiling and its ability to ease the pressure on the residential real estate market. Instead of limiting quoted rents, rents in large cities are still on the rise. A recent study conducted by the German Institute for Economic Research (DIW Berlin), for example, shows that the rent ceiling is not having the intended effect. The federal state of Berlin recently tabled its own initiative for amendments to tenancy law in the German upper house (Bundesrat), the aim being to make subsequent improvements to the rent celling but also to make a number of further-reaching changes to tenancy law. The draft version of a second package of tenancy legislation proposed by the German Federal Minister of Justice Heiko Maas (SPD) is also reportedly being coordinated between the relevant government departments. By way of example, the draft provides for new provisions on rent increases after modernization, and on rent indices. By the second quarter of 2016, the rent ceiling was in force in more than ten federal states. It could also come into force for some municipalities and on the East Frisian islands belonging to Lower Saxony in the fall.

While the head of the Bundesbank, Andreas Dombret, says that the current situation cannot be referred to as a real estate price bubble, he points out that the current period of low interest rates could give rise to such a bubble. The bubble index published by the research institute empirica increased slightly again in the first quarter of 2016. Rents and purchase prices in 204 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 131 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.

Growing Excess Demand

247,700 apartments were completed in 2015. Given, however, the estimated need for 400,000 apartments to be constructed a year, excess demand also 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

Vonovia had a successful first half of the 2016 fiscal year on the whole. We were able to further develop our operating business at a better-than-planned level and continue with our maintenance and modernization strategy. 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. With effect from March 31, 2016, we sold a portfolio comprising 13,570 residential units to the LEG Group. We also sold a total of 2,913 residential units as part of three block sales in the second 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 Q1 Report	Current forecast for 2016 in the 2016 H1 Report
Adjusted EPRA NAV/share	24.19 €	€ 24 – 25	€ 24 – 25	€ 24 – 25
EPRA NAV/share	30.02 €	€ 30 – 31	€ 30 – 31	€ 30 – 31
FFO 1	€ 608.0 million	€ 690–710 million	€ 720 – 740 million	€ 740 – 760 million
FFO 1/share*	€ 1.30	€ 1.48 – 1.52	€ 1.55 – 1.59	€ 1.59 – 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 2.8 – 3.0 %	Increase of 3.0 – 3.2 %
Vacancy rate	2.7 %	ca. 3 %	ca. 2.7 %	ca. 2.5 %
Maintenance and modernization work incl. capitalized maintenance	€ 330.7 million	ca. € 330 million	ca. € 330 million	ca. € 340 million
Modernization	€ 355.6 million	€ 430 – 500 million	€ 430 – 500 million	470 – 500 million
Number of units sold Privatize	2,979	ca. 2,400	ca. 2,400	ca. 2,400
Step-up Privatize	30.50 %	ca. 30 %	ca. 30 %	> 35 %
Number of units sold Non-Core	12,195	Continue opportunistic sales	Continue opportunistic sales	Continue opportunistic sales
Step-up Non-Core	9.2 %	0 %	0 %	ca. 5 %

* Monthly in-place rent in 2015 per m² (like-for-like) incl. GAGFAH excl. 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 expect to be able to increase the value of the company even further in 2016. By the end of 2016, we still expect the adjusted EPRA NAV per share to have risen to up to € 25, with the EPRA NAV per share predicted to have increased to up to € 31. This does not include the expected increase of the market values of our properties ("yield compression"). We cannot estimate the effect of this at the current time, as the Group only values its housing stocks once at the end of each year.

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 first half of 2016 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 somewhere in the range of € 740 million to € 760 million in 2016. This corresponds to an FFO 1 per share of between € 1.59 and € 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 up to 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 per square meter, 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 2,400 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 to intensify our strategy of selling buildings from the Non-Core subportfolio at prices that are around 5 % above the fair value in 2016, insofar as corresponding opportunities present themselves.

We again plan to allow our shareholders to participate adequately in our company's success in 2016 and intend to propose a dividend of € 1.05 per share.

