Interim Financial Report Vonovia SE

(until August 18, 2015 Deutsche Annington Immobilien SE)

for the third quarter of 2015

VONOVIA

in € million **Key figures**	9M 2015	9M 2014	Change in %
Rental income	1,019.4	572.7	78.0
Adjusted EBITDA Rental	699.8	364.5	92.0
Income from sale of properties	315.6	213.0	48.2
Adjusted EBITDA Sales	34.1	35.7	-4.5
Adjusted EBITDA	733.9	400.2	83.4
Total cost of modernisation and maintenance work	468.1	243.3	92.4
thereof maintenance	167.8	106.4	57.7
thereof capitalised maintenance	81.3	16.9	381.1
thereof modernisation	219.0	120.0	82.5
FFO interest expense	-251.8	-153.5	64.0
FFO 1	432.2	205.0	110.8
thereof attributable to shareholders	409.3	205.0	-
thereof attributable to hybrid equity	22.9	-	-
FFO 2	466.3	240.7	93.7
AFFO	351.5	188.4	86.6
FFO 1 per share in €*	0.93	0.81	14.2

* Based on the shares qualifying for a dividend on the reporting date: Sep. 30, 2015: 466,000,624, Sep. 30, 2014: 240,242,425, previous year's figure TERP-adjusted

Key balance sheet figures	Sep. 30, 2015	Dec. 31, 2014	Change in %
Fair value of the real estate portfolio	23,148.7	12,759.1	81.4
EPRA NAV	12,662.4	6,578.0	92.5
LTV in %*	50.0	49.7	0.3 pp
EPRA NAV per share in €**	27.17	23.04	17.9

* Adjusted to reflect effects in connection with the acquisitions of Franconia and GAGFAH

** Based on the shares qualifying for a dividend on the reporting date: Sep. 30, 2015: 466,000,624, Dec. 31, 2014: 271,622,425, previous year's figure TERP-adjusted

Non-financial figures	9M 2015	9M 2014	Change in %
Number of units managed	407,609	210,702	93.5
thereof own apartments	366,918	183,983	99.4
thereof apartments owned by others	40,691	26,719	52.3
Number of units purchased	168,632	11,386	-
Number of units sold	5,322	2,651	100.8
thereof Privatise	1,748	1,778	-1.7
thereof Non-Core	3,574	873	309.4
Vacancy rate in %	3.4	3.6	-0.2 pp
EPRA vacancy rate in %	3.2	3.3	-0.1 pp
Monthly in-place rent in €/m²	5.69	5.59	1.8
Monthly in-place rent in €/m² (like-for-like incl. DeWAG/excl. GAGFAH/Vitus/Franconia)	5.77	5.61	2.9
Number of employees (as at September 30)	6,125	3,436	78.3

in € million **Other financial figures**	9M 2015	9M 2014	Change in %
Net income from fair value adjustments of investment properties	-	26.9	-
EBITDA IFRS	629.7	357.4	76.2
EBT	324.6	175.8	84.6
Profit for the period	193.5	122.0	58.6
Cash flow from operating activities	446.5	295.5	51.1
Cash flow from investing activities	-3,079.3	-1,368.8	-
Cash flow from financing activities	1,580.2	722.4	-

Contents

Ladies and Gentlemen, Dear Shareholders,

Following two very successful quarters in the first half of the year, the third quarter was also positive for our company. Thanks to our successful business development and, above all, the fast pace of our integration of GAGFAH and SÜDEWO, we have significantly improved all of our key financial indicators, with the related cost efficiencies through scale. Within the scope of this trend, we have once again upwardly adjusted our forecast for the financial year 2015. We will have completed GAGFAH's integration by the end of the year and SÜDEWO's integration by March in the coming year.

For 2015 as a whole, we now expect an FFO 1 (Funds From Operations) of between € 590 million and € 600 million. This represents a 28 % increase in our FFO 1 per share to between € 1.27 and € 1.29. The net asset value (EPRA NAV) per share is likewise expected to increase by 28 % to between € 29 and € 30. As our dividend proposal for the year, we continue to envisage an amount of € 0.94 per share, which represents an increase of 27 % on the previous year. Moreover, we envisage rent growth (on a like-for-like basis) of between 2.8 % and 2.9 %. The vacancy rate is expected to decline further to approximately 3 %.

For 2016, we predict a further improvement in our business development. We assume that our FFO 1 figure will increase by approximately 18 % to between € 690 million and € 710 million. For rental growth (on a like-for-like basis) too, we predict a further increase to between 2.8 % and 3.0 %. We also envisage significant growth through modernisation of our portfolios, delivering sustainable value enhancement. In the next year, our volume of investment is expected to grow by approximately 38 % to between € 430 million and € 500 million. As well as energy-efficient building refurbishments and senior-friendly conversions of our apartments, new products and also new buildings in the form of attic conversions and infill developments will increasingly play a role. We are therefore relying on the swift issuance of planning approval.

Our figures for the third quarter of 2015 clearly demonstrate the success of our strategy: with our significantly increased portfolio volume, our FFO 1 figure climbed 111 % to € 432 million by comparison with the first nine months of 2014. The FFO 1 per share also increased by 14 % from € 0.81 to € 0.93. The vacancy rate trend also developed positively: as of September 30, 2015 it was at a very low level of 3.4 %. The EPRA NAV per share increased by 18 % to € 27.17. Overall, our company is now managing a portfolio with a value of € 23.1 billion. This level is almost twice as high as in the previous year (€ 12.8 billion).

We are also clearly on track in our Rental segment: thanks to our acquisitions, rental income increased by 78 % on the first nine months of 2014 and amounted to € 1,019 million. The monthly in-place rent per square metre (like-for-like) increased by 2.9 % to € 5.77.

In the first nine months of the year, we sold 5,322 apartments through privatisations or sales of non-core stocks. This is twice as many as in the previous year. The apartments which we sell off cannot be operated within our Group in a service-oriented manner and are better managed with a different ownership structure. At the beginning of November, we signed letters of intent for the sale of two large residential portfolios in North Rhine-Westphalia and in northern Germany with LEG and an additional buyer. With the sale of a total of approximately 20,000 units, we are continuing to improve the quality of our portfolio as a whole.

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

The funds thus raised and the expected enhancement of our portfolio have brought us a good deal closer to our goal of reducing our loan-to-value (LTV) ratio to well under 50 %. On a pro forma basis, LTV is expected to amount to 46 % at the end of the year.

In line with our promise, we have continued to increase our expenses for maintenance and modernisation: expenses for maintenance have increased by 58 % on the first nine months of 2014 to € 168 million, while those for modernisation have risen by 83 % to € 219 million. This means that, including capitalised maintenance of € 81 million, we invested a total volume of € 468 million in modernisation and maintenance work on our properties in the first nine months of 2015. Per square metre, this corresponds to an increase in our investments in our portfolio of approximately 12 %, from approximately € 21 to around € 24. All in all, this likely corresponds to an investment of € 31 up to € 32 per square metre in 2015.

September marks the beginning of a new era for us: on the one hand, we are now the first real estate company to feature in Germany's DAX benchmark index, while on the other we are clearly delivering outward proof of our commitment to "Growth through a tenant focus" with the launch of our new company name, Vonovia. Our regular customer satisfaction analysis shows that we are on the right path: we expect to be able to improve our customer satisfaction index by approximately 5 % in the current year.

Size is a key factor in the practical fulfilment of our "Growth through a tenant focus" strategy. Our size provides us with an improved negotiating position for the refurbishment and modernisation of older portfolios when dealing with external service providers. We are also able to purchase energy and many other services more economically for our customers.

Over the past two years we have shown that we are serious with our modern business model. We have also demonstrated that this model is equally attractive for tenants, local authorities and investors with a long-term focus. Our business model, which brings services inside our company instead of outsourcing them, is also highly attractive for our employees, whose number has now increased to more than 6,000. I would like to extend a word of thanks to all of our employees. Your commitment is the key to Vonovia's success.

For us, this means that we will continue to pursue our strategy while also consistently but also carefully exploiting any opportunities which the market offers. We have the necessary experience but also the opportunity for seamless integration of further large housing stocks. We are convinced that the acquisition of further complementary housing stocks will bring about equal use for tenants and shareholders. Therefore, we will suggest a capital increase at the extraordinary general shareholder's meeting on November 30, 2015 and request your approval in order to allow us to acquire Deutsche Wohnen.

The past few weeks have clearly shown that the challenges facing society are not getting any smaller. And we need affordable housing in Germany which can be managed on a long-term basis, in line with this company's social as well as environmental objectives. For the people who are already here, just as much as for those who have not yet arrived.

We have identified these tasks and in our model we have formulated a response which is economically, socially and also environmentally viable. We will maintain this policy over the coming months and will act responsibly, cooperatively but also purposefully.

Together with my Management Board colleagues and our management team, I would like to thank you for the trust which you have placed in us. We will continue to deliver on our promise.

Bochum, November 2015

Yours,
Rolf Buch
CEO

Rolf Buch (CEO)

Interim Group Management Report

Fundamental Information about the Group

Company and business model

The company

Deutsche Annington Immobilien SE changed its name to Vonovia SE on September 3, 2015. The new company name was already added to the Commercial Register at the end of August, and since September 3, 2015 Vonovia SE has been listed on the German stock exchange under its new name and with its new abbreviation VNA.

Moreover, on September 3, 2015 the German stock exchange decided to transfer Vonovia SE from the MDAX to the DAX with effect as of September 21, 2015, on the recommendation of its Working Committee for Equity Indices. This marks the first time that a real estate company has been represented in Germany's benchmark index. Our inclusion boosts the visibility and the profile not only of our company but also of the real estate industry as a whole, as an important sector of the economy.

Based on the German stock exchange's definition, today approximately 95.44 % of Vonovia SE shares are in free float. In accordance with Vonovia SE's long-term strategic focus, its largest individual shareholders are pension funds and other funds with a similarly long-term focus. The company's market capitalisation currently amounts to around € 13 billion. In addition to the DAX, Vonovia SE is listed in the international indices STOXX Europe 600, MSCI Germany, GPR 250 and EPRA/NAREIT Europe.

From September 3, 2015 onwards, the corporate identity of Vonovia SE and its Group companies (Vonovia) will be gradually incorporated into our new brand with its petrol blue Vonovia lettering. The name Vonovia will become visible in our business operations throughout Germany at the turn of the year. The new name and the associated corporate design represent Vonovia's new identity, which is based on a clearly formulated corporate mission statement. Two years after our initial public offering and following our inclusion in Germany's DAX benchmark index, our new brand identity is a tangible expression of our corporate mission statement for our customers, investors, employees, suppliers and for the general public. Our corporate mission statement reconciles the different needs of Vonovia's various interest groups: our customers, employees, suppliers, investors and the general public.

Vonovia SE is the successor company to Deutsche Annington Immobilien SE, which was established by financial investors with the goal of acquiring the real estate portfolios of the railway companies and the coal and steel industry and grew over time through acquisitions. Following the company's initial public offering in 2013, its financial investors at the time gradually bowed out from their investment in Deutsche Annington Immobilien SE. This was followed by the integration of various real estate portfolios (Vitus, DeWAG, Franconia) and, with the entry of a mixed cash and non-cash capital increase in the Düsseldorf Commercial Register (Handelsregister) on March 6, 2015, the completion of Deutsche Annington Immobilien SE's voluntary public takeover offer for all of the shares of GAGFAH S.A. as of December 1, 2014. The SÜDEWO Group was subsequently acquired with effect as of July 8, 2015.

On account of these acquisitions and mergers, the year 2015 has been shaped by intensive integration activities. This should have been largely completed by the time 2015 draws to a close, but these integration activities will continue in 2016 for our SÜDEWO portfolios in particular. The Franconia portfolio, acquired with effect as of April 1, 2015, is already integrated in the management platform and has already been included in the interim consolidated financial statements.

The goals associated with the company's new acquisitions include strengthening its overall regional presence in Germany, realising operational and financial economies of scale, pursuing strategic potential by exploiting innovative products and services and optimising structures.

As at September 30, 2015, with approximately 367,000 residential units of our own, 91,475 garages and parking spaces and 3,465 commercial units in attractive cities and regions throughout Germany and with a portfolio value of approximately € 23 billion Vonovia is Germany's leading and continental Europe's second-largest listed real estate group. Vonovia also manages 40,691 residential units for other owners.

As a modern service company, Vonovia focuses on customer orientation and tenant satisfaction. Offering tenants affordable, attractive and liveable homes is a prerequisite for the company's continued successful development. Vonovia's residential units are located in contiguous settlements at approximately 800 locations in Germany. Tenants' concerns are addressed on site by our own caretakers and the company's own craftsmen's organisation, so as to ensure customer proximity and a needs-based, rapid and reliable service.

Vonovia makes long-term investments in the maintenance, modernisation and age-appropriate conversion of its properties. The company teams up with others at the local level to support social and cultural projects that enrich community life. Our company also takes responsibility for urban development and social matters via its investment programmes.

In addition to its successful long-term and modern property management, our Group develops its real-estate portfolio through targeted acquisitions and sales.

All in all, Vonovia pursues a holistic approach for the housing industry with an integrated and scalable business model and aims to establish the company as the quality leader. As at September 30, 2015, Vonovia has a workforce of 6,125 employees.

Our corporate strategy and our corporate mission statement are inextricably linked. Vonovia's strategy comprises a property management strategy, a portfolio management strategy, an extension strategy and also an acquisition and financing strategy. Please see our 2014 Annual Report for further details of these strategies.

Within the scope of the implementation of our financing strategy, in order to finance the purchase price for the SÜDEWO Group and to achieve a further reduction in our debt we implemented a capital increase in the third quarter of 2015, issuing 107,538,606 new shares with subscription rights at a price of € 20.90. The corresponding listing prospectus was approved by the German Federal Financial Supervisory Authority (BaFin) on June 16, 2015. The new shares were created on July 3, 2015 by way of an entry in the Düsseldorf Commercial Register, making the capital increase in a net amount of € 2,216 million effective.

Moreover, on September 7, 2015 the financial supervisory authority of the Grand Duchy of Luxembourg (CSSF) approved the update of the bond tap issue within the scope of the EMTN programme (EMTN: European Midterm Notes) with a volume of € 8,000 million. This update is valid for a period of 12 months. As well as enabling Vonovia to issue new shares out of its authorised capital, this permits the company's short-term borrowing on the debt capital markets to safeguard its goal of a balanced financing structure.

Vonovia 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 parent company, Vonovia SE, performs the function of the management holding company for the Group. In this function, it is responsible for determining and pursuing the overall strategy and implementing the company's goals and performs property management, financing, service and coordination tasks for the Group. Furthermore, it is responsible for the management, control and monitoring system as well as risk management. To carry out these management functions, Vonovia has established a series of service companies. They pool certain functions, such as the central and local customer service units. By pooling the corporate functions, Vonovia achieves harmonisation, standardisation and economies of scale objectives and therefore the other Group companies do not need to perform such functions themselves.

Portfolio structure

In early July 2015, a stock of 19,387 residential units, 102 commercial properties and 9,453 garages and parking spaces was added to the Vonovia portfolio as a result of the SÜDEWO acquisition. Through this acquisition, we strongly increased our market share in the economically prosperous region of Baden-Württemberg.

The acquisition portfolio was as follows at the time of the takeover:

SÜDEWO residential portfolio

	Residential units	Residential space (in thou. m²)	Vacancy (in %)	In-place rent (p.a. € million)	In-place rent (€/m²/month)
SÜDEWO	**19,387**	**1,239.0**	**2.4**	**98.2**	**6.80**

Vonovia's overall portfolio was as follows as at September 30, 2015:

Vonovia residential portfolio

Sep. 30, 2015	Residential units	Residential space (in thou. m²)	Vacancy (in %)	In-place rent (p.a. € million)	In-place rent (€/m²/month)
Strategic	**296,210**	**18,365**	**2.5**	**1,251.8**	**5.83**
Operate	209,456	12,869	2.5	868.6	5.78
Upgrade buildings	49,410	3,092	2.7	207.2	5.74
Optimise apartments	37,344	2,404	2.4	176.1	6.25
Non-Strategic	**31,668**	**1,957**	**7.0**	**105.2**	**4.82**
Privatise	**22,961**	**1,557**	**4.6**	**102.5**	**5.74**
Non-core	**16,079**	**984**	**10.9**	**46.9**	**4.52**
Total	**366,918**	**22,863**	**3.4**	**1,506.4**	**5.69**

Strategic

This portfolio will include locations with development potential that is well above-average in general, promoting us to pursue a **value-enhancing property management** strategy for these locations. The strategic portfolio includes the "Operate", "Upgrade Buildings" and "Optimise Apartments" portfolio clusters:

Operate

We achieve **operational value generation** in this part of the portfolio through rental growth, vacancy reduction, effective and sustainable maintenance spending as well as cost efficiencies through scale. The locations and properties in the acquired GAGFAH sub-portfolio that are of strategic importance to the new merged company have been assigned to this sub-portfolio. Analyses of the modernisation potential within this cluster will be conducted and published as part of the internal company integration processes at a later date.

Upgrade buildings

We use **value-enhancing investments** to achieve a significant improvement in value with an extensive investment programme. We also address one of today's social megatrends, climate protection, and invest in energy-efficient modernisations.

Optimise Apartments

As part of the **value-creating investments,** we pick up on a further societal megatrend – demographic change. With our comprehensive investment programme, we create significant value improvement by modernising apartments for senior living as well as completing high-standard refurbishments in markets where fully refurbished apartments deliver a rental premium.

Non-Strategic

A recent portfolio review has also identified locations and sub-portfolios that Vonovia does not necessarily require for its further strategic development, meaning that they have been summarised in the Non-Strategic portfolio.

The Non-Strategic portfolio tends to contain locations and properties of average quality; the income contribution from property management is stable, or even slightly increasing in some sub-markets to the extent possible.

The portfolio includes, on the one hand, locations with below-average development potential overall in terms of rent growth in the medium term and, on the other, locations in areas that can be described as peripheral compared with Vonovia's overall portfolio, meaning that they do not represent strategic regions for purchases.

Privatise and Non-Core

Privatise

Vonovia privatises residential units by selling them to tenants, owner-occupiers and investors. We generate further value through the sale **(privatisation)** of privately owned apartments and single-family houses at a significant premium compared with their fair value.

Non-Core

In order to optimise our portfolio, buildings that only offer **limited development potential** in the medium to long term are sold 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. This means that these properties are not suitable for successful management using our standardised processes in the long run. Properties are allocated to the Non-Core portfolio based on similar criteria overall.

All in all, we will be sticking to our tried-and-tested approach of making all sale and purchase decisions based on an extensive proprietary analysis of the German market based on the returns that can be achieved and the future potential to increase value. In order to calculate the growth potential, we have developed a **proprietary scorecard** based on correlation analyses, as well as on external and internal company data, that we can use to arrive at a better forecast regarding the future development of the local markets than publicly accessible studies would allow. One main difference is that our analysis includes the knowledge of our local regional managers throughout Germany in addition to information on expected regional demographic developments.