Düsseldorf, Germany, July 27, 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 - Jun. 30, 2016	Jan. 1 - Jun. 30, 2015	Apr. 1 - Jun. 30, 2016	Apr. 1 - Jun. 30, 2015
Income from property letting		1,100.0	913.8	543.4	532.9
Other income from property management		19.4	14.0	10.1	8.1
Income from property management	3	**1,119.4**	**927.8**	**553.5**	**541.0**
Income from disposal of properties		850.5	221.4	160.0	98.4
Carrying amount of properties sold		-830.4	-204.8	-147.4	-89.0
Revaluation of assets held for sale		17.0	15.2	11.4	7.9
Profit on disposal of properties	4	**37.1**	**31.8**	**24.0**	**17.3**
Net income from fair value adjustments of investment properties	5	**-**	**-**	**-**	**-**
Capitalized internal expenses		125.0	65.3	75.6	38.8
Cost of materials	6	-506.6	-425.4	-262.5	-253.6
Personnel expenses		-184.6	-138.1	-91.7	-77.4
Depreciation and amortization		-10.0	-4.8	-5.6	-2.8
Other operating income		49.8	36.9	26.2	17.1
Other operating expenses		-106.4	-113.2	-49.1	-51.3
Financial income	7	21.6	2.7	12.1	2.0
Financial expenses	8	-287.5	-238.8	-146.7	-140.0
Earnings before tax		**257.8**	**144.2**	**135.8**	**91.1**
Income taxes		-109.9	-59.3	-67.1	-36.5
Profit for the period		**147.9**	**84.9**	**68.7**	**54.6**
Attributable to:					
Vonovia's shareholders		110.0	60.8	53.5	41.2
Vonovia's hybrid capital investors		14.8	14.8	7.4	7.4
Non-controlling interests		23.1	9.3	7.8	6.0
Earnings per share (basic and diluted) in €	**9**	**0.24**	**0.18**	**0.12**	**0.12**

Consolidated Statement of Comprehensive Income

in € million	Jan. 1 - Jun. 30, 2016	Jan. 1 - Jun. 30, 2015	Apr. 1 - Jun. 30, 2016	Apr. 1 - Jun. 30, 2015
Profit for the period	**147.9**	**84.9**	**68.7**	**54.6**
Cash flow hedges				
Change in unrealized gains/losses	-118.3	64.1	8.6	-25.3
Taxes on the change in unrealized gains/losses	19.2	-15.6	-12.8	5.9
Net realized gains/losses	67.5	-52.1	26.5	52.0
Taxes on the change in net realized gains/losses	-17.2	11.9	-6.8	-13.9
Total	**-48.8**	**8.3**	**15.5**	**18.7**
Available-for-sale-financial assets				
Changes in the period	107.3	–	53.9	–
Taxes on changes in the period	-1.8	–	15.5	–
Total	**105.5**	**–**	**69.4**	**–**
Items which will be recognized in profit or loss in the future	**56.7**	**8.3**	**84.9**	**18.7**
Actuarial gains and losses from pensions and similar obligations				
Change in actuarial gains/losses, net	-65.3	44.1	-34.3	73.8
Tax effect	21.7	-14.5	11.4	-24.3
Items which will not be recognized in profit or loss in the future	**-43.6**	**29.6**	**-22.9**	**49.5**
Other comprehensive in come	**13.1**	**37.9**	**62.0**	**68.2**
Total comprehensive income	**161.0**	**122.8**	**130.7**	**122.8**
Attributable to:				
Vonovia's shareholders	124.0	93.9	116.1	101.1
Vonovia's hybrid capital investors	14.8	14.8	7.4	7.4
Non-controlling interests	22.2	14.1	7.2	14.3

Also see the corresponding explanations in the Notes.

Consolidated Balance Sheet

in € million	Notes	Jun. 30, 2016	Dec. 31, 2015
Assets			
Intangible assets		2,741.7	2,724.0
Property, plant and equipment		84.2	70.7
Investment properties	10	23,695.9	23,431.3
Financial assets		710.8	221.7
Other assets		16.4	158.5
Income tax receivables		0.1	0.1
Deferred tax assets		71.3	72.3
Total non-current assets		**27,320.4**	**26,678.6**
Inventories		5.1	3.8
Trade receivables		286.3	352.2
Financial assets		–	2.0
Other assets		141.3	113.4
Income tax receivables		23.9	23.1
Cash and cash equivalents		3,109.9	3,107.9
Assets held for sale		54.1	678.1
Total current assets		**3,620.6**	**4,280.5**
Total assets		**30,941.0**	**30,959.1**

in € million	Notes	Jun. 30, 2016	Dec. 31, 2015
Equity and liabilities			
Subscribed capital		466.0	466.0
Capital reserves		5,891.4	5,892.5
Retained earnings		3,939.3	4,309.9
Other reserves		8.8	-47.9
Total equity attributable to Vonovia's shareholders		**10,305.5**	**10,620.5**
Equity attributable to hybrid capital investors		1,021.4	1,001.6
Total equity attributable to Vonovia's shareholders and hybrid capital investors		**11,326.9**	**11,622.1**
Non-controlling interests		271.4	244.8
Total equity	11	**11,598.3**	**11,866.9**
Provisions		651.7	612.9
Trade payables		0.8	0.9
Non derivative financial liabilities	12	14,120.2	13,951.3
Derivatives		139.3	144.5
Liabilities from finance leases		94.4	94.9
Liabilities to non-controlling interests		39.4	46.3
Other liabilities		27.6	25.9
Deferred tax liabilities		2,587.2	2,528.3
Total non-current liabilities		**17,660.6**	**17,405.0**
Provisions		414.3	429.5
Trade payables		94.5	91.6
Non derivative financial liabilities	12	938.4	988.6
Derivatives		54.7	58.8
Liabilities from finance leases		4.7	4.4
Liabilities to non-controlling interests		16.0	9.8
Other liabilities		159.5	104.5
Total current liabilities		**1,682.1**	**1,687.2**
Total liabilities		**19,342.7**	**19,092.2**
Total equity and liabilities		**30,941.0**	**30,959.1**

Also see the corresponding explanations in the Notes.

Consolidated Statement of Cash Flows

in € million	Notes	Jan. 1 - Jun. 30, 2016	Jan. 1 - Jun. 30, 2015
Profit for the period		147.9	84.9
Revaluation of assets held for sale		-17.0	-15.2
Depreciation and amortization		10.0	4.8
Interest expenses/income		275.7	237.1
Income taxes		109.9	59.3
Results from disposals of investment properties		-20.1	-16.6
Results from disposals of other non-current assets		-0.4	1.5
Other expenses/income not affecting net income		-0.1	-
Change in inventories		-4.1	-7.7
Change in receivables and other assets		-1.4	32.9
Change in provisions		-75.9	-38.7
Change in liabilities		19.8	-23.3
Income tax paid		-11.4	-5.8
Cash flow from operating activities		**432.9**	**313.2**
Proceeds from disposals of investment properties and assets held for sale		905.4	212.3
Proceeds from disposals of other assets		0.9	0.1
Proceeds from disposals of shares in consolidated companies (net of cash inflow)		-	7.4
Payments for acquisition of investment properties	10	-170.1	-157.4
Payments for acquisition of other assets		-421.2	-4.6
Proceeds/payments for acquisition of shares in consolidated companies (net of cash outflow)		0.3	-2,171.0
Interest received		2.7	2.3
Cash flow from investing activities		**318.0**	**-2,110.9**

in € million	Notes	Jan. 1 - Jun. 30, 2016	Jan. 1 - Jun. 30, 2015
Capital contributions on the issue of new shares (including premium)		–	114.5
Cash paid to shareholders of Vonovia SE		-438.0	-276.2
Cash paid to shareholders of non-controlling interests		-7.2	-19.4
Proceeds from issuing financial liabilities	12	1,043.0	1,967.5
Cash repayments of financial liabilities	12	-1,046.3	-1,042.0
Payment for transaction costs in relating to capital measures		-13.6	-71.6
Payments/proceeds for other financing costs		-126.5	1.2
Interest paid		-160.3	-127.5
Cash flow from financing activities		**-748.9**	**546.5**
Net changes in cash and cash equivalents		**2.0**	**-1,251.2**
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)]		**3,109.9**	**313.6**