Regional distribution of the housing stocks by German state

				In-place rent	
Sep. 30, 2015	Residential units	Residential space (in thou. m²)	Vacancy (in %)	(p. a. € million)	(€/m²/month)
North Rhine-Westphalia	124,219	7,839	4.0	483.2	5.36
Saxony	44,981	2,565	4.2	151.9	5.16
Baden-Württemberg	33,736	2,150	2.5	165.6	6.60
Berlin	30,613	1,911	1.6	129.9	5.76
Lower Saxony	26,177	1,660	4.7	103.5	5.46
Hesse	25,131	1,588	2.2	131.6	7.05
Schleswig-Holstein	24,848	1,481	3.4	91.5	5.36
Bavaria	19,994	1,304	1.9	95.6	6.23
Bremen	12,308	743	4.1	42.8	5.05
Hamburg	10,988	692	1.1	52.6	6.39
Rhineland-Palatinate	5,659	388	3.9	24.9	5.57
Thuringia	2,705	169	4.8	11.0	5.68
Brandenburg	2,422	162	4.6	10.9	5.88
Mecklenburg-Western Pomerania	1,657	110	8.6	6.3	5.24
Saxony-Anhalt	1,452	98	8.9	5.0	4.65
Saarland	28	2	3.6	0.1	4.75
Total	**366,918**	**22,863**	**3.4**	**1,506.4**	**5.69**

Housing stocks 25 largest locations

Sep. 30, 2015	Residential units	Residential space (in thou. m²)	Vacancy (in %)	In-place rent (p. a. € million)	In-place rent (€/m²/month)
Dresden	37,919	2,149	3.1	131.1	5.25
Berlin	30,613	1,911	1.6	129.9	5.76
Dortmund	20,212	1,247	2.8	72.9	5.02
Essen	12,241	758	5.0	46.3	5.37
Kiel	11,986	695	1.5	43.6	5.31
Frankfurt am Main	11,753	721	1.2	65.0	7.60
Bremen	11,103	677	4.0	39.5	5.11
Hamburg	10,988	692	1.1	52.6	6.39
Gelsenkirchen	8,481	520	7.9	27.3	4.77
Bochum	7,549	434	2.8	27.1	5.36
Hanover	7,227	462	1.9	32.7	6.02
Cologne	6,367	447	1.4	37.1	7.01
Duisburg	5,547	335	5.3	19.6	5.15
Munich	5,196	345	0.5	27.9	6.79
Bonn	5,187	364	2.2	27.4	6.40
Herne	4,992	303	4.9	17.2	4.97
Bielefeld	4,645	307	2.3	18.0	5.00
Stuttgart	4,644	290	1.1	27.6	8.04
Heidenheim an der Brenz	3,997	244	5.3	16.4	5.95
Osnabrück	3,915	248	3.9	15.4	5.39
Düsseldorf	3,521	227	3.0	19.1	7.23
Braunschweig	3,291	203	0.6	13.2	5.44
Gladbeck	3,160	194	3.7	11.4	5.08
Zwickau	3,104	174	10.4	8.0	4.29
Freiburg im Breisgau	2,711	183	1.1	14.5	6.69
Subtotal of the 25 largest locations	**230,349**	**14,130**	**2.9**	**940.8**	**5.72**
Other locations	136,569	8,733	4.3	565.6	5.65
Total	**366,918**	**22,863**	**3.4**	**1,506.4**	**5.69**

Management system

Performance indicators

Our company policy focuses on sustainably increasing the value of the company. As it is customary in the industry, this is expressed in the net asset value (NAV); in determining NAV, we are guided by the best practice statements of EPRA (European Public Real Estate Association).

We strive to steadily grow our earnings through the value-enhancing management of our properties, through value-creating investments in these portfolios as well as through active portfolio management.

This focus on value is also reflected in our internal management system. For this purpose, we distinguish between the two segments, Rental and Sales. In the Rental segment, we pool all business activities for active management as well as investments in our residential real estate. The Sales segment covers all business activities relating to the sale of single units (Privatise) as well as the sale of entire buildings or plots of land (Non-Core sales). A Group-wide planning and controlling system ensures that resources for both segments are efficiently allocated and their successful use is monitored.

Financial and non-financial indicators

For a description of the financial and non-financial indicators of the management system, please refer to the statements in the combined management report for the financial year 2014, which remain valid. The management report is available on the Vonovia website, www.vonovia.de.

Share and capital market

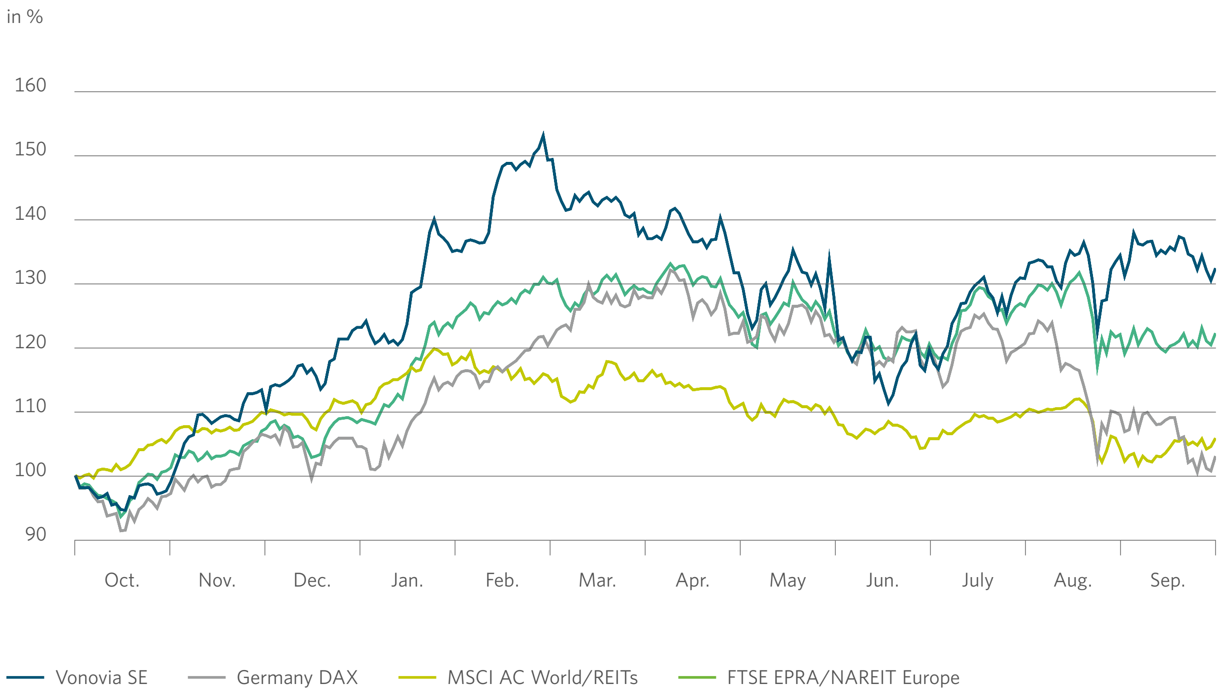
Share price performance

The closing price of Vonovia SE's shares on September 30, 2015 was € 28.75, slightly up on the closing price seen on December 30, 2014. Vonovia SE's shares have outperformed the DAX, MSCI and EPRA indices over the past 12 months. While our share price performed negatively in the first half of 2015 – also due to market-related factors – it has since recovered.

On September 3, 2015 the German stock exchange decided to include Vonovia SE in the DAX with effect as of September 21, 2015, on the recommendation of its Working Committee for Equity Indices. Its rounded weighting as of its inclusion in this index amounts to 1.7 %.

On the cut-off date of September 30, 2015, Vonovia SE's market capitalisation came in at around € 13.4 billion, with a free float – based on the German stock exchange's definition – of 95.44 %.

Share price performance in the period from October 1, 2014 to September 30, 2015*



* Vonovia vs. MSCI Germany, EPRA und DAX Oct. 1, 2014 – Sep. 30, 2015

Share information

Share information as at September 30, 2015

First day of trading	Jul. 11, 2013
Subscription price	€ 16.50
Total number of shares	466.0 million
Subscribed capital in €	€ 466,000,624
ISIN	DE000A1ML7J1
WKN	A1ML7J
Symbol	VNA
Common code	94567408
Class	Registered shares with no-par value
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated market

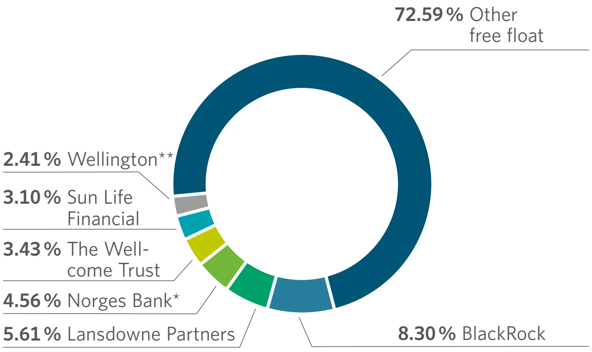
In June 2015, Vonovia SE made the decision to increase its subscribed capital by € 107,538,606, from € 358,462,018 to € 466,000,624, making a subscription offer to its existing shareholders at a subscription price of € 20.90 until June 30, 2015. The new subscribed capital was entered in the Commercial Register on July 3, 2015.

Free float remains at high level

According to the German stock exchange's definition, on the cut-off date of September 30, 2015 the company's free float amounted to 95.44 %.

In detail, the shareholder structure of Vonovia SE as at September 30, 2015 is as follows:

Shareholder structure



* Shareholdings last notified by Norges on August 25, 2014 on the basis of a share capital of EUR 240,242,425. Norges has not notified that it reached or crossed the 5% or 10% threshold subsequently.

** The last Disclosure of Voting Rights pursuant to the German Securities Trading Act (WpHG) received from Wellington Management dated March 17, 2015 shows a shareholding of 3.18% on the basis of a share capital of EUR 354,106,228.

Investor relations activities

In the first nine months of the financial year 2015, the Management Board participated in regular investor conferences in Europe and the USA. The company's management also informed investors at roadshows held in Europe, Asia and the USA of its business development and also current issues including its progress with the integration of GAGFAH.

We are committed to providing the capital market with comprehensive information on a regular basis. The Management Board informs analysts and investors of the company's current business development and the outlook via telephone conferences, which are held every quarter. We also organise regular tours of our estates with the goal of providing the capital market with an impression of our housing stocks and our operating business. Our annual Capital Markets Day also serves to provide participants with a deeper understanding of our company.

Corporate governance

Corporate governance, acting in accordance with the principles of responsible management aimed at increasing the value of the business on a sustainable basis is an essential requirement for Vonovia, embracing all areas of the business. Our corporate culture is founded on transparent reporting and corporate communications, on corporate governance aimed at the interests of all stakeholders, fair and open dealings between the Management Board, the Supervisory Board and employees as well as on compliance with the law. Our corporate culture is also governed by a fixed system of values and a deep understanding of the company's mission. Further details on the Corporate Governance Code can be found in the Investor Relations section of the website at www.investoren.vonovia.de.

Report on Economic Position

Development of the economy and the industry

German economic growth gaining ground

According to the Kiel Institute for the World Economy (IfW), despite an uneasy global economic environment the German economy remains on an upward trajectory. After GDP growth slowed slightly to 0.3 % in the first quarter of 2015, a number of indicators – including, not least, favourable production figures – boosted growth to 0.4 % in the second quarter of 2015. Foreign trade provided strong momentum while domestic consumption stagnated, above all due to the failure of an upturn in investment to materialise. Accordingly, the growth rate for the third quarter is likely to be slightly lower than in the previous quarter. The IfW predicts that GDP will grow by 1.8 % overall this year. Favourable developments on the job market coupled with robust income growth and temporary factors such as higher monetary social benefits and purchasing power gains resulting from the drop in oil prices have meant that private consumption initially grew at a fast pace since the third quarter of 2014. However, in the first and second quarters this growth was only very moderate, since disposable incomes hardly increased while the temporary recovery of oil prices provided impetus for consumer prices. For the third quarter, strong consumer spending and labour market conditions which remain favourable may be expected to deliver a significantly higher rate of private consumption. Corporate investments once again increased considerably at the start of the year, but over the year as a whole they are likely to fall short of the figure for 2014. However, the upturn in investment is gaining ground. This outlook is supported, not least, by improved sales and earnings prospects – also due to the depreciation of the euro – as well as the cyclical component with noticeably strained production capacities. The construction industry continues to operate close to its highest-ever level of capacity utilisation. Residential construction investments especially have shown strong growth of late. The depreciation of the euro has promoted stronger growth in exports, following a somewhat moderate start to the year. For the third quarter, the IfW predicts export growth at a lower but nonetheless robust rate of 1.7 %. The Federal Ministry of Economic Affairs and Energy (BMWi) expects the European Central Bank (ECB) to stick to its expansive monetary policy. The main refinancing rate has been unchanged at 0.05 % since September 2014.

The job market trend remains positive, and the number of employees who are required to make social security contributions is continuing to increase considerably, according to the German Federal Employment Agency (Bundesagentur für Arbeit). The unemployment rate thus came in at 6.4 % in August 2015, down by 0.3 percentage points on the previous year.

The consumer price trend has begun to fall again since June. According to preliminary figures released by the German Federal Statistics Office (Statistisches Bundesamt), in September 2015 the rate of inflation – based on the consumer price index – was 0.2 % higher than in September 2014. As in the previous months, the fall in prices in the energy sector had a dampening effect in September.

Housing market

Continued rise in real estate prices and rents

Quoted rents have continued to rise since the start of the year and increased moderately nationwide in July and August, by 0.4 and 0.2 percentage points respectively. This is based on a report by the property portal ImmobilienScout24 after evaluation of the IMX property index. The experts at ImmobilienScout24 predict further slight increases in the medium term. However, the average quoted rents in Munich and Hamburg – two cities affected by the rent ceiling – fell slightly in August, while they appear to be levelling off in Berlin following a decline in the previous two months.

According to ImmobilienScout24, the prices quoted for privately owned apartments – new and existing properties – have also continued to increase nationwide since January 2015. In July and August, prices of new-build apartments increased significantly, by 0.9 percentage points in each month. Prices of existing privately owned apartments also increased significantly on the previous month, by 1.1 percentage points in July and by 1.4 percentage points in August. According to ImmobilienScout24, prices will continue to rise over the next few months.

Record year for the German residential investment market

According to experts from Dr Lübke & Kelber Research, the German residential investment market achieved a transaction volume of around € 19.0 billion in total in the period from January to September 2015 (inclusive). The previous record sales volume for German residential real estate – € 17 billion in the financial year 2005 – has thus already been exceeded. In particular, results in the first nine months of 2015 have been influenced by Vonovia's acquisition of GAGFAH S.A./ SÜDEWO and by Adler Real Estate's purchase of Westgrund (60 % of all apartment sales). German investors and public limited real estate companies are dominating the market on the buyer side, with a share of 91 %. In addition, "B locations", which often offer a more favourable risk-return profile, remain a focal point for investors. Measured in terms of the volume of units sold, the "B cities" achieved a share of 74 % in the first three quarters.

Tenancy Amendment Act now in force

The German Tenancy Amendment Act was passed by the German Bundestag (lower house of parliament) on March 5, 2015 and promulgated in the Federal Law Gazette on April 27, 2015. Among other things, the Act envisages capping rents at a level that must not exceed 10 % of the standard local comparative rent in housing markets that are evidently tense when apartments are relet. The Act includes a time limit and has excluded new buildings and first-time lets after extensive modernisation from the provisions. The provisions already apply in Berlin and Hamburg as well as 22 towns/cities in the federal state of North Rhine-Westphalia and also 144 towns/ cities and municipalities in Bavaria. The provisions also came into effect in three municipalities in the federal state of Rhineland-Palatinate in early October. 68 towns/cities and municipalities in the federal state of Baden-Württemberg will also be covered from November. The real estate industry has criticised a number of aspects of the legislation, including the use of the "standard local comparative rent" as a point of reference for rent increases as part of the rent ceilings. The real estate industry associations agree that the Act does not make any contribution towards creating the required number of new and affordable residential properties.

Economic development of the group

Business development in 2015

In the first nine months of 2015, Vonovia's overall business development was highly successful. With effect from March 6, 2015, we acquired the majority of the shares in the GAGFAH Group by way of a corresponding entry in the Düsseldorf Commercial Register. By way of a tender for the rest of the GAGFAH S.A. shares within the framework of the Luxembourg Takeover Act, the company's share of the subscribed capital of GAGFAH S.A. rose to 93.8 %, which marks a major step in the expansion of our property portfolio. GAGFAH S.A. and its subsidiaries have been included in the consolidated financial statements of Vonovia SE. This acquisition had a significant impact on Vonovia's assets, equity and debts and thus materially affected its net assets, financial position and results of operations.

The SÜDEWO Group (SÜDEWO) was subsequently acquired with effect as of July 8, 2015. We have thus considerably strengthened our presence in Baden-Württemberg, with an additional residential portfolio of approximately 19,400 units.

The previously acquired portfolios of DeWAG, Vitus and Franconia have already been fully incorporated into Vonovia's portfolio and processes and have also contributed to the company's successful business development in 2015.

As at September 30, 2015, the company's workforce had increased to 6,125.

Overall development of business

Following Vonovia's successful development in the first half of 2015, overall its operating KPIs remain positive in the third quarter of 2015. As at September 30, 2015, Vonovia managed 366,918 residential units of its own. The key performance indicators for 2015 include DeWAG and Vitus for nine months, the GAGFAH Group with its figures for the period from March to September 2015, Franconia with its figures from April to September 2015 and SÜDEWO with its figures from July to September 2015. The business figures for the period from January to September 2014, by contrast, include DeWAG for the months from April to September 2014, but do not include the acquisitions GAGFAH, Vitus, Franconia and SÜDEWO.

In the first nine months of 2015, income from property management was in line with our expectations and came in at a total of € 1,491.6 million (9M 2014: € 836.7 million). Income from the sale of properties stood at € 315.6 million (9M 2014: € 213.0 million). The GAGFAH portfolio contributed € 489.6 million towards income from property management and € 113.1 million towards income from the sale of properties in the 2015 reporting period. The DeWAG portfolio contributed € 62.8 million (Q2 and Q3 2014: € 41.5 million) towards income from property management and € 12.3 million (Q2 and Q3 2014: € 42.3 million) towards income from the sale of properties in the 2015 reporting period. The Vitus portfolio contributed € 87.3 million towards income from property management and € 16.1 million towards income from the sale of properties in the first nine months of 2015. The Franconia portfolio contributed € 14.3 million towards income from property management and € 5.4 million towards income from the sale of properties in the period from April to September. The SÜDEWO portfolio contributed € 33.8 million towards income from property management and € 0.2 million towards income from the sale of properties in the period from July to September.

Overall, our key performance indicators likewise developed in line with our expectations. In the first nine months of 2015, FFO 1 increased to € 432.2 million, an increase of 110.8 % on the prior-year period. EBITDA IFRS amounted to € 629.7 million in the 2015 reporting period and was therefore 76.2 % above the figure for the same period in 2014. Adjusted EBITDA increased by 83.4 %, from € 400.2 million in the first nine months of 2014 to € 733.9 million in the first nine months of 2015. Our NAV increased by 92.5 %, from € 6,578.0 million at the end of 2014 to € 12,662.4 million as at September 30, 2015.

Results of operations

The following primary KPIs show the development of Vonovia's results of operations for the first nine months of 2015. These figures have been influenced by the inclusion of the GAGFAH Group with its earnings contribution in the period from March to September 2015 and also the earnings contribution provided by the DeWAG/Vitus portfolio in the first nine months of the year, Franconia's earnings contribution in the second and third quarters of 2015 and SÜDEWO's earnings contribution in the third quarter of 2015. The business figures for 2015 are compared against those of Deutsche Annington for the first nine months of 2014, which include DeWAG for the months from April to September 2014 but do not include the acquisitions GAGFAH, Vitus, Franconia and SÜDEWO.

Key performance indicators of Vonovia

in € million	9M 2015	9M 2014
Income from property management	1,491.6	836.7
thereof rental income	1,019.4	572.7
Adjusted EBITDA Rental	699.8	364.5
Income from sale of properties	315.6	213.0
Adjusted EBITDA Sales	34.1	35.7
EBITDA IFRS	629.7	357.4
Adjusted EBITDA	733.9	400.2
FFO 1	432.2	205.0
FFO 2 (incl. profit from property sales)	466.3	240.7
AFFO	351.5	188.4
Number of employees (as at September 30)	6,125	3.436
Number of units purchased	168,632	11,386
Number of units sold	5,322	2,651
thereof Privatise	1,748	1,778
thereof Non-Core	3,574	873
Vacancy rate in %	3.4	3.6
Monthly in-place rent (€/m²)	5.69	5.59
Number of residential units in portfolio	366,918	183,983

Rental

In the first nine months of the financial year 2015, our core Rental business developed very positively, in line with our expectations. On the basis of our expanded portfolio, we significantly improved our adjusted EBITDA Rental by 92.0 %, from € 364.5 million in the 2014 reporting period to € 699.8 million in 2015.

Adjusted EBITDA rental

in € million	9M 2015	9M 2014
Rental income	1,019.4	572.7
Expenses for maintenance	-167.8	-106.4
Property management costs	-151.8	-101.8
Adjusted EBITDA Rental	**699.8**	**364.5**

Our **rental income** rose by 78.0 %, from € 572.7 million in the first nine months of 2014 to € 1,019.4 million in the first nine months of 2015. The GAGFAH portfolio contributed € 334.3 million, the DeWAG portfolio € 46.2 million in 2015 (Q2 and Q3 2014: € 30.6 million), the Vitus portfolio € 56.5 million, the Franconia portfolio € 9.8 million and the SÜDEWO portfolio € 28.8 million to this amount. Leaving the addition of the acquired GAGFAH, Vitus, Franconia and SÜDEWO portfolios out of the equation, rental income increased from € 572.7 million in the first nine months of 2014 (incl. DeWAG in Q2 and Q3 2014) to € 592.9 million in the first nine months of 2015.

The monthly in-place rent per square metre rose from € 5.59 at the end of September 2014 to € 5.69 at the end of September 2015. The fact that the increase is so low is due to the acquisitions, some of which were included in the current values based on lower average rents than for last year's portfolio. At the end of September 2015, for example, the GAGFAH portfolio was included in the Group value at a monthly in-place rent of € 5.50/m², the DeWAG portfolio at a monthly in-place rent of € 6.95/m², the Vitus portfolio at a monthly in-place rent of € 5.13/m², the Franconia portfolio at a monthly in-place rent of € 5.83/m² and the SÜDEWO portfolio at a monthly in-place rate of € 6.83/m². The monthly in-place rent per square metre on a like-for-like basis (incl. DeWAG) came in at € 5.77 at the end of September 2015, up by 2.9 % compared with the end of September 2014.

Rental income was also positively affected by the vacancy rate trend. We were able to reduce the vacancy rate further from 3.6 % at the end of September 2014 to 3.4 % at the end of September 2015. The EPRA vacancy rate stood at 3.2 % at the end of September 2015, compared with 3.3 % at the end of September 2014.

Maintenance expenses amounted to € 167.8 million in the first nine months of 2015, with € 52.8 million attributable to the GAGFAH portfolio, € 6.6 million to the DeWAG portfolio (Q2 and Q3 2014: € 5.2 million), € 10.4 million to the Vitus portfolio, € 2.7 million to the Franconia portfolio and € 1.6 million to the SÜDEWO portfolio. Maintenance expenses excluding the acquired GAGFAH, Vitus, Franconia and SÜDEWO portfolios were at € 93.7 million down on the figure for the prior-year period of € 106.4 million, in a manner that was proportionate to the smaller size of the portfolio due to sales. Compared with a volume of € 120.0 million in the first nine months of 2014, we increased our value-enhancing modernisation programme by more than 82.5 % to € 219.0 million in the first nine months of 2015. This means that, including capitalised maintenance of € 81.3 million, we invested a total volume of € 468.1 million (9M 2014: € 243.3 million) in modernisation and maintenance work on our properties in the first nine months of 2015.

Maintenance and modernisation

in € million	9M 2015	9M 2014
Expenses for maintenance	167.8	106.4
Capitalised maintenance	81.3	16.9
Modernisation measures	219.0	120.0
Total cost of modernisation and maintenance work*	**468.1**	**243.3**
thereof sales of own craftsmen's organisation	274.1	129.8
thereof bought-in services	194.0	113.5

* Incl. intra-Group profits 9M 2015: € 20.9 million (thereof € 0.5 million capitalised maintenance and € 2.6 million modernisation); 9M 2014: € 14.0 million (thereof € 0.3 million capitalised maintenance and € 1.4 million modernisation)

Related to square metres of living area, this represents an increase in modernisation and maintenance expenses of approximately 12 %, from € 21.07 in the first nine months of 2014 to € 23.67 in the first nine months of 2015. This is largely due to the increase in the modernisation volume.

Property management costs cover all expenses for the Rental segment which cannot be allocated to maintenance expenses. In addition, we also include other income from property management which is offset by costs such as income from condominium administration for other owners or public-sector rent subsidies. In the first nine months of 2015, property management costs were at € 151.8 million € 50.0 million higher than in the same period in the previous year 2014, due to acquisitions. This increase was largely due to the additional property management costs associated with the GAGFAH portfolio.

Sales

Our Sales segment covers all business activities relating to the sale of single residential units (Privatise) and the sale of entire buildings or land (Non-Core). In the third quarter of 2015, we continued to pursue our sales strategy.

In the first nine months of 2015, sales in the Privatise portfolio were as follows:

Sales in the privatise portfolio

in € million	9M 2015	9M 2014
Number of units sold	1,748	1,778
Income from sale of properties	183.2	184.4
Fair value of properties sold*	-133.6	-134.9
Adjusted profit/loss from sale of properties	**49.6**	**49.5**
Fair value step-up in %	37.1	36.7

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

In the 2015 reporting period, the number of units sold (1,748) was almost at the same level as in the previous year. At € 183.2 million, sales proceeds in the first nine months of 2015 were slightly lower than the figure for the prior-year period of € 184.4 million. The fair value step-up was slightly higher than the high prior-year level, at 37.1 %. In 2015, 471 units from the GAGFAH portfolio and 77 from the DeWAG portfolio were privatised (Q2 and Q3 2014: 232 units) and one unit from the SÜDEWO portfolio were privatised. No units from the Vitus or Franconia portfolios were privatised in 2015.

Sales in the Non-Core portfolio

in € million	9M 2015	9M 2014
Number of units sold	3,574	873
Income from sale of properties	132.4	28.6
Fair value of properties sold*	-130.3	-26.9
Adjusted profit/loss from sale of properties	**2.1**	**1.7**
Fair value step-up in %	1.6	6.6

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

In the Non-Core sector, we continued with our strategy of selling properties where opportunities presented themselves, meaning that we sold properties that do not fit with our strategy in the medium to long-term. With 3,574 residential units, these sales in the first nine months of 2015 were significantly higher than the figure for the prior-year period, in line with our expectations. 1,453 Non-Core properties were sold from the GAGFAH portfolio, 427 from the Vitus portfolio, 59 from the Franconia portfolio and four from the DeWAG portfolio, whereas no Non-Core properties were sold from the SÜDEWO portfolio in 2015.

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

Adjusted EBITDA sales

in € million	9M 2015	9M 2014
Income from sale of properties	315.6	213.0
Carrying amount of properties sold	-288.9	-180.6
Revaluation of assets held for sale	24.4	16.5
Profit from sale of properties (IFRS)	**51.1**	**48.9**
Revaluation (realised) of assets held for sale	-24.4	-16.5
Revaluation from sale of assets held for sale	25.0	18.8
Adjusted profit/loss from sale of properties	**51.7**	**51.2**
Selling costs	-17.6	-15.5
Adjusted EBITDA sales	**34.1**	**35.7**

The adjusted profit from the sale of properties rose by 1.0 %, from € 51.2 million in the first nine months of 2014 to € 51.7 million in the first nine months of 2015. 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 property sales on the result only in the period in which the sale takes place. Overall in the first nine months of 2015 this adjustment totalled € 0.6 million, compared with € 2.3 million in the first nine months of 2014.

In the 2015 reporting period, selling costs came in at € 17.6 million, 13.5 % up on the value for the 2014 prior-year period of € 15.5 million. This is largely due to an increase in the number of sales on the whole. In the 2015 reporting period, the adjusted EBITDA Sales was at € 34.1 million 4.5 % lower than the corresponding figure of € 35.7 million in the first nine months of the previous year.

Non-recurring items

To show the development of operating performance and to ensure comparability with previous periods, we calculate adjusted EBITDA for both the Rental and the Sales segments, as mentioned above. The sum of these two KPIs is the adjusted EBITDA of the Group. The adjustments made include specific factors which do not relate to the period, are non-recurring or do not relate to the objective of the company. The non-recurring items include the development of new business areas and business processes, acquisition projects, 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 nine months:

Non-recurring items

in € million	9M 2015	9M 2014
Business model optimisation/Development of new fields of business	5.4	1.2
Acquisition costs	81.4	29.2
Refinancing and equity measures	0.6	0.3
Severance payments/Pre-retirement, part-time work arrangements	16.2	9.8
Total non-recurring items	**103.6**	**40.5**

In the 2015 reporting period, the non-recurring items were mainly determined by € 81.4 million in acquisition costs, chiefly for purchases and integration in connection with the takeover of GAGFAH.

In the first nine months of 2015, the adjusted EBITDA increased overall to € 733.9 million and was thus 83.4 % higher than the corresponding figure of € 400.2 million for the first nine months of 2014. Excluding these adjustments for non-recurring items and effects not relating to the period in the Sales segment, in the 2015 reporting period EBITDA IFRS came in at € 629.7 million, 76.2 % above the comparable figure for the previous year.

FFO

In the first nine months of 2015, we were able to increase our primary key performance indicator for the sustained operating performance of our core business, FFO 1, by € 227.2 million or 110.8 % as against the first nine months of 2014 to € 432.2 million, largely due to our acquisitions GAGFAH, DeWAG, Vitus, Franconia and SÜDEWO.

The table shows the reconciliation of key financial performance indicators. In general, it is important to bear in mind that the business figures for the same reporting period in 2014 do not include the acquisitions referred to above (with the exception of DeWAG in the second and third quarters of 2014):

Funds From Operations (FFO)

in € million	9M 2015	9M 2014
Profit for the period	**193.5**	**122.0**
Financial result	297.8	203.4
Income taxes	131.1	53.8
Depreciation and amortisation	7.3	5.1
Net income from fair value adjustments of investment properties	–	-26.9
= EBITDA IFRS	**629.7**	**357.4**
Non-recurring items	103.6	40.5
Effects from assets held for sale	0.6	2.3
= Adjusted EBITDA	**733.9**	**400.2**
Adjusted EBITDA sales	34.1	35.7
= Adjusted EBITDA rental	**699.8**	**364.5**
FFO interest expense	-251.8	-153.5
Current income tax	-15.8	-6.0
= FFO 1	**432.2**	**205.0**
Capitalised maintenance	-80.7	-16.6
= AFFO	**351.5**	**188.4**
FFO 2 (FFO 1 incl. adjusted EBITDA sales)	**466.3**	**240.7**
FFO 1 per share in €*	0.93	0.85
AFFO per share in €*	0.75	0.78

* Based on the shares qualifying for a dividend on the reporting date of Sep. 30, 2015: 466,000,624; Sep. 30, 2014: 240,242,425. 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 were divided in order to ensure comparability.

The **financial result** in the first nine months of 2015 was at € -297.8 million, 46.4 % lower than the comparable figure for the previous year of € -203.3 million. This was largely due to the financing costs for our acquisitions. At € -251.8 million, the operating FFO-related interest result in the first nine months of 2015 was down by 64.0 % on the corresponding figure for the 2014 reporting period, due to acquisitions.

Reconciliation of net interest result to net cash interest

in € million	9M 2015	9M 2014
Income from other long-term loans	1.4	1.5
Interest income	1.0	1.9
Interest expenses	-300.2	-206.7
Financial result*	**-297.8**	**-203.3**
Adjustments:		
Transaction costs	55.5	4.1
Prepayment penalty and commitment interest	8.5	24.3
Effects from the valuation of non-derivative financial instruments	-31.1	13.9
Derivative financial liabilities	0.2	-2.6
Interest accretion to provisions	6.1	8.2
Accrued interest	16.5	21.7
Other effects	6.8	-0.5
Interest payment balance	**-235.3**	**-134.2**
Accrued interest adjustment	-16.5	-21.7
Early financing of Vitus acquisition	–	2.4
FFO interest expense	**-251.8**	**-153.5**

* Excluding income from other investments

Profit for the period

The profit for the first nine months of 2015 amounted to € 193.5 million and was thus significantly higher than the figure for the 2014 reporting period of € 122.0 million. The profit for the first nine months of the year has been shaped by a marked improvement in operating profit, but also by one-off factors relating to acquisition and transaction costs and increased tax expenses. The profit for the first nine months of 2014 was largely influenced by net income from fair value adjustments to investment properties.

Assets position

Asset and capital structure

Group balance sheet structure

	Sep. 30, 2015		Dec. 31, 2014	
	in € million	in %	in € million	in %
Non-current assets	25,956.7	96.9	12,980.0	87.9
Current assets	831.1	3.1	1,779.2	12.1
ASSETS	**26,787.8**	**100.0**	**14,759.2**	**100.0**
Equity	11,061.7	41.3	5,962.2	40.4
Non-current liabilities	14,098.9	52.6	8,292.9	56.2
Current liabilities	1,627.2	6.1	504.1	3.4
EQUITY AND LIABILITIES	**26,787.8**	**100.0**	**14,759.2**	**100.0**

Over the first nine months of 2015, Vonovia's **equity** increased from € 5,962.2 million to € 11,061.7 million, mainly due to three capital increases in connection with its acquisitions of GAGFAH and SÜDEWO. The increase in non-controlling interests by a total of € 157.7 million is also largely attributable to the GAGFAH transaction. The profit for the first nine months of 2015 of € 193.5 million also contributed to the increase, as did actuarial gains from pension obligations, which contributed € 24.6 million, and changes from hedge accounting, which contributed € 7.1 million. On the other hand, equity dropped due to the dividend payment of € 276.2 million and as a result of transaction costs with a net value of € 32.4 million in connection with the issuance of new shares being taken into account. For further information relating to developments in equity, we refer to the information provided in note [20] "Equity" in the notes to the consolidated financial statements.

The **equity ratio** on the balance sheet date of September 30, 2015 came in at 41.3 % compared to 40.4 % on December 31, 2014.

On September 30, 2015, the **total assets** of the DAIG Group came in at € 26,787.8 million, compared with € 14,759.2 million at the end of 2014, largely due to the inclusion of the GAGFAH Group.

The Group's **non-current assets** mainly include investment properties of € 23,018.2 million (Dec. 31, 2014: € 12,687.2 million) or 85.9 %. The total value of the real estate assets including properties used by the Group and assets held for sale came in at € 23,146.3 million (Dec. 31, 2014: € 12,757.1 million) (GAV or Gross Asset Value). Due to the allocation of the purchase price for the acquisitions, non-current assets contain goodwill totalling € 2,636.6 million with € 106.0 million attributable to the acquisitions of DeWAG and Vitus, € 2,192.4 million to the provisional purchase price allocation for the GAGFAH Group and € 338.2 million to SÜDEWO. Impairment tests are regularly performed in the fourth quarter.

The values of our real estate portfolio are a main factor influencing the assessment of our asset position and therefore the development of our important performance indicator, **net asset value (NAV)**.

As at September 30, 2015, **non-current liabilities** amounting to € 14,098.9 million largely include non-derivative financial liabilities totalling € 11,323.1 million and deferred tax liabilities of € 1.897.1 million. Compared to December 31, 2014, the increase in non-derivative liabilities is due to the acquisition of GAGFAH; on the one hand on account of the financing of the purchase price obligation and on the other the inclusion of GAGFAH's financial liabilities in the Vonovia Group. The non-current provisions largely comprise the pension obligations in the amount of € 492.7 million. The non-current liabilities also include the long-term portion of the LTIP programmes.

In addition to other provisions, **current liabilities** largely include current payment obligations for debt repayments and interest on loans of € 909.2 million.

Fair values

Calculating and showing the fair values for our housing stocks 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 measurement parameters that have an impact on Vonovia's fair values are assessed every quarter. If necessary, the property portfolio is revalued. No adjustment was made to the fair values in the third quarter of 2015. However, due to the highly positive trend both for our portfolio as well as the residential real estate market in Germany, we expect that our consolidated financial statements 2015 will show significant growth. The development in value resulting from our extensive modernisation measures is reflected in the capitalised modernisation expenses. The fair values of the SÜDEWO Group portfolio, which was included for the first time in July 2015, were revalued in an external expert opinion and, as part of the provisional allocation of the total purchase price, were reported at a fair value of € 1,747.5 million. Otherwise, there are no major changes in the third quarter of 2015 compared with December 31, 2014.

The fair value of the real estate portfolio of Vonovia comprising residential buildings, commercial properties, garages and parking spaces as well as undeveloped land and any inheritable rights granted was approximately € 23,148.7 million as at September 30, 2015.