Also see the corresponding explanations in the Notes

1) Thereof restricted cash € 78.0 million (June 30, 2015: € 71.2 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			60.8			
Other comprehensive income						
Changes in the period			28.8	44.4	0.0	44.4
Reclassification affecting net income				-40.1		-40.1
Total comprehensive income			89.6	4.3	0.0	4.3
Capital increase	86.9					
Premium on the issue of new shares		2,699.2				
Transaction costs in connection with the issue of shares		-2.9				
Dividend distributed by Vonovia SE			-276.2			
Acquisition of GAGFAH						
Changes recognized directly in equity		-0.5	-9.2			
As of Jun. 30, 2015	**358.5**	**4,771.8**	**2,447.6**	**-54.1**	**0.0**	**-54.1**
As of Jan. 1, 2016	**466.0**	**5,892.5**	**4,309.9**	**-48.3**	**0.4**	**-47.9**
Profit for the period			110.0			
Other comprehensive income						
Changes in the period			-42.7	-99.1	105.5	6.4
Reclassification affecting net income				50.3		50.3
Total comprehensive income			67.3	-48.8	105.5	56.7
Dividend distributed by Vonovia SE			-438.0			
Changes recognized directly in equity		-1.1	0.1			
As of Jun. 30, 2016	**466.0**	**5,891.4**	**3,939.3**	**-97.1**	**105.9**	**8.8**

[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**
	60.8	14.8	75.6	9.3	84.9
	73.2		73.2	4.8	78.0
	-40.1		-40.1		-40.1
	93.9	14.8	108.7	14.1	122.8
	86.9		86.9		86.9
	2,699.2		2,699.2		2,699.2
	-2.9		-2.9		-2.9
	-276.2		-276.2		-276.2
				140.3	140.3
	-9.7	5.0	-4.7	3.3	-1.4
	7,523.8	**1,021.4**	**8,545.2**	**185.7**	**8,730.9**
	10,620.5	**1,001.6**	**11,622.1**	**244.8**	**11,866.9**
	110.0	14.8	124.8	23.1	147.9
	-36.3		-36.3	-0.9	-37.2
	50.3		50.3		50.3
	124.0	14.8	138.8	22.2	161.0
	-438.0		-438.0		-438.0
	-1.0	5.0	4.0	4.4	8.4
	10,305.5	**1,021.4**	**11,326.9**	**271.4**	**11,598.3**

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 June 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 June 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, 199 companies (Dec. 31, 2015: 190) – thereof 171 (Dec. 31, 2015: 158) domestic companies and 28 (Dec. 31, 2015: 32) foreign companies – have been included in the consolidated financial statements as of June 30, 2016. In addition, three companies were included as joint ventures (Dec. 31, 2015: four).

The changes as of June 30, 2016, compared with December 31, 2015, result from the acquisition of the GRAINGER Group (four companies), the IVV Group (eight companies), one further acquisition, two sales, two accruals and a liquidation.

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 December 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 increases by € 2.1 million to € 346.0 million. This relates to the final allocation of the total purchase price to the acquired assets and liabilities of SÜDEWO as of the date of first-time consolidation.

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-Jun. 30, 2016	Jan. 1-Jun. 30, 2015
Rental income	776.7	628.0
Ancillary costs	323.3	285.8
Income from property letting	**1,100.0**	**913.8**
Other income from property management	**19.4**	14.0
Income from property management	**1,119.4**	**927.8**

4
Profit on Disposal of Properties

in € million	Jan. 1-Jun. 30, 2016	Jan. 1-Jun. 30, 2015
Income from disposal of investment properties	142.4	81.4
Carrying amount of investment properties sold	-122.3	-64.8
Profit on disposal of investment properties	**20.1**	**16.6**
Income from sale of assets held for sale	708.1	140.0
Retirement carrying amount of assets held for sale	-708.1	-140.0
Revaluation of assets held for sale	17.0	15.2
Profit on disposal of assets held for sale	**17.0**	**15.2**
	37.1	**31.8**

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 € 17.0 million as of June 30, 2016 (1st half of 2015: € 15.2 million). After value adjustment, these properties were transferred to "Assets held for sale."