Further details on the recognition and valuation of investment properties are given in the Notes to the consolidated financial statements. Please also refer to the combined management report for the financial year 2014. The management report is available on Vonovia's website at www.vonovia.de.

EPRA key financial indicators

The European Public Real Estate Association (EPRA) has developed a number of key financial indicators (EPRA performance measures) which should improve the transparency, comparability and relevance of real estate companies' published financial information. As part of its "Best Practice Recommendations", EPRA recommends that European listed real estate companies include these performance measures in their financial reporting. In line with this recommendation, in the financial year 2015 Vonovia has opted to initially publish the indicators EPRA NAV and EPRA vacancy rate.

Vacancy rate

The **EPRA vacancy rate** shows the rental income on vacant properties that would be expected based on market rent values in relation to the rental income on the residential property portfolio, based on market rent values. As of the end of September, the key performance indicators are as follows:

in € million	Sep. 30, 2015	Sep. 30, 2014
Market rent for vacant apartments	49.9	28.5
Market rent for the residential real estate portfolio	1,560.4	856.4
EPRA vacancy rate in %	3.2	3.3

Net asset value

In our presentation of the NAV in 2014, we adjusted the calculation and were thus more strongly guided by the so-called EPRA best practice guidelines in terms of allowing for deferred taxes. During the period under review, the net asset value (NAV), in accordance with EPRA standards, increased in line with equity mainly as a result of capital measures, namely by € 6,084.4 million from € 6,578.0 million in late 2014 to € 12,662.4 million or by 92.5 %.

The goodwill is included in the presentation of NAV. In order to increase transparency, "adjusted NAV" is also reported.

Net asset value (NAV) based on application of IAS 40

in € million	Sep. 30, 2015	Dec. 31, 2014
Equity attributable to Vonovia shareholders	**9,853.7**	**4,932.6**
Deferred taxes on investment properties/properties held for sale	2,697.6	1,581.0
Fair value of derivative financial instruments*	150.5	88.1
Deferred taxes on derivative financial instruments	-39.4	-23.7
EPRA NAV	**12,662.4**	**6,578.0**
Goodwill	-2,636.6	-106.0
Adjusted NAV	**10,025.8**	**6,472.0**
EPRA NAV per share in €**	**27.17**	**23.04**

* Adjusted for effects from cross currency swaps
** Based on the number of shares on the reporting date Sep. 30, 2015: 466,000,624; Dec. 31, 2014: 271,622,425, previous year's figure TERP-adjusted (see footnote p. 18)

Financing position

Cash flow

The following table shows the Group cash flow:

Statement of cash flow

in € million	9M 2015	9M 2014
Cash flow from operating activities	446.5	295.5
Cash flow from investing activities	-3,079.3	-1,368.8
Cash flow from financing activities	1,580.2	722.4
Net changes in cash and cash equivalents	**-1,052.6**	**-350.9**
Cash and cash equivalents at beginning of the period	1,564.8	547.8
Cash and cash equivalents at the end of the period	**512.2**	**196.9**

The increase in **cash flow from operating activities** to € 446.5 million compared with the previous year is the result of a higher cash surplus from the operating business. The acquired DeWAG, Vitus, GAGFAH, Franconia and SÜDEWO portfolios have made a marked positive contribution to this increase since the time of their integration. Net current assets moved in the opposite direction.

The **cash flow from investing activities** is characterised by the acquisition of GAGFAH and SÜDEWO and the payouts for the acquisition of the Franconia portfolio. The cash flow from investing activities was also influenced by payouts for modernisation measures and the acquisition of selective individual stocks. Proceeds from sales of Non-Core properties and units sold were positive at € 316.9 million.

The **cash flow from financing activities** in the first nine months of 2015 is characterised by the equity and debt capital financing measures in connection with the takeover of GAGFAH and SÜDEWO. The equity financing amounted to € 2,372.0 million. Debt capital gearing amounted to € 2,004.0 million, with € 1,000.0 million resulting from the draw-down from the EMTN (European Midterm Notes Programme) tap issue and € 923.0 million resulting from the interim financing of the GAGFAH transaction. The € 2,114.9 million in repayments relate to the repayment of the bridge facility, which has already been repaid in full, and both regular and unscheduled repayments from the former Deutsche Annington and the former GAGFAH and SÜDEWO area. Transaction costs associated with the equity and debt capital financing measures resulted in payouts in the amount of € 116.9 million. Interest payments made in the first nine months of 2015 came in at € 238.1 million, well above the prior-year value of € 139.1 million, due to the considerably higher volume of debt financing. Payouts were also made in the second quarter of 2015 for the dividend payment totalling € 276.2 million to the shareholders of Vonovia (then: Deutsche Annington Immobilien SE) and dividend payments to non-controlling shareholders amounting to € 19.6 million.

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, in a flexible manner on the international equity and debt capital markets. Within this context, Vonovia mainly makes use of its Dutch subsidiary Vonovia Finance B.V. The Dutch financing company, which was set up as Deutsche Annington Finance B.V., Amsterdam, was renamed Vonovia Finance B.V. by way of an entry in the Amsterdam Commercial Register made on July 7, 2015.

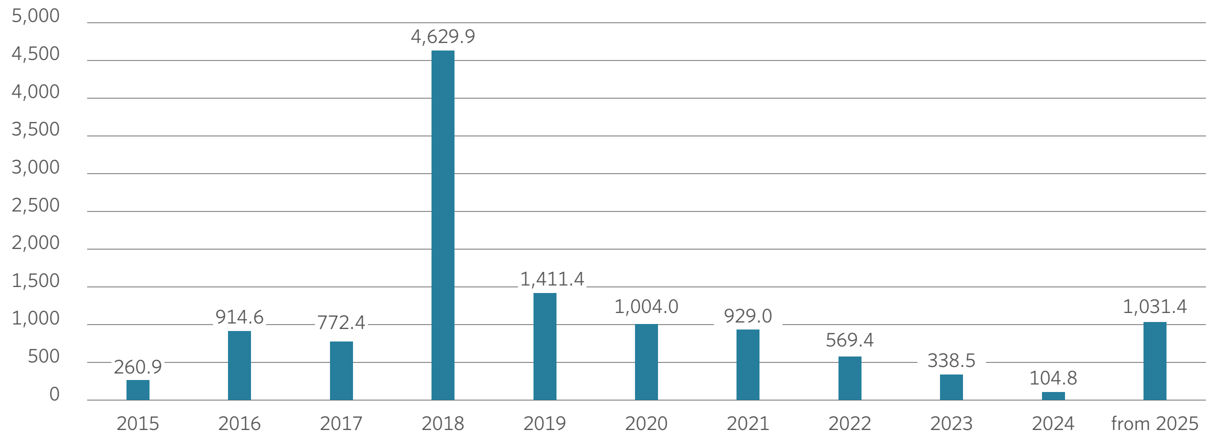
As a result of the IPO in 2013, together with the investment grade rating granted by Standard & Poor's Rating Service, Vonovia now enjoys access to the equity and debt capital markets at all times, allowing it to ensure balanced and flexible financing with a balanced maturity profile in line with its financing strategy.

The rating agency Standard & Poor's upgraded Vonovia's credit rating by way of a publication dated March 10, 2015. As a result, the company's long-term corporate credit rating has been lifted from BBB to BBB+ with a stable outlook. The short-term credit rating of A-2 was confirmed. At the same time, the rating for the issued and unsecured bonds was lifted from BBB to BBB+. The rating for the subordinated hybrid bonds was also lifted from BB+ to BBB-, confirming the provisional BBB- rating from December 1, 2014.

The maturity profile of Vonovia's financing arrangements was as follows as at September 30, 2015:

Maturity profile

on Sep. 30, 2015 in € million



For more detailed information on financing, please refer to the relevant explanations in the Notes under "Non-Derivative Financial Liabilities". The amount of financing due in 2018 is largely attributable to the financing arrangements of GAGFAH, which have now been included. These financing arrangements are dominated by three CMBS loans. These provide for detailed arrangements for extending or shortening maturities.

Compliance with financial covenants

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.

As at the reporting date, our standard industry key figure LTV (loan to value) was as follows:

in € million	Sep. 30, 2015	Dec. 31, 2014
Non-derivative financial liabilities	12,232.3	6,664.8
Foreign currency effects [1]	-154.7	-84.0
Cash and cash equivalents	-512.2	-1,564.8
Funds held for Franconia purchase [2]	-	322.5
Funds held for GAGFAH purchase [2]	-	1.000.0
Adjusted Net Debt	**11,565.4**	**6,338.5**
Fair value of the real estate portfolio	**23,148.7**	**12,759.1**
LTV	**50.0%**	**49.7%**

[1] See item [22] in the Notes
[2] Adjustment of equity instruments

in € million	Sep. 30, 2015	Dec. 31, 2014
Non-derivative financial liabilities	12,232.3	6,664.8
Total assets	26,787.8	14,759.2
LTV Bond Covenants	**45.7%**	**45.2%**

These financial covenants have been fulfilled as expected.

Capital increases from authorised capital

As a result of the entry in the Commercial Register made on March 6, 2015, the equity of Vonovia SE was increased by € 2,657.7 million as a result of the mixed cash and non-cash capital increase as part of the completion of the voluntary public takeover offer made by the then Deutsche Annington Immobilien SE for all shares in GAGFAH S.A. As a result of an extended put option under Luxembourg law regarding the GAGFAH transaction, the company's equity was increased by a further 4,355,790 shares or € 128.3 million with effect from May 22, 2015.

With effect as of July 3, 2015, the equity of Vonovia SE was increased by a further € 2,257.5 million within the scope of a cash capital increase with subscription rights for 107,538,636 shares.

The transaction costs for the capital increases in the first nine months of 2015 amounted to approximately € 48.3 million or € 32.4 million offsetting deferred taxes.

The capital increase was made using the authorised capital.

Following the capital increase with subscription rights by 107,538,606 shares from authorised capital, which was resolved on July 3, 2015, the 2013 authorised capital amounts to € 1,900,790.00 and the 2015 authorised capital amounts to € 63,257,928.00 at September 30, 2015.

Increase in the borrowing volume

In order to secure the public takeover offer, Deutsche Annington had arranged an acquisition credit line of € 6.5 billion. Only tranche A, amounting to around € 1 billion, was drawn on. The credit line was already repaid in full by June 30, 2015.

On March 12, 2015, the financial supervisory authority of the Grand Duchy of Luxembourg (CSSF: Commission de Surveillance du Secteur Financier) approved the update of the base prospectus for the EMTN (European Midterm Notes Programme) tap issue. In connection with the updating of the base prospectus, the volume of the EMTN programme was increased from € 5,000 million to € 8,000 million. On March 30, 2015, a bond with two tranches of € 500 million each was then placed under the EMTN programme. In September, the EMTN tap issue was once again updated and approved following July's cash capital increase.

Cash and cash equivalents as at September 30, 2015, totalled € 512.2 million. On December 31, 2014, this item also included marketable securities in the amount of € 850.0 million. The drop in cash and cash equivalents is largely due to the settlement of the cash purchase price component for GAGFAH, payments related to the acquisition of the SÜDEWO Group and from the purchase price payment for the Franconia portfolio.

Of these bank balances, € 77.6 million (Dec. 31, 2014: € 32.8 million) are restricted with regard to their use.

Subsequent Events

Events after the balance sheet date

Public takeover offer for the shareholders of Deutsche Wohnen AG

On October 14, 2015, the Management Board of Vonovia SE has, pursuant to Section 10(1)(3), sentence 1 of the German Securities and Takeover Act (WpÜG), provided notice of its decision to make a voluntary takeover offer under WpÜG to the shareholders of Deutsche Wohnen AG, headquartered in Frankfurt am Main, to purchase all of their shares in Deutsche Wohnen AG. This offer is to be made as a combined cash and exchange offer under certain circumstances.

The shareholders of Deutsche Wohnen AG will be offered a mixed cash and non-cash consideration for the shares submitted for exchange, i.e. a combination of a cash payment and new shares in Vonovia SE. In exchange for eleven (11) no-par-value bearer shares in Deutsche Wohnen AG with a notional share of the subscribed capital of € 1.00 per share, the shareholders of Deutsche Wohnen AG will be offered seven (7) new no-par-value registered shares in Vonovia SE with a notional share of the subscribed capital of € 1.00 per share plus an additional cash payment of € 83.14 as part of a combined cash/exchange offer.

The new Vonovia shares to be provided within the scope of the share component are to be created through a capital increase in return for a non-cash contribution (in the form of a so-called "mixed non-cash contribution"). The subscription right of the shareholders of Vonovia SE is excluded for this non-cash capital increase. Subject to the following restrictions, the Deutsche Wohnen shares for which the combined cash/exchange offer has been accepted are to be contributed to Vonovia SE through a capital increase in return for a non-cash contribution.

The shareholders of Vonovia SE are invited to provide their consent to this capital increase at the extraordinary general shareholders' meeting to be held at 10 a.m. (CET) on Monday, November 30, 2015 at CASTELLO Düsseldorf, Karl-Hohmann-Str. 1, 40599 Düsseldorf (reference is hereby made to the invitation to the extraordinary general shareholders' meeting).

Hedging the future interest rate risk resulting from the assumed GAGFAH-CMBS financing arrangements

In early October, Vonovia hedged the existing interest rate risks for the assumed GAGFAH-CMBS financing arrangements by entering into substantial interest-rate hedging transactions. The hedged nominal volume of the transaction initially amounts to € 2.7 billion. Through the interest-rate hedging transactions which it has entered into, Vonovia has already secured in advance more than 85 % of the financing synergies envisaged through its takeover of GAGFAH and has reduced its future average financing costs.

Opportunities and Risks

For the purposes of the quarterly financial statements as at September 30, 2015, there are no opportunities and risks extending beyond, or material changes in the opportunities and risks set out in the combined management report for the financial year 2014 and those already presented in the quarterly financial statements as at June 30, 2015.

As well as the acquisition of the GAGFAH Group during the financial year, from April 2015 the properties of the Franconia portfolio were included in Vonovia's consolidated financial statements, as was the SÜDEWO Group from July 2015.

The previous risk of wrong investment decisions and payment of an excessively high purchase price, particularly through the incorrect assessment of the property portfolios acquired and the property management processes including the inherent risks, remains. These risks are countered by adequate due diligence work as part of the acquisition process and a structured integration process.

As a result, reference is once again made explicitly to the opportunities and risks associated with acquisitions as set out, in particular, in the combined management report for the financial year 2014. These include market, portfolio and environmental risks, as well as integration, financial, tax and legal risks. There is also the risk that the advantages expected to come from the merger, in particular the expected synergies, fail to materialise to the expected extent, or within the period originally planned. This can also result in the goodwill stated no longer being justified after an impairment test, meaning that goodwill amortisation may put significant pressure on the consolidated result and, as a result, the company's equity.

There are currently no risks that might jeopardise the company's continued existence and at present none can be identified for the future.

The existing risk management organisation and risk management process will remain in place unchanged.

Forecast Report

Further course of the group

Expected development of the overall economic environment

German economy remains on an upward trajectory

According to the Federal Ministry of Economic Affairs and Energy (BMWi), the German economy continued its upswing in the second and third quarters of the year, with gross domestic product (GDP) increasing by 0.4 % in each quarter, after macroeconomic output had already increased considerably in the closing quarter of 2014. According to the Kiel Institute for the World Economy (IfW), GDP is expected to increase by 1.8 % in 2015. In 2016, the Institute expects further growth of 2.1 %.

According to the experts from the IfW, private consumption momentum remains strong even if private households increasingly restrained their consumption in the third quarter due to an increased propensity to save and lower growth in disposable incomes. The upturn in investment is likely to go from strength to strength and – also boosted by the continuation of a favourable overall monetary framework – looks set to become one of the main forces driving the economy in 2016. The recovery in the eurozone is proving to be robust, so that even nascent uncertainties such as those prompted by Greece will be unable to dampen business confidence. Exports are continuing to perform well, and slight declines in emerging markets may be made up for through exports to industrialised nations. Exports are receiving additional stimulus from the depreciation of the euro, whereas imports are likely to expand at a much faster rate due to the strong economic momentum in Germany. Employment remains on an upward trajectory. The number of people in work is expected to increase by an average of 220,000 in 2015 and 320,000 in 2016. The consequences of the introduction of the minimum wage – which initially resulted in losses of "mini-jobs" and thus slowed the employment trend – appear to have been overcome. The influx of refugees in particular will result in a significant increase in the potential labour force. After the drop in oil prices put a significant damper on inflation, the inflation rate is starting to pick up again and is expected to come in at just under 2 % in 2016. Driven by the favourable economy, public-sector budgets are still reporting surpluses, according to the IfW. Not least, the significant influx of refugees offers major opportunities subject to the necessary fine-tuning of economic policy, in particular opening up labour law and increased flexibility in building law.

The IfW sees the main risks for the German economy as relating to the foreign trade environment. The world economy is prone to turbulence due to the key central banks' ultra-expansionary policy. Even a slight tightening of monetary policy may be expected to trigger extreme exchange-rate reactions, with corresponding effects on international trade flows. The reactions to the recent, relatively minor devaluations of the Chinese currency alone suggest that competitive devaluations by the key currency areas would result in strong economic upheavals. Moreover, the IfW considers that the influence of China's further economic development on the German export sector will not be insignificant.

Housing market: a slower price trend

According to the experts at HSH Nordbank, on the whole the German residential real estate market remains on the up. Rents and purchase prices are continuing to rise, but at a slower rate by comparison with the sometimes strong growth levels of the past few years. The regional building societies (Landesbausparkassen – LBS) expect the demand for real estate to remain buoyant in 2015 with price rises of 2 % to 3 %. HSH Nordbank expects existing rents to increase by 1.4 % in both 2015 and 2016. According to Deutsche Bank, the increase in supply will have a dampening effect, although demand is expected to remain high due to favourable financing conditions, high net immigration, further urbanisation and smaller household sizes. HSH Nordbank comments that the strong economy with growing incomes and rising employment will also provide momentum. In regard to the rent ceiling, the experts at HSH Nordbank assume that in future rent increases for existing properties will be restricted in tight markets in sought-after cities, particularly at the upper end of the market. At the same time, rents for initial tenancies will continue to increase significantly due to demand factors. Since the markets in the other cities examined are relatively balanced, moderate rent growth should be assumed here. On average in Germany, evaluations by the real estate service provider ImmobilienScout24 confirm an increase in quoted rents and prices since the start of 2015. However, according to a special analysis prepared by ImmobilienScout24 on the introduction of the rent ceiling, the average quoted rents in Munich and Hamburg fell slightly in August, while they appear to be levelling off in Berlin following a decline in the previous two months. Berlin was the first federal state to implement the new provisions. Hamburg, 22 towns/cities in the German federal state of North Rhine-Westphalia and 144 towns/cities and municipalities in Bavaria have already followed. Since early October the provisions have also applied in three towns/cities in Rhineland-Palatinate and they will come into force in 68 towns/cities and municipalities in Baden-Württemberg from November 2015 (see Report on Economic Position).