5
Net Income from Fair Value Adjustments of Investment Properties

Major market developments and valuation parameters that have an impact on the fair values of Vonovia are assessed every quarter. The assessment did not reveal any need for value adjustments as of June 30, 2016.

6
Cost of Materials

in € million	Jan. 1-Jun. 30, 2016	Jan. 1-Jun. 30, 2015
Expenses for ancillary costs	310.8	279.1
Expenses for maintenance	155.2	109.2
Other cost of purchased goods and services	40.6	37.1
	506.6	**425.4**

7
Financial Income

in € million	Jan. 1-Jun. 30, 2016	Jan. 1-Jun. 30, 2015
Income from other investments	10.2	1.0
Income from non-current securities and non-current loans	1.0	1.0
Other interest and similar income	10.4	0.7
	21.6	**2.7**

The income from other investments comprises financial income from investments in other real estate companies in the amount of € 9.5 million (1st half of 2015: € 0.4 million). The increase in the first half of 2016 is due to the first-time collection of the dividend paid by Deutsche Wohnen AG in the amount of € 9.1 million.

8
Financial Expenses

in € million	Jan. 1-Jun. 30, 2016	Jan. 1-Jun. 30, 2015
Interest expense from non-derivative financial liabilities	172.8	143.0
Swaps (current interest expense for the period)	19.6	13.1
Effects from the valuation of non-derivative financial instruments	-13.0	-14.8
Effects from the valuation of swaps	6.8	-18.7
Transaction costs	20.0	53.8
Prepayment penalties and commitment interest	68.8	0.9
Interest expenses purchase price liabilities from put options/rights to reimbursement	2.2	54.1
Interest accretion to provisions	5.9	4.6
Other financial expenses	4.4	2.8
	287.5	**238.8**

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-Jun. 30, 2016	Jan. 1-Jun. 30, 2015
Profit for the period attributable to Vonovia shareholders (in € million)	110.0	60.8
Weighted average number of shares*	466,000,624	342,360,361
Earnings per share (basic and diluted) in €	**0.24**	**0.18**

* The number of outstanding shares on average was adjusted for all periods 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	267.2
Capitalized modernization costs	170.8
Grants received	-1.2
Transfer from assets held for sale	0.1
Transfer to assets held for sale	-65.7
Disposals	-122.8
Revaluation of assets held for sale	16.2
As of Jun. 30, 2016	**23,695.9**
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 June 30, 2016:

Valuation parameters	Average	min.*	max.*
Management costs residential	€ 252 per residential unit p.a.	222	329
Ongoing maintenance costs residential	€ 10.08 per m² p.a.	5.98	12.58
Apartment improvement costs for reletting	€ 3.37 per m² p.a.	0.00	15.57
Maintenance costs total	€ 13.45 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	2.6 %	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	€ 1,085 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

	Jun. 30, 2016		Dec. 31, 2015	
in € million	non-current	current	non-current	current
Non-derivative financial liabilities				
Liabilities to banks	5,797.0	124.2	6,444.2	199.5
Liabilities to other creditors	8,323.2	708.0	7,507.1	711.9
Deferred interest from non-derivative financial liabilities	–	106.2	–	77.2
	14,120.2	**938.4**	**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 € 161.6 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	Jun. 30, 2016	Dec. 31, 2015
Bonds*	1,300.0	1,300.0
Bonds (US dollar)*	739.8	739.8
Bonds (EMTN)*	6,000.0	5,000.0
Bond (Hybrid)*	700.0	700.0
GERMAN RESIDENTIAL FUNDING 2013-1 (CMBS GRF-1)*	1,796.8	1,850.6
GERMAN RESIDENTIAL FUNDING 2013-2 (CMBS GRF-2)*	607.2	679.8
Taurus*	1,026.6	1,032.3
Portfolio loans:		
AXA S.A. (Société Générale S.A.)*	-	155.4
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin) (1)*	508.7	569.1
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin) (2)*	-	228.3
Berlin-Hannoversche Hypothekenbank, Landesbank Berlin and Landesbank Baden-Württemberg*	409.2	419.3
Corealcredit Bank AG (1)*	149.2	154.0
Corealcredit Bank AG (2)*	-	94.1
Deutsche Hypothekenbank*	176.8	179.7
HSH Nordbank AG*	20.3	22.6
Nordrheinische Ärzteversorgung	34.0	34.4
Norddeutsche Landesbank (1)*	-	137.5
Norddeutsche Landesbank (2)*	122.0	123.5
Mortgages	1,237.5	1,275.6
	14,828.1	**14,696.0**

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

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.

Other Notes and Dislosures

13
Additional Financial Instrument Disclosures

Measurement categories and classes: in € million	Measurement category in acc. with IAS 39	Carrying amounts Jun. 30, 2016
Assets		
Cash and cash equivalents		
Cash on hand and deposits at banking institutions	LaR	2,109.9
Commercial papers	LaR	1,000.0
Trade receivables	LaR	286.3
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	3.8
Non-current securities	AfS	7.0
Other investments	AfS	516.0
Derivative financial assets		
Cash flow hedges (cross currency swaps)	n.a.	143.0
Embedded derivatives	FLHfT	0.5
Liabilities		
Trade payables	FLAC	95.3
Non-derivative financial liabilities	FLAC	15,058.6
Derivative financial liabilities		
Purchase price liabilities from put options/rights to reimbursement	FLHfT	50.3
Stand-alone interest rate swaps	FLHfT	75.9
Other swaps	n.a.	67.7
Liabilities from finance leases	n.a.	99.1
Liabilities to non-controlling interests	FLAC	55.5
Thereof aggregated by measurement categories in accordance with IAS 39:		
Loans and receivables	LaR	3,436.6
Available-for-sale financial assets	AfS	523.0
Financial liabilities held-for-trading	FLHfT	126.7
Financial liabilities measured at amortized cost	FLAC	15,209.4

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 Jun. 30, 2016	Fair value hierarchy level
2,109.9						2,109.9	1
	1,000.0					1,000.0	2
	286.3					286.3	2
					3.9	3.9	n.a.
3.1						3.1	1
	33.5					61.0	2
	3.8					3.8	2
				7.0		7.0	1
		2.5		513.5		516.0	1
						143.0	2
			0.5			0.5	2
	95.3					95.3	2
	15,058.6					15,859.6	2
			50.3			50.3	3
			75.9			75.9	2
						67.7	2
					99.1	204.3	2
	55.5					55.5	3
2,113.0	1,323.6					3,464.1	
		2.5		520.5		523.0	
			125.7			126.7	
	15,209.4					16,010.4	

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 € 6.6 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: € 557.5 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	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	3
	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	Jun. 30, 2016	Level 1	Level 2	Level 3
Assets				
Investment properties	**23,695.9**			23,695.9
Available-for-sale financial assets				
Non-current securities	**7.0**	7.0		
Other investments	**513.5**	513.5		
Assets held for sale				
Investment properties (contract closed)	**54.1**		54.1	
Derivative financial assets				
Cash flow hedges (cross currency swaps)	**143.0**		143.0	
Liabilities				
Derivative financial liabilities				
Purchase price liabilities from put options/rights to reimbursement	**50.3**			50.3
Cash flow hedges	**63.3**		63.3	
Stand-alone derivatives	**75.9**		75.9	

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 20 and 80 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 35 and 90 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 major 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 for the first time (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 Jun. 30
2016						
Purchase price liabilities from put options/ rights to reimbursement	**57.6**	6.7	-7.3	–	-6.7	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 June 30, 2016. Furthermore, a general guarantee facility agreement for € 10 million is in place between Vonovia and Commerzbank, from which bills of exchange of approximately € 0.9 million had been drawn as of June 30, 2016.

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 line that currently totals € 44.0 million between Goldman Sachs Bank USA and GERMAN RESIDENTIAL FUNDING 2013-1 LIMITED, as well as a liquidity line that currently totals € 15.0 million between Bank of America N.A., London branch, and GERMAN RESIDENTIAL FUNDING 2013-2 LIMITED.