Halfway through the year, the Deutsche Bundesbank did not see any real estate bubble for Germany as a whole. Some cities are experiencing significant price rises as well as overheated prices, but these trends are limited to certain regions. The key factor for the markets' stability is whether these price rises are accompanied by strong credit growth and more flexible lending conditions. However, there is currently no cause for concern here. Experts from the research institute empirica likewise did not believe that there was any bubble at the end of the second quarter of 2015. Nevertheless, rents and purchase prices in 173 out of 402 administrative districts and self-governing towns/cities are no longer developing in tandem, with the bubble index indicating a high risk for 83 districts. There are only signs of excessive new construction volumes in ten districts. According to Deutsche Bank Research, due to increasing disposable incomes and low interest rates, residential property ownership in Germany is relatively affordable on the whole and over the long term. However, there are clear regional variations.

High volume of new construction activity

In view of the rising levels of immigration, according to an estimate from the Pestel Institute 400,000 new apartments would need to be built every year in the period up to 2020 to cover the need for affordable residential space, including approximately 80,000 units of rent-controlled social housing and 60,000 units of affordable housing. This compares with the expected figure of just 270,000 new residential units which are expected nationwide in the current year. In newly constructed buildings, the EUROCONSTRUCT forecast network expects approximately 225,000 completed residential units in 2015 and 240,000 in 2016. Further estimates of the required volume of new construction activity over the next few years range from approximately 266,000 residential units according to calculations published by the German Economics Institute in Cologne (IW) via at least 350,000 according to Germany's Minister of Building and Construction, Barbara Hendricks (SPD), to a further estimate of 400,000 from the German Tenants' Association (DMB). Approximately 800,000 refugees are expected in Germany in 2015. In order to master the associated challenges, for construction of new social housing in the period from 2016 to 2019, Germany's government is increasing its payments to each of the country's federal states by € 500 million to a good € 1 billion.

Expected development of business

Forecast for the financial year 2015

The first nine months of the financial year 2015 were highly successful for Vonovia. We were able to considerably expand our portfolio thanks to the merger with GAGFAH. We were also able to continue to expand our portfolio as a result of our acquisition of SÜDEWO. We have adjusted the forecast for the financial year 2015 set out in the first half of 2015 accordingly.

The forecast for the new overall portfolio in the financial year 2015 is as follows:

	Actual 2014 (DAIG excl. GAGFAH)	Forecast for 2015 in the 2014 Annual Report (DAIG excl. GAGFAH)	Forecast for 2015 quarterly report H1 2015 (incl. GAGFAH/SÜDEWO)	Current forecast for 2015 quarterly report Q3 2015 (incl. GAGFAH/SÜDEWO)
EPRA NAV adjusted/share*	€ 22.67			€ 23.50–24.50
EPRA NAV/share*	€ 23.04	€ 23 – 24	€ 27.50 – 28.50	€ 29 – 30
FFO 1	€ 286.6 million	€ 340 – 360 million	€ 560 – 580 million	€ 590 – 600 million
FFO 1/share*	€ 1.00	€ 1.19 – 1.27	€ 1.20 – 1.24	€ 1.27 – 1.29
CSI	Increase of 5.7 % (=+3 index points)	Increase of up to 5 %	Increase of up to 5 %	Increase of up to 5 %
Monthly in-place rent per m² (like-for-like)	€ 5.55	Increase of 2.6 – 2.8 %	Increase of 2.6 – 2.8 %	Increase of 2.8 – 2.9 %
Vacancy rate	3.4 %	around 3.3 %	around 3 %	around 3 %
Maintenance incl. capitalised maintenance	€ 173.8 million	around € 200 million	around € 340 million	around € 330 million
Modernisation	€ 171.7 million	> € 200 million	€ 280 – 300 million	€ 330 – 350 million
No. of apartment sales Privatise	2,238	approx. 1,600	approx. 2,900	approx. 2,900
Step-up Privatise	37.6 %	approx. 30 %	approx. 30 %	approx. 30 %
No. of apartment sales Non-Core	1,843	Continue with sales where opportunities present	Continue with sales where opportunities present	Continue with sales where opportunities present
Step-up Non-Core	10.9 %	On prior-year level	0 %	0 %

* 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 and the original forecasts for EPRA NAV/share and FFO 1/share were divided in order to ensure comparability.

Our forecast for the financial year 2015 is based on the current projection for the Group as a whole, that takes current business developments from the first nine months and possible risks and opportunities in the fourth quarter of 2015 into account.

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

The planning for the financial year 2015 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.

All in all, we have further expanded on our leading position on the German residential real estate market in the current financial year. We want to offer our customers a "home" with the best possible service and fair rental prices. We want to ensure that our investors continue to receive a return that is commensurate with the risk involved.

We want to continue to increase the value of our company in 2015. We expect the EPRA NAV per share to have risen to € 29 – 30 by the end of 2015. For the adjusted NAV per share, i.e. not including goodwill, this represents an increase to € 23.50 – 24.50.

Moreover, we also plan to again further improve our long-term operational earnings power in the current reporting year, also thanks to the acquisitions we made in 2014 and 2015. We predict that the FFO 1 will increase to somewhere in the range of € 590 million to € 600 million in 2015. This corresponds to an FFO 1 per share of between € 1.27 and € 1.29 and includes the acquisitions of DeWAG and the Vitus Group, which were concluded in 2014, the GAGFAH merger (ten months) and the pro rata annual values from the Franconia and SÜDEWO acquisitions, which were realised in 2015. Since the purchase of SÜDEWO was financed in full using equity (107.5 million new shares) and SÜDEWO is included in the forecast with an FFO 1 contribution for the second half of 2015, this acquisition has entailed a slight reduction in FFO 1 per share. The full earnings contributions made by all acquisitions will come to fruition in 2016. Otherwise, the forecast does not include any major acquisitions of further property portfolios.

We will continue to aim to improve our customer service in 2015. As a result, we expect our customer satisfaction index, CSI, to improve further by up to 5 % compared with 2014.

In the Rental segment, we aim to continue to systematically pursue our strategy in 2015 and invest in our portfolio of properties. Our modernisation programme in 2015 is expected to comprise a volume of € 330 – 350 million. The focus will remain on energy-efficient modernisations, the refurbishment of units to improve the standard of comfort and on senior-friendly conversions. In addition, we expect to perform ongoing maintenance work, including capitalised maintenance, with a volume of around € 330 million. All in all, this corresponds to an investment volume of up to € 680 million, or up to € 32 per square metre in 2015. We now expect an increase from 2.8 % to 2.9 % in the monthly in-place rent per square metre like-for-like in 2015. We expect the vacancy ratio to come in at around 3 % at the end of 2015. All in all, we expect rental income to rise from € 789 million in 2014 (DAIG excl. GAGFAH) to around € 1.4 billion in 2015.

As far as the net cash interest payments excluding non-recurring results (interest expense FFO) are concerned, we still expect to see a level of around € 340 million despite the acquisitions which took place.

In the Sales segment, we will continue to pursue our strategy of selective sales. In the Privatise segment, we still expect around 2,900 apartments to be sold with a step up on the fair value of these apartments of around 30 %. We will also continue to sell buildings from the "Non-Core" sub-portfolio at prices that are roughly in line with the fair value in the fourth quarter of 2015, insofar as corresponding opportunities present themselves.

Düsseldorf, October 28, 2015

Rolf Buch
(CEO)

Thomas Zinnöcker
(CRO)

Klaus Freiberg
(COO)

Dr. A. Stefan Kirsten
(CFO)

Gerald Klinck
(CCO)

Condensed Interim Consolidated Financial Statements

Consolidated Income Statement

€ million	Notes	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014	Jul. 1 – Sep. 30, 2015	Jul. 1 – Sep. 30, 2014
Income from property letting		1,470.3	823.5	556.5	281.2
Other income from property management		21.3	13.2	7.3	4.2
Income from property management	5	**1,491.6**	**836.7**	**563.8**	**285.4**
Income from sale of properties		315.6	213.0	94.2	74.1
Carrying amount of properties sold		-288.9	-180.6	-84.1	-59.7
Revaluation of assets held for sale		24.4	16.5	9.2	5.2
Profit on disposal of properties	6	**51.1**	**48.9**	**19.3**	**19.6**
Net income from fair value adjustments of investment properties	7	**0.0**	**26.9**	**0.0**	**6.1**
Capitalised internal expenses		115.1	59.8	49.8	25.6
Cost of materials	8	-683.0	-382.7	-257.6	-136.3
Personnel expenses	9	-234.5	-130.2	-96.4	-42.3
Depreciation and amortisation		-7.3	-5.1	-2.5	-1.7
Other operating income		60.1	34.7	23.2	14.9
Other operating expenses		-171.8	-110.7	-58.6	-35.8
Financial income		3.5	4.2	0.8	1.4
Financial expenses	10	-300.2	-206.7	-61.4	-61.7
Profit before tax		**324.6**	**175.8**	**180.4**	**75.2**
Income tax	11	-131.1	-53.8	-71.8	-23.2
Profit for the period		**193.5**	**122.0**	**108.6**	**52.0**
Attributable to:					
Vonovia shareholders		159.3	117.3	98.5	50.0
Vonovia hybrid capital investors		22.4	–	7.6	–
Non-controlling interests		11.8	4.7	2.5	2.0
Earnings per share (basic and diluted) in €	**12**	**0.42**	**0.47**	**0.21**	**0.21**

Consolidated Statement of Comprehensive Income

€ million	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014	Jul. 1 – Sep. 30, 2015	Jul. 1 – Sep. 30, 2014
Profit for the period	**193.5**	**122.0**	**108.6**	**52.0**
Cash flow hedges				
Change in unrealised gains/losses, net	50.6	16.2	-13.5	38.6
Net realised gains/losses	-40.0	-56.6	12.1	-59.2
Tax effect	-3.5	11.5	0.2	5.4
Items which will in future be recognised in profit or loss	**7.1**	**-28.9**	**-1.2**	**-15.2**
Actuarial gains/losses from pensions and similar obligations				
Change in actuarial gains/losses, net	36.5	-43.4	-7.6	-18.6
Tax effect	-11.9	14.4	2.6	6.2
Items which will not be recognised in profit or loss in the future	**24.6**	**-29.0**	**-5.0**	**-12.4**
Other comprehensive income	**31.7**	**-57.9**	**-6.2**	**-27.6**
Total comprehensive income	**225.2**	**64.1**	**102.4**	**24.4**
Attributable to:				
Vonovia shareholders	196.2	59.4	102.3	22.4
Vonovia hybrid capital investors	22.4	–	7.6	–
Non-controlling interests	6.6	4.7	-7.5	2.0

Also see the corresponding explanations in the Notes.

Consolidated Balance Sheet

€ million	Notes	Sep. 30, 2015	Dec. 31, 2014
ASSETS			
Intangible assets	13	2,643.3	108.5
Property, plant and equipment		67.9	29.0
Investment properties	14	23,018.2	12,687.2
Financial assets	15	197.2	93.2
Other assets		15.5	47.0
Income tax receivables		0.1	0.1
Deferred tax assets		14.5	15.0
Total non-current assets		**25,956.7**	**12,980.0**
Inventories	16	19.8	2.2
Trade receivables	17	78.9	65.1
Financial assets	15	-	2.0
Other assets		116.6	77.5
Income tax receivables		19.2	13.8
Cash and cash equivalents	18	512.2	1.564.8
Assets held for sale	19	84.4	53.8
Total current assets		**831.1**	**1,779.2**
Total assets		**26,787.8**	**14,759.2**

€ million	Notes	Sep. 30, 2015	Dec. 31, 2014
EQUITY AND LIABILITIES			
Subscribed capital		466.0	271.6
Capital reserves		6,892.3	2,076.0
Retained earnings		2,540.9	2,643.4
Other reserves		-45.5	-58.4
Total equity attributable to Vonovia shareholders		**9,853.7**	**4,932.6**
Equity attributable to hybrid capital investors		1,031.5	1,001.6
Total equity attributable to Vonovia shareholders and hybrid capital investors		**10,885.2**	**5,934.2**
Non-controlling interests		176.5	28.0
Total equity	20	**11,061.7**	**5,962.2**
Provisions	21	575.5	422.1
Trade payables		0.9	1.0
Non derivative financial liabilities	22	11,323.1	6,539.5
Derivative financial liabilities	23	139.9	54.5
Liabilities from finance leases	24	94.5	88.1
Liabilities to non-controlling interests		38.2	46.3
Other liabilities	25	29.7	8.6
Deferred tax liabilities		1,897.1	1,132.8
Total non-current liabilities		**14,098.9**	**8,292.9**
Provisions	21	379.7	211.3
Trade payables		93.8	51.5
Non derivative financial liabilities	22	909.2	125.3
Derivative financial liabilities	23	122.8	21.9
Liabilities from finance leases	24	4.8	4.4
Liabilities to non-controlling interests		8.0	7.5
Other liabilities	25	108.9	82.2
Total current liabilities		**1,627.2**	**504.1**
Total liabilities		**15,726.1**	**8,797.0**
Total equity and liabilities		**26,787.8**	**14,759.2**

Also see the corresponding explanations in the Notes.

Consolidated Cash Flow Statement

€ million	Notes	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014 restated [1]
Profit for the period		193.5	122.0
Net income from fair value adjustments of investment properties	7	–	-26.9
Revaluation of assets held for sale	6	-24.4	-16.5
Depreciation and amortisation		7.3	5.1
Interest expenses/income		297.8	203.4
Income taxes	11	131.1	53.8
Results from disposals of investment properties		-26.7	-32.4
Results from disposals of other non-current assets		1.5	–
Other expenses/earnings not affecting net income		0.1	0.1
Changes in inventories		8.6	1.1
Changes in receivables and other assets		8.9	15.0
Changes in provisions		-21.3	-17.0
Changes in liabilities		-75.8	-9.3
Payments of tax liabilities (EK02)		-44.4	-
Income tax paid		-9.7	-2.9
Cash flow from operating activities [2]		**446.5**	**295.5**
Proceeds from disposals of investment properties and assets held for sale		316.9	264.2
Proceeds from disposals of other assets		1.1	1.0
Disposal of shares in consolidated companies (net of cash inflow)		7.4	–
Acquisition of investment properties	14	-338.7	-148.7
Acquisition of other assets		-10.0	-1,539.9
Acquisition of shares in consolidated companies (net of cash outflow) [3]	3	-3.058.7	49.7
Interest received		2.7	4.9
Cash flow from investing activities		**-3,079.3**	**-1,368.8**

€ million	Notes	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014 restated [1]
Capital contributions on the issue of new shares (including premium)	20	2,372.0	304.0
Cash paid to shareholders of Vonovia SE and to non-controlling shareholders		-295.8	-179.7
Cash proceeds from issuing financial liabilities	22	2,004.0	1,806.4
Cash repayments of financial liabilities	22	-2,114.9	-1,007.6
Payments of transaction costs		-116.9	-22.8
Cash paid for other financial costs		-28.9	-41.7
Disposal/Acquisition of shares in consolidated companies (net of cash inflow)		-1.2	2.9
Interest paid		-238.1	-139.1
Cash flow from financing activities		**1,580.2**	**722.4**
Net changes in cash and cash equivalents		**-1,052.6**	**-350.9**
Cash and cash equivalents at beginning of the period		1,564.8	547.8
Cash and cash equivalents at the end of the period [4]	**18**	**512.2**	**196.9**

Also see the corresponding explanations in the Notes.

[1]/[2] The cash flow from operating activities includes cash transaction costs for the acquisition of shares in consolidated companies in the amount of € 44.9 million (Sep. 30, 2014: € 10.4 million). The year before, the costs were included in the cash flow from investing activities in the position disposal/acquisition of shares in consolidated companies (net of cash inflow).

[3] thereof € 228.2 million for acquisition shares of Franconia Group and € 67.9 million for acquisition Franconia portfolio

[4] thereof restricted cash € 77.6 million (Sep. 30, 2014: € 37.5 million)

Consolidated Statement of Changes in Equity

€ million	Subscribed capital	Capital reserves	Retained earnings	Cash flow hedges
As at Jan. 1, 2014	**224.2**	**1,430.1**	**2,178.5**	**-27.3**
Profit for the period			117.3	
Other comprehensive income				
Changes in the period			-29.0	14.0
Reclassification adjustments recognised in income				-42.9
Total comprehensive income			88.3	-28.9
Capital increase	16.0			
Premium on the issue of new shares		288.0		
Transaction costs on the issue of new shares		-2.0		
Dividend distributed by Vonovia SE			-168.2	
Changes recognised directly in equity			-0.3	
As at Sep. 30, 2014	**240.2**	**1,716.1**	**2,098.3**	**-56.2**
As at Jan. 1, 2015	**271.6**	**2,076.0**	**2,643.4**	**-58.4**
Profit for the period			159.3	
Other comprehensive income				
Changes in the period			24.0	44.9
Reclassification adjustments recognised in income				-32.0
Total comprehensive income			183.3	12.9
Capital increase	194.4			
Premium on the issue of new shares		4,849.2		
Transaction costs on the issue of new shares		-32.4		
Acquisition of GAGFAH				
Dividend distributed by Vonovia SE			-276.2	
Changes recognised directly in equity [2]		-0.5	-9.6	
As at Sep. 30, 2015	**466.0**	**6,892.3**	**2,540.9**	**-45.5**

[1] The profit for the period of Vonovia's hybrid investors was calculated taking deferred taxes into account.
[2] The main changes within "Changes recognised directly in equity" relate to the GAGFAH dividend for the 2014 financial year, as well as effects from the initial consolidation of the combined purchase of shares and properties of the Franconia portfolio, which was completed on April 1, 2015.

Also see note [20] in the Notes.

Equity of Vonovia shareholders	Equity of Vonovia hybrid investors [1]	Equity of Vonovia shareholders and hybrid investors	Non-controlling interests	Total equity
3,805.5		**3,805.5**	**12.5**	**3,818.0**
117.3		117.3	4.7	122.0
-15.0		-15.0		-15.0
-42.9		-42.9		-42.9
59.4		59.4	4.7	64.1
16.0		16.0		16.0
288.0		288.0		288.0
-2.0		-2.0		-2.0
-168.2		-168.2		-168.2
-0.3		-0.3		-0.3
3,998.4		**3,998.4**	**17.2**	**4,015.6**
4,932.6	**1,001.6**	**5,934.2**	**28.0**	**5,962.2**
159.3	22.4	181.7	11.8	193.5
68.9		68.9	-5.2	63.7
-32.0		-32.0		-32.0
196.2	22.4	218.6	6.6	225.2
194.4		194.4		194.4
4,849.2		4,849.2		4,849.2
-32.4		-32.4		-32.4
			139.3	139.3
-276.2		-276.2		-276.2
-10.1	7.5	-2.6	2.6	-
9,853.7	**1,031.5**	**10,885.2**	**176.5**	**11,061.7**

Selected explanatory notes in accordance with IFRS

Accounting policies

1 Basis of presentation

On March 6, 2015, through the completion of the voluntary public takeover offer for the shares in GAGFAH S.A. and thus the inclusion of the GAGFAH Group (GAGFAH) in the consolidated financial statements of Vonovia SE (then: Deutsche Annington Immobilien SE), the second-largest listed property group in continental Europe was created.

Deutsche Annington Immobilien SE has operated under its new name Vonovia SE since September 3, 2015. The company is listed on the German stock exchange under its new abbreviation VNA. The new company name was already added to the Commercial Register at the end of August 2015. Moreover, on September 3, 2015 the German stock exchange decided to include Vonovia SE in the DAX with effect as of September 21, 2015, on the recommendation of its Working Committee for Equity Indices.

Vonovia manages residential real estate with a long-term focus and offers people throughout Germany a dependable and affordable home, providing its tenants with customer-focused service in all residential matters. Through its investment programmes, Vonovia also assumes responsibility for urban and community planning, considering both societal and environmental issues. At the same time, the property portfolio is developed further in a targeted manner by way of acquisitions and disposals. This means that the company will continue to pursue a long-term holistic approach for the housing industry with an integrated and scalable business model that aims to establish the company as the quality leader.

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 interim consolidated financial statements as at September 30, 2015, comprising both the company and its subsidiaries, have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the EU for interim financial statements in accordance with IAS 34. In addition, the supplementary commercial law provisions under Section 315a (1) of the German Commercial Code (HGB) have been considered.

Accounting and measurement as well as the explanations and disclosures are based on the same accounting and measurement policies as those applied to the consolidated financial statements for the 2014 financial year. In line with IAS 34, presentation of the interim consolidated financial statements of Vonovia as at September 30, 2015, a condensed form compared with the consolidated financial statements for the year ended December 31, 2014 has been chosen.

In the reporting period, there were no seasonal or business cycle influences which affected the business activities of Vonovia.

2 Consolidation principles

In accordance with the full consolidation method, all subsidiaries that are controlled by the Group are included. The Group is deemed to control an associated company if it is exposed to risks or has rights to fluctuating returns due to its involvement in the associated company and the Group is in a position to use its power of control over the associated company to influence the level of these returns.

Joint arrangements, which are classified as joint ventures, are accounted for using the equity method. A joint venture is a joint arrangement, whereby the parties, that have joint control of the arrangement, have rights to the net assets of the arrangement, instead of having rights to the assets and obligations for the liabilities.

All consolidation principles have been applied as for the consolidated financial statements for 2014.

For a detailed description, please refer to the consolidated financial statements for the year ended December 31, 2014.

3 Scope of consolidation and business combinations including acquisitions after the balance sheet date

Including Vonovia SE, 205 companies (Dec. 31, 2014: 114), thereof 172 (Dec. 31, 2014: 95) domestic companies and 33 (Dec. 31, 2014: 19) foreign companies have been comprised in the consolidated financial statements of Vonovia as at September 30, 2015.

The changes as at September 30, 2015 largely result from the acquisition of the GAGFAH (67 subsidiaries), SÜDEWO Group (23 susidiaries) and Franconia portfolio (ten subsidiaries) as well as from eight mergers and one sale.

In the third quarter of 2015, the company increased its stake in GAGFAH S.A. from 93.80 % to 93.84 %.

Acquisition of GAGFAH

As part of the voluntary public takeover offer made by Vonovia SE to the shareholders of GAGFAH S.A., Luxembourg, on December 1, 2014, a total of 230,954,655 shares in GAGFAH S.A. were tendered after the end of the additional acceptance period on February 9, 2015, 24:00 hours CET. This corresponds to around 93.82 % of the current GAGFAH S.A. subscribed capital and voting rights. 88.79 % of the shares tendered were taken over by Vonovia SE and 5.03 % by the co-investor J.P. Morgan Securities plc, London.

The acquisition date, i.e. the time at which Vonovia SE obained control of GAGFAH S.A., is March 6, 2015. The last closing condition for the takeover offer, namely the entry of the mixed cash and non-cash capital increase in the Düsseldorf commercial register, was fulfilled on this date. As of March 6, 2015, this transaction shall be treated as a business combination in accordance with IFRS 3.

Pursuant to Art. 16 in conjunction with Art. 15 of the Luxembourg law on public takeover bids dated May 19, 2006 ("Luxembourg Takeover Act"), 12,355,521 GAGFAH S.A. shares were tendered to Vonovia SE in the period leading up to May 10, 2015. 12,196,224 were attributable to the combined consideration consisting of a cash payment of € 122.52 and an additional consideration of five new shares in Vonovia SE for every 14 GAGFAH S.A. shares, and 159,297 were attributable to the cash consideration, under which a cash payment of € 18.68 was made per share. This is a transaction that is linked to the actual share purchase. As a result, Vonovia's share of the subscribed capital of GAGFAH S.A. rose from 88.79 % to 93.80 %.

The provisional consideration transferred for the acquisition of 93.80 % of the shares in the subscribed capital of GAGFAH S.A. comprises the following:

€ million	
Net cash purchase price component	2,022.5
Equity instruments	2,671.5
Contingent purchase price obligation	12.1
Total consideration	**4,706.1**

The combined consideration for 14 GAGFAH S.A. shares as part of the original tender comprised, in each case, a cash payment of € 122.52 and an additional consideration of five new registered shares in Vonovia SE. The share component relates to 78,060,390 no-par value shares from the non-cash capital increase implemented by Vonovia SE, which were exchanged by Vonovia SE for the GAGFAH S.A. shares. This share component was valued at the XETRA closing price of € 32.58 per share on March 6, 2015 and amounts to € 2,543.2 million. This cash component amounts to € 1,912.8 million.

The share component granted as part of the extended tender under Luxembourg law relates to 4,355,790 no-par value shares in Vonovia SE, which Vonovia SE exchanged for the GAGFAH S.A. shares. The share component was valued at the XETRA closing price of € 29.45 per share on May 8, 2015. Since May 10, 2015 was a Sunday, the end of the tender period fell on May 8, 2015. This share component amounts to € 128.3 million. The cash consideration was valued at a price set as part of the tender process in the amount of € 18.68 per share. The total value of this cash purchase price component is € 109.7 million.

The contingent consideration is an option held by the co-investor J.P. Morgan Securities plc, with regard to the 5.03 % share of the subscribed capital of GAGFAH S.A. that was originally acquired. It was stated at fair value using the Black Scholes model. The maximum consideration under this option is achieved from 12,385,559 shares based on a guaranteed price per share of € 18.00.

The provisional allocation of the total purchase price to the acquired assets and liabilities (PPA) of GAGFAH Group as at the date of first-time consolidation is based on an external valuation report that was commissioned for this purpose to calculate the fair values of these assets and liabilities.

The assets and liabilities assumed in the course of the business combination had the following fair values as at the date of first-time consolidation:

€ million	
Investment Properties	8,184.8
Property, plant and equipment	26.9
Financial assets	20.8
Cash and cash equivalents	154.8
Fair value other assets	166.1
Total assets	**8,553.4**
Non-controlling interests	-139.3
Non-derivative financial liabilities	-4,825.5
Derivative financial liabilities	-108.8
Provisions for pensions	-163.2
Other provisions	-134.8
Deferred tax liabilities	-455.2
Other liabilities	-212.9
Total liabilities	**-6,039.7**
Fair value net assets	**2,513.7**
Consideration	4,706.1
Goodwill	**2,192.4**

It has not yet been possible to arrive at a definitive assessment of the multi-employer plans because not all of the current data is available. As a result, the obligation was included in other provisions at a update provisional value of € 31.7 million on September 30, 2015.

Since March 1, 2015, the GAGFAH Group has recognised income from property management in the amount of € 489.6 million, as well as an earnings contribution in terms of earnings before fair value adjustments of investment properties, interest, taxes, depreciation and amortisation (EBITDA IFRS) of € 218.6 million. If the GAGFAH Group had already been fully included in the consolidated Group as of January 1, 2015, it would have contributed to the income from property management in the amount of € 628.2 million and to IFRS EBITDA in the amount of € 272.0 million.

In the 2015 financial year, transaction costs of € 28.9 million were recognised as other operating expenses.

All in all, 62 domestic companies and five foreign companies have been newly included in the scope of consolidation as a result of the acquisition of the GAGFAH Group.

Acquisition of SÜDEWO Group

On June 14, 2015, a subsidiary of Vonovia SE concluded a purchase agreement with a group of investors regarding the acquisition of a stake of 94.3 % in the SÜDEWO Group (SÜDEWO). The portfolio of the SÜDEWO comprises approximately 19,400 residential units, most of which are located in Baden-Württemberg.

The acquisition date, i.e. the time at which Vonovia gained control of the SÜDEWO, is July 8, 2015. This transaction shall be treated as a business combination in accordance with IFRS 3. As of this point in time, the companies in the SÜDEWO have been included in the consolidated financial statements of Vonovia SE for the first time.

The provisional consideration for the acquisition of the shares comprises the following:

€ million	
Cash and cash equivalents	1,062.8
Put option	65.2
Total consideration	**1,128.0**

The price for the acquisition of 94.3 % of the shares amounts to € 1,062.8 million.

The purchase agreement includes a put option relating to a tender for the rest of the shares. This put option is stated in accordance with the anticipated-acquisition method. It is recognised at the present value of the exercise price.

The provisional allocation of the total purchase price to the acquired assets and liabilities of the SÜDEWO as at the date of first-time consolidation is based on an external valuation report that was commissioned for this purpose to calculate the fair values of these assets and liabilities.

The assets and liabilities assumed in the course of the business combination had the following provisional fair values as at the date of first-time consolidation:

€ million	
Investment properties	1,742.1
Cash and cash equivalents	167.9
Fair value other assets	52.6
Total Assets	**1,962.6**
Non-derivative financial liabilities	-819.5
Derivative financial liabilites	-26.9
Provisions for pensions	-11.1
Other provisions	-15.2
Deferred tax liabilities	-227.1
Other liabilities	-73.0
Total liabilities	**-1,172.8**
Fair value net assets	**789.8**
Consideration	1,128.0
Goodwill	**338.2**

It has not yet been possible to arrive at a definitive assessment of the multi-employer plans because not all of the data is available. As a result, the obligation was included in other provisions at a provisional value of € 12.7 million.

Since July 8, 2015, the SÜDEWO has recognised income from property management in the amount of € 33.8 million, as well as an earnings contribution in terms of earnings before fair value adjustments of investment properties, interest, taxes, depreciation and amortisation (EBITDA IFRS) of € 16.3 million. If the SÜDEWO had already been fully included in the consolidated Group as of January 1, 2015, it would have contributed to the income from property management in the amount of € 104.4 million and to IFRS EBITDA in the amount of € 45.9 million.

In the 2015 financial year, transaction costs of € 6.5 million were recognised as other operating expenses.

All in all, 22 domestic companies and one foreign company will be included in the scope of consolidation as a result of the acquisition of the SÜDEWO.

4 Accounting policies

Since December 31, 2014, the accounting policies have not changed generally.

In connection with the acquisition of GAGFAH Group embedded derivative financial instruments were recognized in the Vonovia consolidated interim financial statements for the first time. Embedded derivative financial instruments that are combined with a non-derivative financial instrument (host contract) to form a hybrid financial instrument are to be separated from the underlying contract pursuant to IAS 39 as a general rule and accounted for separately if (i) its economic risks and characteristics are not closely related to those of the host contract, (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and (iii) the hybrid instrument is not measured at fair value with changes in fair value recognised in the income statement. As soon as the derivative is to be separated from its host contract, the individual components of the hybrid financial instruments are to be accounted for based on the provisions that apply to the individual financial instruments.

For further information on the accounting and measurement policies used, please refer to the consolidated financial statements as at December 31, 2014, which are the basis for these interim consolidated financial statements.

Estimates, assumptions, options and management judgement

The preparation of the interim consolidated financial statements requires discretionary decisions and/or estimates for some items, which may have an effect on their recognition and measurement in the balance sheet and the income statement.

The estimates and assumptions which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities mainly relate to the determination of the fair value of investment properties and are described separately in the chapter entitled “Investment Properties”.

Options exercised and judgements made by the management in the process of applying the accounting policies that may have a significant effect on the amounts recognised in the consolidated financial statements once again include discretionary decisions within the context of acquisition transactions as to whether the acquisition of a portfolio constitutes a business combination in accordance with IFRS 3 or the acquisition of assets and liabilities.

All other estimates, assumptions, options and judgements remain unchanged compared with the last consolidated financial statements as at December 31, 2014.

Changes in accounting policies due to new Standards and Interpretations

The following new or amended Standards and Interpretations became mandatory for the first time in the 2015 financial year and have no significant effects on the Vonovia consolidated interim financial statements:

> Improvements and supplements to IFRS 2010 – 2012
> Improvements and supplements to IFRS 2011 – 2013
> Changes to IAS 19 “Employee Benefits”

The first-time application of IFRIC 21 “Levies” resulted in changes to other liabilities.

Notes to the consolidated income statement

5 Income from property management

€ million	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014
Rental income	1,019.4	572.7
Ancillary costs	450.9	250.8
Income from property letting	**1,470.3**	**823.5**
Other income from property management	**21.3**	13.2
Income from property management	**1,491.6**	**836.7**

6 Profit on disposal of properties

€ million	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014
Income from disposal of investment properties	130.3	116.4
Carrying amount of investment properties sold	-103.6	-84.0
Profit on disposal of investment properties	**26.7**	**32.4**
Income from sale of assets held for sale	185.3	96.6
Retirement carrying amount of assets held for sale	-185.3	-96.6
Revaluation of assets held for sale	24.4	16.5
Profit on disposal of assets held for sale	**24.4**	**16.5**
	51.1	**48.9**

The fair value adjustment of investment properties held for sale led to a positive result of € 24.4 million as at September 30, 2015 (1st nine months of 2014: € 16.5 million). After value adjustment, these properties were transferred to "Assets held for sale".

7 Net income from fair value adjustments of investment properties

Major market developments and measurement parameters that have an impact on Vonovia's fair values are assessed every quarter. Since a sufficient valid set of data was not yet available for major measurement parameters as of September 30, 2015, no adjustment was made to the fair values in the third quarter of 2015. However, due to the development of the parameters which are already available and the currently highly positive trend for the residential real estate market in Germany, we expect that our consolidated financial statements 2015 will show significant growth.

8 Cost of materials

€ million	Jan. 1 - Sep. 30, 2015	Jan. 1 - Sep. 30, 2014
Expenses for ancillary costs	439.0	246.6
Expenses for maintenance	169.7	100.7
Other cost of purchased goods and services	74.3	35.4
	683.0	**382.7**

9 Personnel expenses

€ million	Jan. 1 - Sep. 30, 2015	Jan. 1 - Sep. 30, 2014
Wages and salaries	196.3	108.5
Social security, pensions and other employee benefits	38.2	21.7
	234.5	**130.2**

As at September 30, 2015, 6,125 people (September 30, 2014: 3,436) were employed at Vonovia.

10 Financial expenses

The financial expenses mainly relate to interest expense on financial liabilities measured at amortised cost as well as transaction costs for financing measures.

During the reporting period interest expense was reduced by 31.1 € million resulting from the application of the effective interest method. In the first nine months of 2014, financial expenses were increased by € 13.9 million through the use of the effective interest method.

In the first quarter 2015, transaction costs of € 55.5 million were recognised as expenses, mainly in connection with the financing of the takeover of GAGFAH Group (1st nine months of 2014: € 4.1 million).

In addition, interest from prepayment penalties and commitment interest negatively impacted results in the amount of € 8.5 million (1st nine months of 2014: € 24.3 million).

Interest expense contains interest accretion to provisions, thereof € 6.6 million (1st nine months of 2014: € 6.8 million) relating to provisions for pensions and interest relief of € 0.5 million (1st nine months of 2014: interest exposure of € 1.4 million) for other provisions.

During the reporting period reduction of net interest expenses in connection with swaps amounted to € 0.7 million (1st nine months of 2014: interest exposure of € 8.0 million); however, the adjustment of a contingent purchase price liability related to a put option in favor of the co-investor J.P. Morgan Securities plc, London, totalling € 21.5 million plus the value adjustments of purchase price obligations from other put options amounting to € 3.1 million, had a negative impact (1st nine months of 2014: € 0.5 million purchase price obligations from other put options).

11 Income taxes

Income taxes at € 15.4 million relate to current tax (1st nine months of 2014 tax income of € 5.5 million) and € 115.7 million (1st nine months of 2014: € 59.3 million) to deferred taxes. Current tax includes tax income for previous years in the amount of € 0.4 million (1st nine months of 2014: tax income of € 11.5 million).

The income tax expense is based on the average effective Group tax rate to be expected for the financial year as a whole. The anticipated effective Group tax rate for 2015 for current and deferred taxes is 40.38 % (1st nine months of 2014: 30.58 %). The increase in the Group tax rate is mainly due to foregone offsetting in connection with the provisions of the so-called interest threshold. The Group tax rate contains German corporate income tax and trade tax.

12 Earnings per share

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

	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014
Profit for the period attributable to Vonovia shareholders (in € million)	159.3	117.3
Weighted average number of shares*	383,045,682	248,482,094
Earnings per share (basic and diluted) in €	**0.42**	**0.47**

* The number of average shares outstanding has been adjusted for all periods in order to reflect the effect of the bonus component of subscription rights issued in July 2015 in connection with the capital increase.

In March 2015 and May 2015 a combined cash and real capital increase was performed against the issuance of 82,483,803 and 4,355,780 new shares respectively. Together with the issue of 107,538,606 new shares in return for cash considerations in July 2015 the total amount as at September 30, 2015, increased to 466,000,624 shares.

The capital increase in July 2015 was carried out involving the issue of subscription rights for the existing shareholders. As the subscription price of the new shares was lower than the markt price of the existing shares, the capital increase included a bonus element. According to IAS 33, the bonus element is the result of an implicit change in the number of shares outstanding for all periods prior to the capital increase without a corresponding change in resources. As a consequence, the weighted average number of shares outstanding has been adjusted retrospectively.

At the end of the periods under review, no diluting financial instruments were in circulation. The basic earnings per share correspond to the diluted earnings per share.

Notes to the consolidated balance sheet

13 Intangible assets

The intangible assets mainly include goodwill resulting from the acquisitions of DeWAG, Vitus, GAGFAH and SÜDEWO.