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 € 3,974.8 million on the reporting date (Dec. 31, 2015: € 6,653.2 million). Interest rates vary between 0.835 % and 3.760 % with original swap periods of between two and ten years.

In line with the planned early repayment of selected mortgage-backed loans, six interest rate swaps with a volume of € 517.2 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 still reported as internal income provided that Group companies are responsible for managing these services.

The corresponding amounts for the first half of 2015 were adjusted in accordance with the new segment structure. The adjusted EBITDA Rental was calculated for a smaller area as at June 30, 2016, due to the separate reporting for the Extension segment. The prior-year figures were adjusted accordingly. In the first half of 2016, we are reporting the financial income from investments in other real estate companies outside of adjusted EBITDA for the first time. For the first half 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 € 9.5 million in the first half of 2016.

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 first half of 2016:

in € million	Rental	Extension	Sales	Other*	Group
Jan. 1 – Jun. 30, 2016					
Segment income	**774.7**	**333.6**	**850.5**	**11.1**	**1.969.9**
thereof external income	774.7	56.7	850.5	288.0	1.969.9
thereof internal income		276.9		-276.9	
Carrying amount of assets sold			-830.4		
Revaluation from disposal of assets held for sale			38.2		
Expenses for maintenance	-119.0				
Operating expenses	-120.1	-307.6	-11.8	-14.6	
Adjusted EBITDA	**535.6**	**26.0**	**46.5**	**-3.5**	**604.6**
Non-recurring items					-49.1
Period adjustments from assets held for sale					-21.1
Income from invetsments in other real estate companies					9.5
EBITDA IFRS					**543.9**
Net income from fair value adjustments of investment properties					-
Depreciation and amortization					-10.0
Income from other investments					-10.2
Financial income					21.6
Financial expenses					-287.5
EBT					**257.8**
Income taxes					-109.9
Profit for the period					**147.9**

* 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 € 323.3 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 – Jun. 30, 2015					
Segment income	**628.0**	**175.2**	**221.4**	**124.6**	**1,149.2**
thereof external income	628.0	22.6	221.4	277.2	1,149.2
thereof internal income		152.6		-152.6	
Carrying amount of assets sold			-204.8		
Revaluation from disposal of assets held for sale			15.0		
Expenses for maintenance	-107.1				
Operating expenses	-114.9	-154.1	-12.1	-125.5	
Adjusted EBITDA	**406.0**	**21.1**	**19.5**	**-0.9**	**445.7**
Non-recurring items					-60.2
Period adjustments from assets held for sale					0.2
Income from invetsments in other real estate companies					0.4
EBITDA IFRS					**386.1**
Net income from fair value adjustments of investment properties					–
Depreciation and amortization					-4.8
Income from other investments					-1.0
Financial income					2.7
Financial expenses					-238.8
EBT					**144.2**
Income taxes					-59.3
Profit for the period					**84.9**

* 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 € 285.8 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 from property management that is 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 first half of 2015 are now reported in the Extension segment and have been taken out of the Rental segment accordingly. In the first half of 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 first half of 2015 were adjusted from the previous figure of € -94.3 million to € -114.9 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 pre-retirement part-time work arrangements and severance payments.

The following table gives a detailed list of the non-recurring items for the first half of 2016:

in € million	Jan. 1-Jun. 30, 2016	Jan. 1-Jun. 30, 2015
Business model optimisation/development of new fields of business	8.0	2.1
Acquisition costs incl. integration costs*	22.9	50.7
Refinancing and equity measures	1.5	0.6
Severance payments/pre-retirement part-time work arrangements	16.7	6.8
Total non-Recurring items	**49.1**	**60.2**