€ million	Sep. 30, 2015	Dec. 31, 2014
Goodwill DeWAG	10.7	10.7
Goodwill Vitus	95.3	95.3
Goodwill GAGFAH (preliminarily)	2,192.4	–
Goodwill SÜDEWO (preliminarily)	338.2	–
	2,636.6	**106.0**

14 Investment properties

€ million	
Balance on Jan. 1, 2015	**12,687.2**
Additions due to business combination	9,926.9
Additions due to acquisition of Franconia portfolio	298.1
Additions	43.3
Capitalised modernisation costs	293.9
Grants received	-0.6
Other Transfers	22.2
Transfer to assets held for sale	-173.6
Disposals	-103.6
Revaluation of assets held for sale	24.4
Balance on Sep. 30, 2015	**23,018.2**
Balance on Jan. 1, 2014	**10,266.4**
Additions due to business combination	2,049.3
Additions	13.0
Capitalised modernisation costs	197.9
Grants received	-1.2
Transfer from property, plant and equipment	1.1
Transfer to property, plant and equipment	-1.2
Transfer from assets held for sale	1.3
Transfer to assets held for sale	-124.5
Disposals	-111.1
Net income from fair value adjustments of investment properties	371.1
Revaluation of assets held for sale	25.1
Balance on Dec. 31, 2014	**12,687.2**

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.

The development in value resulting from our extensive modernisation measures is reflected in the capitalised modernisation expenses.

Other transfers as of September 30, 2015 mainly comprise transfers from advance payments.

The main valuation parameters and valuation results of the entire portfolio as at September 30, 2015 are as follows:

Valuation parameters	Average	min*	max*
Management costs residential	€ 246 per residential unit p.a.	195	350
Repair and maintenance costs residential	€ 9.41 per m² p.a.	5.92	12.29
Apartment improvement costs for reletting	€ 4.13 per m² p.a.	0.00	15.57
Maintenance cost total	€ 13.54 per m² p.a.	5.92	25.68
Cost increase/inflation	1.7 % p.a.		
Market rent	€ 6.07 per m² p.a.	2.00	13.00
Market rent increase	1.1 % p.a.	0.2 %	2.1 %
Stabilised vacancy rate	3.2 %	0.5 %	25.8 %
Discount rate	6.0 %	4.4 %	8.5 %
Capitalised interest rate	4.9 %	3.5 %	7.5 %

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

Valuation results	
Net initial yield	4.9 %
Actual rent multiplier	14.6-fold
Fair value per m²	€ 981 per m² of lettable area

Contractual obligations

As part of the acquisitions of the GAGFAH and the SÜDEWO Group, Vonovia assumed various contractual obligations relating to the real estate portfolio. These include provisions governing "grandfathering", sales measures and modernisation obligations.

15 Financial assets

	Sep. 30, 2015		Dec. 31, 2014	
€ million	non-current	current	non-current	current
At equity investments	4.1	–	–	–
Other investments	2.6	–	1.7	–
Loans to other investments	33.5	–	33.6	–
Securities	6.9	–	2.9	–
Other long-term loans	3.9	–	4.4	–
Derivatives	143.1	–	50.6	–
Restricted cash	3.1	–	–	–
Dividends from other investments	–	–	–	2.0
	197.2	**–**	**93.2**	**2.0**

As part of the takeover of GAGFAH S.A, hybrid financial instruments were identified that meet the requirements set out in IAS 39 for the separation of an embedded derivative financial instrument. These are standard market extension/termination rights whose value is largely determined by the borrowers' credit risk. The financial instruments do not contain any embedded derivatives resulting in obligations for the borrowers ("option writer options"). As at the reporting date, the embedded derivatives have a fair value totaling € 8.5 million; furthermore, the positive market values of the cross currency swaps in the amount of € 134.6 million (Dec. 31, 2014: € 50.6 million) are reported under derivatives.

16 Inventories

Inventories contain deferred land taxes that can be passed on in the amount of € 10.0 million resulting from the application of IFRIC 21.

17 Trade receivables

€ million	Sep. 30, 2015	Dec. 31, 2014
Receivables from the sale of properties	51.9	49.8
Receivables from property letting	25.1	14.6
Receivables from other supplies and services	**1.9**	0.7
	78.9	**65.1**

18 Cash and cash equivalents

Cash and cash equivalents include values with an original term of up to three months totalling € 512,2 million (Dec. 31, 2014: € 714.8 million), as well as marketable securities in the prior period of € 850.0 million.

Of these bank balances, € 77.6 million (Dec. 31, 2014: € 32.8 million) are restricted with regard to their use.

19 Assets held for sale

The assets held for sale include properties totalling € 84.4 million (Dec. 31, 2014: € 53.8 million) for which notarised purchase contracts had already been signed at the balance sheet date.

20 Equity

Subscribed capital

As a result of the entry in the Commercial Register made on March 6, 2015, the equity of Vonovia SE was increased by € 2,657,751,786 as a result of the mixed cash and non-cash capital increase as part of the completion of the voluntary public takeover offer made by the former Deutsche Annington Immobilien SE for all shares in GAGFAH S.A. In line with the number of newly created no-par value shares, € 82,483,803 of this amount is attributable to the subscribed capital.

Out of the 82,483,803 no-par value shares from the capital increase, 4,423,413 shares were subscribed to in cash by J.P. Morgan Securities plc. at a price of € 25.89. The remaining 78,060,390 shares were valued at the XETRA closing price of € 32.58 per share on March 6, 2015 as part of the non-cash capital increase.

Pursuant to Art. 16 in conjunction with Art. 15 of the Luxembourg law on public takeover bids dated May 19, 2006 ("Luxembourg Takeover Act"), 12,355,521 GAGFAH S.A. shares were tendered to Vonovia SE in the period leading up to May 10, 2015. 12,196,224 were attributable to the combined and 159,297 to the cash consideration. This is a transaction that is linked to the actual share purchase.
On the basis of the resolution passed by the Management Board of Vonovia SE on May 15, 2015 and the consent of the Supervisory Board's finance committee issued on May 18, 2015, the subscribed capital of Vonovia SE was increased, as part of the extended tender under Luxembourg law, by € 4,355,790.00 from € 354,106,228.00 to € 358,462,018.00 as a result of the issue of 4,355,790 new shares from the 2013 authorised capital in return for a mixed non-cash contribution. The new shares were issued at a price of € 1.00 per share and carry full dividend rights as of January 1, 2015. The capital increase was entered in the Commercial Register on May 22, 2015.

The share component relates to 4,355,790 no-par value shares in Vonovia SE, which were exchanged by Vonovia SE for the GAGFAH S.A. shares. The share component was valued at the XETRA closing price of € 29.45 per share on May 8, 2015. Since May 10, 2015 was a Sunday, the end of the tender period fell on May 8, 2015.

On June 14, 2015, the Management Board made the decision, following authorisation by the Supervisory Board on June 12, 2015, to increase the company's registered subscribed capital by € 107,538,606.00, from € 358,462,018.00 to € 466,000,624.00, in return for cash contributions. The capital increase was implemented using the 2015 authorised capital by issuing 107,538,606 new registered no-par value shares, each accounting for a proportional amount of € 1.00 of the company's subscribed capital and carrying full dividend rights as of January 1, 2015, as well as subscription rights for the existing shareholders. The subscription price is € 20.90 per share. The net proceeds from the capital increase, totalling € 2,216.6 million, are to be used basically to finance the acquisition of the SÜDEWO Group. 105,514,060 new shares were purchased for a price of € 20.90 per share. The 2,024,546 shares for which the subscription right has not been exercised were sold on the market at a price of € 25.80 per share. Of an issue amount of € 2,257.5 million, € 107.5 million relates to a resolved subscribed capital increase and € 2,149.9 million to a resolved addition to the capital reserves. The capital procurement costs attributable to the company in connection with the issuing of the new shares were offset against the capital reserves allowing for deferred tax effects. The capital increase was entered in the Commercial Register on July 3, 2015.

Development of the subscribed capital

in €	
As at Jan. 1, 2015	**271,622,425.00**
Capital increase in return for non-cash contributions on March 6, 2015	78,060,390.00
Capital increase in return for cash contributions on March 6, 2015	4,423,413.00
Capital increase in return for non-cash contributions on May 22, 2015	4,355,790.00
Capital increase in return for cash contributions on July 3, 2015	107,538,606.00
As at Sep. 30, 2015	**466,000,624.00**

Development of the authorised capital 2013

in €	
As at Jan. 1, 2015	**83,331,111.00**
Offer capital increase from March 6, 2015	-77,074,531.00
Offer capital increase from May 22, 2015	-4,355,790.00
As at Sep. 30, 2015	**1,900,790.00**

The Management Board is authorised, with the consent of the Supervisory Board, to increase the company's subscribed capital by up to € 1,900,790.00 once or several times on or before June 29, 2018 by issuing up to 1,900,790 new registered no-par value shares in return for cash contributions and/or contributions in kind (2013 authorised capital). Shareholders are to be granted the statutory subscription right to the new shares as a general rule.

The Management Board is, however, authorised, with the consent of the Supervisory Board, to exclude shareholder subscription rights in full or in part, once or several times, subject to the detailed conditions set out in Section 5 of the Articles of Association.

The authorisation to increase the subscribed capital adopted by the Annual General Meeting on May 9, 2014, and expiring on May 8, 2019, was cancelled upon the new 2015 authorised capital becoming effective.

Development of the authorised capital 2015

in €	
As at May 1, 2015	**170,796,534.00**
Offer capital increase from July 3, 2015	-107,538,606.00
As at Sep. 30, 2015	**63,257,928.00**

On the basis of the resolution passed by the Annual General Meeting on April 30, 2015, the Management Board is authorised, with the consent of the Supervisory Board, to increase the company's subscribed capital by up to € 63.257.928,00 once or several times on or before April 29, 2020 by issuing up to 63.257.928 new registered no-par value shares in return for cash contributions and/or contributions in kind (2015 authorised capital). Shareholders shall generally be granted a subscription right.

The shares may be acquired by one or several financial institutions provided that such institutions undertake to offer them for subscription to the shareholders (known as an "indirect subscription right"). The Management Board is authorised, with the consent of the Supervisory Board, to exclude subscription rights for one or several capital increases as part of the authorised capital subject to the detailed conditions set out in Section 5a of the Articles of Association.

2013 conditional capital

The existing authorisation for the existing conditional capital (2013 conditional capital) was cancelled at the Annual General Meeting held on April 30, 2015 and replaced by a new authorisation and a new conditional capital (2015 conditional capital).

2015 conditional capital

A conditional capital was resolved in order to issue shares required to satisfy conversion rights stemming from convertible bonds, bonds with warrants, profit-participation rights and/or profit-linked bonds (or a combination of these instruments) (hereinafter collectively "bonds") that are issued on the basis of the authorization of the issuance resolved by the General Meeting held on April 30, 2015. The subscribed capital is conditionally increased by up to € 177,053,114.00 through the issuance of up to 177,053,114 new no-par value registered shares with an entitlement to dividend (2015 conditional capital).

Based on the resolution passed by the company's Annual General Meeting on April 30, 2015, the Management Board was authorised, with the consent of the Supervisory Board, to issue bonds carrying conversion rights, bonds carrying option rights, profit-sharing rights and/or profit participation bonds (or combinations of these instruments) (hereinafter collectively referred to as "bonds") in bearer or registered form, once or several times on or before April 29, 2020, with a nominal amount of up to € 5,311,000,000.00 with or without definite maturity, and to grant the holders of the bonds conversion or option rights for the shares of the company in a proportionate amount of the subscribed capital of up to € 177,053,114.00 according to the detailed terms and conditions of the bonds carrying option/conversion rights and/or the terms and conditions of the profit-sharing rights. The Terms and Conditions in question may also provide for mandatory conversion at maturity or at other points in time, including the obligation to exercise the conversion or option right. The bonds may also be issued against contributions in kind.

In addition to issues in euros, the bonds may also be issued in the legal currency of an OECD country – limited to the appropriate equivalent amount in euros. Furthermore, the bonds may also be issued by companies that are, either directly or indirectly, dependent on, or majority owned by the company; in such cases, the Management Board shall be authorised, on behalf of the company that is dependent on, or is majority-owned by, the company to assume the guarantee for the bonds and to grant the holders of such bonds conversion or option rights relating to shares in the company. When the bonds are issued, they may/generally shall be split into partial bonds of equal rank. Shareholders shall generally be granted a subscription right to acquire the bonds. The Management Board is, however, authorised to exclude shareholder subscription rights to the bonds with the consent of the Supervisory Board.

Capital reserves

Capital reserves amounts to € 6,892.3 million (Dec. 31, 2014: € 2,076.0 million).

The capital reserves increased by € 4,849.2 million in the period from January 1 to September 30, 2015 as a result of the premium on the issue of new shares. The capital procurement costs of € 48.3 million attributable to the company in connection with the issuing of the new shares were offset against the capital reserves allowing for deferred tax effects of € 15.9 million.

Development of capital reserves

in €	
As at Jan. 1, 2015	**2,075,982,333.34**
Capital increase from March 6, 2015	2,575,267,982.84
Capital increase from May 22, 2015	123,922,225.50
Capital increase from July 3, 2015	2,149,946,025.62
Transaction costs on the issue of new shares (allowing deferred taxes)	-32,384,091.16
Other changes recognised directly in equity	-476,640.00
As at Sep. 30, 2015	**6,892,257,836.14**

Dividend

The Annual General Meeting held on April 30, 2015 in Düsseldorf resolved inter alia to pay a dividend for the 2014 financial year in the amount of 78 cents per share and subsequently distributed € 276.2 million.

21 Provisions

The provisions as at September 30, 2015, comprise provisions for pensions totalling € 492.7 million (Dec. 31, 2014: € 360.9 million), tax provisions for current income tax of € 145.0 million (Dec. 31, 2014: € 66.0 million) and other provisions totalling € 317.5 million (Dec. 31, 2014: € 206.5 million).

The increase in pension provisions is largely due to the initial consolidation as part of the acquisition of GAGFAH Group (see note [3] Scope of consolidation and business combinations including acquisitions after the balace sheet date).

Furthermore, the development in pension provisions was affected by the increase in the discount rate to 2.15 % (Dec. 31, 2014: 1.9 %) and by the 0.25 percentage point reduction in the pension trend to 1.75 % (Dec. 31, 2014: 2.0 %). Actuarial gains were recognised in other comprehensive income.

22 Non-derivative financial liabilities

	Sep. 30, 2015		Dec. 31, 2014	
€ million	non-current	current	non-current	current
Non-derivative financial liabilities				
Banks	6,816.4	116.7	2,418.5	58.8
Other creditors	4,506.7	714.8	4,121.0	10.5
Deferred interest from non-derivative financial liabilities	–	77.7	–	56.0
	11,323.1	**909.2**	**6,539.5**	**125.3**

The US dollar corporate bonds issued in 2013 are translated at the exchange rate prevailing on the balance sheet date in line with applicable IFRS provisions. Allowing for the hedging rate prescribed through the interest hedging transaction entered into, this financial liability would be € 154.7 million lower than the recognised value.

The nominal obligations of the liabilities to banks and the liabilities to other creditors are as follows:

€ million	Sep. 30, 2015	Dec. 31, 2014
Bonds*	1,300.0	1,300.0
Bonds (US dollar)*	739.8	739.8
Bonds (EMTN)*	2,000.0	1,000.0
Bond (Hybrid)*	700.0	700.0
Portfolio loans:		
Norddeutsche Landesbank (1)*	139.2	140.9
Corealcredit Bank AG (1)*	154.7	158.7
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin) (1)*	572.3	582.5
Nordrheinische Ärzteversorgung	34.6	35.4
AXA S.A. (Société Générale S.A.)*	156.9	161.9
Norddeutsche Landesbank (2)*	124.3	126.5
Berlin-Hannoversche Hypothekenbank, Landesbank Berlin und Landesbank Baden-Württemberg*	423.4	435.4
Pfandbriefbank AG*	-	180.2
Deutsche Hypothekenbank*	180.8	184.2
Mortgages	958.1	901.3
GAGFAH:		
GERMAN RESIDENTIAL FUNDING 2013-1 (CMBS GRF-1)*	1,864.9	–
GERMAN RESIDENTIAL FUNDING 2013-2 (CMBS GRF-2)*	681.6	–
Taurus*	1,035.2	–
Portfolio loans:		
HSH Nordbank AG*	242.1	–
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin) (2)*	228.9	–
Corealcredit Bank AG (2)*	94.3	–
Mortgages	335.2	–
	11,966.3	**6,646.8**

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

As at September 30, 2015, scheduled repayments of € 1,021.3 million and unscheduled repayments of € 1,093.6 million had been made across the entire Vonovia. New loans of € 2,004.0 million were taken out. The unscheduled repayments include € 816.2 million of financial liabilities assumed and repaid on a short-term basis within the scope of the acquisition of the SÜDEWO Group.

As part of the acquisition of the GAGFAH Group, securitised loans (CMBS), portfolio loans and mortgages with a nominal volume of € 4,614.8 million were acquired.

Issue of bonds under the EMTN-tap issuance (European Midterm Notes Programme)

Based on the current tap issuance master-agreement dated March 12, 2015 (€ 8,000,000,000 debt issuance programme), Vonovia has issued bonds in two tranches of € 500 million each via its Dutch financing company. The bonds were placed on March 30, 2015 at an issue price of 99.263 %, a coupon of 0.875 % and with a maturity of five years for one tranche, and at an issue price of 98.455 %, a coupon of 1.50 % and with a maturity of ten years for the other. The fund inflows served to refinance a syndicated bridge facility as part of the acquisition of the GAGFAH Group.

As part of the first-time consolidation of GAGFAH, the following major financing arrangements were incorporated into the Vonovia:

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

On June 19, 2013, GAGFAH concluded a loan agreement with a volume of € 1,998.1 million and a term of five years, which reaches maturity on August 20, 2018, with GERMAN RESIDENTIAL FUNDING 2013-1 Limited (GRF 2013-1). There is the option of extending the agreement for one year. The weighted average interest rate is 2.8 % as at September 30, 2015. The outstanding loan volume currently amounts to € 1,864.9 million. The loans underlying the loan agreement are fully secured by way of land charges, account pledge agreements and assignments. The loans were refinanced as part of a commercial mortgage-backed securities (CMBS) structure. The corresponding bonds are variable-interest loans that are admitted to trading on the Irish Stock Exchange. In order to hedge the risk of changes in interest rates associated with the securitised loans (CMBS), the issuer executed a corresponding swap transaction. In accordance with IFRS 10, GRF 2013-1 is included by way of full consolidation in the consolidated financial statements of Vonovia.