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

In the first half of 2016, non-recurring items came to € 49.1 million, down by 18.4 % on the figure for the previous year (€ 60.2 million). In the reporting period, non-recurring items related primarily to acquisition costs of € 22.9 million (1st half of 2015: € 50.7 million), which were 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 April 1 to June 30, the segment information is as follows:

in € million	Rental	Extension	Sales	Other*	Group
Apr. 1 - Jun. 30, 2016					
Segment income	**382.7**	**194.9**	**160.0**	**-24.1**	**713.5**
thereof external income	382.7	29.5	160.0	141.3	713.5
thereof internal income		165.4		-165.4	
Carrying amount of assets sold			-147.4		
Revaluation from disposal of assets held for sale			5.9		
Expenses for maintenance	-60.4				
Operating expenses	-55.7	-176.5	-7.0	21.1	
Adjusted EBITDA	**266.6**	**18.4**	**11.5**	**-3.0**	**293.5**
Non-recurring items					-22.4
Period adjustments from assets held for sale					5.6
Financial income from invetsments in other real estate companies					9.5
EBITDA IFRS					**286.2**
Net income from fair value adjustments of investment properties					–
Depreciation and amortization					-5.6
Income from other investments					-10.2
Financial income					12.1
Financial expenses					-146.7
EBT					**135.8**
Income taxes					-67.1
Profit for the period					**68.7**

* 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 € 159.5 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
Apr. 1 – Jun. 30, 2015					
Segment income	**364.4**	**106.7**	**98.4**	**69.9**	**639.4**
thereof external income	364.4	14.4	98.4	162.2	639.4
thereof internal income		92.3		-92.3	
Carrying amount of assets sold			-89.0		
Revaluation from disposal of assets held for sale			7.8		
Expenses for maintenance	-63.3				
Operating expenses	-72.2	-91.1	-7.2	-70.7	
Adjusted EBITDA	**228.9**	**15.6**	**10.0**	**-0.8**	**253.7**
Non-recurring items					-21.3
Period adjustments from assets held for sale					0.1
Financial income from investments in other real estate companies					0.4
EBITDA IFRS					**232.9**
Net income from fair value adjustments of investment properties					–
Depreciation and amortization					-2.8
Income from other investments					-1.0
Financial income					2.0
Financial expenses					-140.0
EBT					**91.1**
Income taxes					-36.5
Profit for the period					**54.6**

* 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 € 168.5 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 from property management that is attributable to the Extension segment is now reported in the Extension segment.

16
Subsequent Events

In a letter dated July 6, 2016, GAGFAH GmbH made an irrevocable and binding announcement that it would be repaying all liabilities under the loan agreement with GERMAN RESIDENTIAL FUNDING 2013 Limited ahead of schedule on the next interest payment date, August 22, 2016. The outstanding loan volume amounts to around € 1.8 billion as of June 30, 2016.

Düsseldorf, July 27, 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 June 30, 2016 that are part of the half-year 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, July 29, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

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

Responsibility Statement

"To the best of our knowledge and in accordance with the applicable reporting principles the interim consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations, and the interim management report includes a fair view of the business development including the results and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remainder of the financial year."

Düsseldorf, July 27, 2016

Rolf Buch
(CEO)

Klaus Freiberg
(COO)

Dr. A. Stefan Kirsten
(CFO)

Gerald Klinck
(CCO)

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, are non-recurring or do not relate to the object of the company 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 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.

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 the best-practice recommendations is provided every year in the annual financial statements.

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 reflect the recurring earnings from the operating business. In addition to adjusted EBITDA, FFO allow 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 prior-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 prior-year interest expenses and income that are not of a long-term nature.

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

AFFO refers to capex-adjusted FFO 1 in which FFO 1 are 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 and cash and cash equivalents, to the total fair values of the real estate portfolio.

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 retrofitting 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.

Contact

Vonovia SE

Philippstraße 3
44803 Bochum
Phone +49 234 314-0
Fax +49 234 314-1314
info@vonovia.de
www.vonovia.de

Your Contacts

Corporate Communications
Klaus Markus
Head of Corporate Communications
Phone +49 234 314-1149
Fax +49 234 314-1309
Email: klaus.markus@vonovia.de

Investor Relations
Rene Hoffmann
Head of Investor Relations
Phone +49 234 314-1629
Fax +49 234 314-2995
Email: rene.hoffmann@vonovia.de

Financial Calendar

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

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.

Imprint
Published by: The Management Board of Vonovia SE
Concept and Realization: Berichtsmanufaktur GmbH, Hamburg
Management Board Photography: Catrin Moritz
As of August 2016

www.vonovia.de