GERMAN RESIDENTIAL FUNDING 2013-2 (CMBS GRF-2)

On October 17, 2013, GAGFAH concluded a loan agreement with a volume of € 699.7 million and a term of five years, which reaches maturity on November 20, 2018, with GERMAN RESIDENTIAL FUNDING 2013-2 Limited (GRF 2013-2). There is the option of extending the agreement for one year. The weighted average interest rate is 2.67 % as at September 30, 2015. The outstanding loan volume currently amounts to € 681.6 million. The loans underlying the loan agreement are fully secured by way of land charges, account pledge agreements and assignments. The loans were refinanced as part of a commercial mortgage-backed securities (CMBS) structure. The corresponding bonds are variable-interest loans that are admitted to trading on the Irish Stock Exchange. In order to hedge the risk of changes in interest rates associated with the securitised loan (CMBS), the issuer executed corresponding swap transactions. In accordance with IFRS 10, GRF 2013-2 is included by way of full consolidation in the consolidated financial statements of Vonovia.

Taurus 2013 PLC

On February 20, 2013, a loan agreement with a volume of € 1,060.5 million was agreed between Taurus 2013 PLC and GAGFAH. On May 13, 2013, this agreement was increased by € 17.0 million to € 1,077.5 million. The outstanding loan volume currently amounts to € 1,035.2 million. This loan has a term of five years with an option to extend it for one year. As a result, the normal maturity date of the loan is May 14, 2018. The loan is largely a fixed-rate loan with a variable component that currently accounts for less than 4 %. The weighted average interest rate is 3.35 % as at September 30, 2015. The loan is fully secured by way of land charges, account pledge agreements and assignments.

HSH Nordbank AG

In connection with the acquisition of GAGFAH in March 2015, the following loans between GAGFAH and HSH Nordbank AG were assumed:

In September 2008, GAGFAH took out a loan of € 37.2 million with HSH Nordbank AG, which expired on August 31, 2015 as planned and was repaid in full.

In October 2013, GAGFAH took out another loan provided by HSH Nordbank AG with an initial volume of € 91.0 million and a final maturity date of October 21, 2020. The loan currently has a value of € 89.5 million. Based on the current interest rate hedging strategy and the current EURIBOR interest rate, the weighted average interest rate currently comes in at 3.73 %. Securities were provided in the form of land charges, account pledge agreements and assignments. This loan was recalled with effect as of October 21, 2015 and will be prematurely repaid in full as of this date.

In April 2014, GAGFAH concluded two loan agreements with a volume of € 176 million with HSH Nordbank AG. The loan consists of two tranches: the first tranche, which has a current volume of € 127.1 million (€ 55.3 million syndicated to UniCredit Bank AG), reaches maturity on April 22, 2021, whereas the second tranche, which has a current volume of € 25.5 million, reaches maturity earlier, on April 22, 2017. Both tranches are variable rate loans and are currently hedged in part by a CAP. Based on the current EURIBOR interest rate, the weighted average interest rate is 1.78 %. Securities were provided in the form of land charges, account pledge agreements and assignments. The first tranche has been recalled with effect as of October 22, 2015 and will be prematurely repaid in full as of this date.

Berlin Hyp AG

On September 29, 2014, GAGFAH concluded a loan agreement with Berlin-Hannoversche Hypothekenbank AG with a total volume of € 230 million that reaches maturity on October 20, 2021. The entire amount was drawn down on December 18, 2014. The loan is fully secured, largely by way of land charges, account pledge agreements and assignments. The loan is a variable rate loan with an interest rate that is based on the 3M EURIBOR. The loan has interest rate hedging in the form of a derivative financial instrument in an amount of € 160 million. Based on the financing structure, the outstanding loan amount of € 228.9 million is currently subject to a weighted average interest rate of around 2.04 % as at September 30, 2015.

Corealcredit Bank AG

The variable rate loan between GAGFAH and Corealcredit Bank AG amounts to € 94.3 million as at September 30, 2015. Based on the current interest rate hedging strategy and the current EURIBOR interest rate, the weighted average interest rate on the loan comes in at 2.95 % on the cut-off date. The normal maturity date of the three tranches is October 14, 2016, although there is an option to extend them by one year. Securities were provided in the form of land charges, account pledge agreements and assignments.

23 Derivative financial instruments

€ million	Sep. 30, 2015 non-current	Sep. 30, 2015 current	Dec. 31, 2014 non-current	Dec. 31, 2014 current
Derivatives				
Purchase price liabilities from put options	–	123.8	–	21.7
Cash flow hedges (interest rate swaps)	139.9	–	54.5	–
Deferred interest from derivatives	–	-1.0	–	0.2
	139.9	**122.8**	**54.5**	**21.9**

Regarding further information to derivative financial instruments please refer to notes [26] Additional financial instrument disclosures and [28] Cash flow hedges.

24 Liabilities from finance leases

The liabilities from finance leases include € 92.9 million (Dec. 31, 2014: € 92.5 million) for the Spree-Bellevue property and € 6.4 million in connection with the finance leases for heat generation plants.

25 Other liabilities

As part of the application of the IFRIC 21, the other liabilities report the yet unpaid land taxes attributable to 2015 in the amount of € 10.6 million.

Other notes and dislosures

26 Additional financial instruments disclosures

Measurement categories and classes: € million	Measurement category in acc. with IAS 39	Carrying amounts Sep. 30, 2015
Assets		
Cash and cash equivalents		
Cash on hand and deposits at banking institutions	LaR	512.2
Trade and other receivables		
Receivables from the sale of properties	LaR	51.9
Receivables from property letting	LaR	25.1
Other receivables from trading	LaR	1.3
Financial assets		
Associated companies valued at equity	n.a.	4.1
Restricted cash (non current)	LaR	3.1
Loans to other investments	LaR	33.5
Other long-term loans	LaR	3.9
Dividends from other investments	LaR	–
Long-term securities	AfS	6.9
Other investments	AfS	2.6
Derivative financial assets		
Cash flow hedges (cross currency swaps)	n.a.	134.6
Embedded derivatives	FLHfT	8.5
Deferred interest from derivatives	n.a.	–
Liabilities		
Trade and other payables		
Liabilities from property letting	FLAC	50.9
Liabilities from other goods and services	FLAC	43.8
Non-derivative financial liabilities		
Liabilities to banks	FLAC	6,933.1
Liabilities to other lenders	FLAC	5,221.5
Deferred interest from other non-derivative financial liabilities	FLAC	77.7
Derivative financial liabilities		
Purchase price liabilities from put options	FLHfT	123.8
Cash flow hedges (interest rate swaps)	n.a.	139.9
Deferred interest from derivatives	n.a.	-1.0
Liabilities from finance leases	n.a.	99.3
Liabilities to non-controlling interests	FLAC	46.2
thereof aggregated by measurement categories in accordance with IAS 39:		
Loans and receivables	LaR	631.0
Available-for-sale financial assets	AfS	9.5
Financial liabilities held-for-trading	FLHfT	132.3
Financial liabilities measured at amortised cost	FLAC	12,373.2
Financial assets and financial liabilities not covered by IAS 39		
Employee benefits in accordance with IAS 19		
Gross presentation: right to reimbursement corresponding to indirect obligation arising from transferred pension obligations		7.5
Amount by which the fair value of plan assets exceeds the corresponding obligation		0.7
Provisions for pensions and similar obligations		492.7

Amounts recognised in balance sheet according to IAS 39							
Face value	Amortised cost	Acquisition cost	Fair value affecting net income	Fair value recognised in equity	Amounts recognised in balance sheet in acc. with IAS 17/IAS28	Fair value Sep. 30, 2015	Fair value hierarchy level
512.2						512.2	1
	51.9					51.9	2
	25.1					25.1	2
	1.3					1.3	2
					4.1	4.1	n.a.
3.1						3.1	1
	33.5					51.4	2
	3.9					3.9	2
	–					–	2
				6.9		6.9	1
		2.6				2.6	n.a.
						134.6	2
			8.5			8.5	2
						–	2
	50.9					50.9	2
	43.8					43.8	2
	6,933.1					7,148.6	2
	5,221.5					5,386.8	2
	77.7					77.7	2
			123.8			123.8	3
						139.9	2
						- 1.0	2
					99.3	165.1	2
	46.2					46.2	3
515.3	115.7					648.9	
		2.6		6.9		9.5	
			132.3			132.3	
	12,373.2					12,754.0	

Measurement categories and classes: € million	Measurement category in acc. with IAS 39	Carrying amounts Dec. 31., 2014
Assets		
Cash and cash equivalents		
Cash on hand and deposits at banking institutions	LaR	714.8
Commercial Papers	LaR	450.0
Money Market funds	AfS	400.0
Trade and other receivables		
Receivables from the sale of properties	LaR	49.8
Receivables from property letting	LaR	14.6
Receivables from other management	LaR	0.7
Financial assets		
Loans to other investments	LaR	33.6
Other long-term loans	LaR	4.4
Dividends from other investments	LaR	2.0
Long-term securities	AfS	2.9
Other investments	AfS	1.7
Derivative financial assets		
Cash flow hedges (cross currency swaps)	n.a.	50.6
Liabilities		
Trade and other payables		
Liabilities from property letting	FLAC	25.1
Liabilities from other goods and services	FLAC	27.4
Non-derivative financial liabilities		
Liabilities to banks	FLAC	2,477.3
Liabilities to other lenders	FLAC	4,131.5
Deferred interest from other non-derivative financial liabilities	FLAC	56.0
Derivative financial liabilities		
Purchase price liabilities from put options	FLHfT	21.7
Cash flow hedges (cross currency swaps)	n.a.	-
Cash flow hedges (interest rate swaps)	n.a.	54.5
Deferred interest from cash flow hedges	n.a.	0.3
Liabilities from finance leases	n.a.	92.5
Liabilities to non-controlling interests	FLAC	53.7
thereof aggregated by measurement categories in accordance with IAS 39:		
Loans and receivables	LaR	1,269.9
Available-for-sale financial assets	AfS	404.6
Financial liabilities held-for-trading	FLHfT	21.7
Financial liabilities measured at amortised cost	FLAC	6,771.0
Financial assets and financial liabilities not covered by IAS 39		
Employee benefits in accordance with IAS 19		
Gross presentation: right to reimbursement corresponding to indirect obligation arising from transferred pension obligations		8.3
Amount by which the fair value of plan assets exceeds the corresponding obligation		0.7
Provisions for pensions and similar obligations		360.9

	Amounts recognised in balance sheet according to IAS 39							
	Face value	Amortised cost	Acquisition cost	Fair value affecting net income	Fair value recognised in equity	Amounts recognised in balance sheet in acc. with IAS 17	Fair value Dec. 31, 2014	Fair value hierarchy level
	714.8						714.8	1
		450.0					450.0	2
		400.0					400.0	2
		49.8					49.8	2
		14.6					14.6	2
		0.7					0.7	2
		33.6					55.3	2
		4.4					4.4	2
		2.0					2.0	2
					2.9		2.9	1
			1.7				1.7	n.a.
							50.6	2
		25.1					25.1	2
		27.4					27.4	2
		2,477.3					2,735.2	2
		4,131.5					4,446.0	2
		56.0					56.0	2
				21.7			21.7	3
							–	2
							54.5	2
							0.3	2
						92.5	162.8	2
		53.7					53.7	3
	714.8	555.1					1,291.6	
		400.0	1.7		2.9		404.6	
				21.7			21.7	
		6,771.0					7,343.4	

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

€ million	Sep. 30, 2015	Level 1	Level 2	Level 3
Assets				
Investment properties	**23,018.2**			23,018.2
Available-for-sale financial assets				
Non-current securities	**6.9**	6.9		
Assets held for sale				
Investment properties (contract closed)	**84.4**		84.4	
Derivative financial assets				
Cashflow hedges (cross currency swaps)	**134.6**		134.6	
Embedded Derivatives	**8.5**		8.5	
Liabilities				
Derivative financial liabilities				
Purchase price liabilities from put options	**123.8**			123.8
Cashflow hedges (interest rate swaps)	**139.9**		139.9	

€ million	Dec. 31, 2014	Level 1	Level 2	Level 3
Assets				
Investment properties	**12,687.2**			12,687.2
Available-for-sale financial assets				
Non-current securities	**2.9**	2.9		
Assets held for sale				
Investment properties (contract closed)	**53.8**		53.8	
Liabilities				
Derivative financial liabilities				
Purchase price liabilities from put options	**21.7**			21.7
Cash flow hedges	**54.5**		54.5	

When inputs used to measure the fair value are categorised within different levels of the fair value hierarchy, the fair value measurement is categorised 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 at the end of that reporting period. No financial instruments were reclassified to different hierarchy levels taking into account the comparative period.

Vonovia measures its investment properties on the basis of the discounted cash flow (DCF) methodology (Level 3). The main measurement parameters and results can be found in note [14] Investment Properties.

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

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

For the measurement of interest rate swaps and cross currency swaps, cash flows are initially calculated and then discounted. In addition to the tenor-specific zero-rates, 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 EUR interest rate swaps. This credit risk is derived for major risks from rates observable on the capital markets and ranges of between 50 and 160 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 30 and 100 basis points was taken into account.

The optional derivative financial instruments (EUR interest rate caps) assumed as part of the GAGFAH integration were measured using accredited option pricing models.

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

The fair value of the purchase price obligations from put options granted to minority shareholders for the shares they hold is generally based on the going concern value of the company; if a contractually agreed minimum purchase price exceeds this amount, this purchase price is recognised (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 measurement parameters. It was stated at fair value using the Black Scholes model (Level 2). For the current price, the NAV per share of the GAGFAH S.A. subgroup was taken into consideration for the first time (Level 3 measurement 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 input factors which 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 NAV valuation and the uncertain term of the option. An increased level of volatility, a lower NAV valuation, a longer term and a lower interest rate reflect an increase in the value of the option, and vice versa.

The purchase agreement for the SÜDEWO Group includes a put option relating to a tender for the rest of the shares. This put option is part of the consideration to be transferred and is stated accordingly based on the anticipated-acquisition method. It is recognised at the present value of the exercise price.

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

€ million	Jan. 1	Change scope of consolidation	Change affecting net income	Change cash-effective	Sep. 30
2015					
Purchase price liabilities from put options	21.7	77.5	24.6	-	123.8

€ million	Jan. 1	Change scope of consolidation	Change affecting net income	Change cash-effective	Dec. 31
2014					
Purchase price liabilities from put options	7.4	18.6	3.9	-8.2	21.7

As at the date of first-time consolidation, the option with the co-investor J.P. Morgan Securities plc. had a fair value of € 12.1 million. As at the reporting date, the fair value has increased by € 21.5 million.

The put option granted within the scope of the acquisition of the SÜDEWO Group had a fair value of € 65.2 million.

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 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 EURO at the current exchange rate (Level 2).

As part of the acquisition of the GAGFAH Group, unused credit lines of € 64.0 million were assumed. These will be gradually reduced as of the respective interest payment dates. These relate to a liquidity line that currently totals € 45.6 million between Goldman Sachs Bank USA and GERMAN RESIDENTIAL FUNDING 2013-1 LIMITED, as well as a liquidity line that currently totals € 16.8 million between Bank of America N.A., London branch, and GERMAN RESIDENTIAL FUNDING 2013-2 LIMITED.

27 Financial risk management

Please refer to the notes to the consolidated financial statements as at December 31, 2014 for a detailed description of the interest risks, market risks and the liquidity risk.

Within the scope of the GAGFAH transaction, financing arrangements were assumed whose interest rate risks are largely hedged.

28 Cash flow hedges

At the reporting date, the nominal volume of the interest rate swaps included in cash flow hedging amounted to € 3,412.7 million (December 31, 2014: € 734.1 million). Interest rates vary between 0.683 % and 4.470 % with original swap periods of between three and ten years.

The nominal volume of the cross currency swaps is still € 739.8 million at the reporting date (December 31, 2014: € 739.8 million). The interest conditions are 2.970 % for four years and 4.580 % for ten years.

As part of the cash flow hedge accounting, non-current hedges were shown as at September 30, 2015 at their negative fair values totalling € 139.9 million (Dec. 31, 2014: € 54.5 million) under derivatives. This compared with non-current cross currency swaps with positive fair values totalling € 134.6 million (Dec. 31, 2014: € 50.6 million) shown under financial assets.

At the balance sheet date in principle all the cash flow hedges used by Vonovia are part of effective hedging as required by IAS 39.

29 Segment reporting

Vonovia is an integrated real estate company. Its policy focuses on sustainably increasing the value of the company. Vonovia steadily strives to grow its earnings through the value-enhancing management of its properties, through value-creating investments as well as through active portfolio management. The housing stocks are located exclusively in Germany.

The systematic focus on value is reflected in the company's internal management system. For this purpose, a distinction is made between the two segments, Rental and Sales.

The Rental segment pools all business activities for active management as well as investments in the residential properties.

Only ancillary costs that cannot be passed on to the tenants are included in the Rental segment. The other income from property management is offset against the operating costs within the Rental segment and is therefore not shown gross as sales. The maintenance shown includes the services of the Group's own craftsmen's organisation measured at the market price, among other things.

The Sales segment covers all business activities relating to the sale of single units (Privatise) as well as the sale of entire buildings or plots of land (Non-Core sales).

A group-wide planning and controlling system ensures that resources for both segments are efficiently allocated and their successful use is monitored.

Reporting to the chief decision-makers and thus the assessment of business performance as well as the allocation of resources are performed on the basis of this segmentation. Accordingly, segment reporting is presented in accordance with IFRS 8.22. No segmentation by region is performed. Assets and liabilities are not viewed separately by segment.

Unless otherwise indicated, internal reporting is generally based on the IFRS reporting standards.

The Management Board as chief decision-makers of the Vonovia assess the contribuition of the business segments to the company's performance on the basis of the revenues as well as the segment result. The segment result represents earnings before interest, taxes, depreciation and amortisation adjusted for items not related to the period, recurring irregularly and atypical for the business operation and excluding effects from revaluations in accordance with IAS 40 (adjusted EBITDA).

€ million	Rental	Sales	Other*	Group
Jan. 1 – Sep. 30, 2015				
Segment revenues	**1,019.4**	**315.6**	**472.2**	**1,807.2**
Carrying amount of properties sold		-288.9		
Revaluation from disposal of assets held for sale		25.0		
Maintenance expenses	-167.8			
Operating expenses	-151.8	-17.6	-472.2	
Adjusted EBITDA	**699.8**	**34.1**	**0.0**	**733.9**
Non-recurring items				-103.6
Period adjustments from assets held for sale				-0.6
EBITDA IFRS				**629.7**
Net income from fair value adjustments of investment properties				0.0
Depreciation and amortisation				-7.3
Income from other investments				-1.1
Financial income				3.5
Financial expenses				-300.2
EBT				**324.6**
Income taxes				-131.1
Profit for the period				**193.5**

* Income in the Rental and Sales segments display revenues which are reported on a regularly basis to the management board as chief operating decision-makers. The revenues in the column "Other" consist of ancillary costs which can be passed on to tenants in the amount of € 450.9 million and other income from property management in the amount of € 21.3 million. These are not part of the regularly reporting to the management board and will therefore be disclosed in the column "other". Nevertheless the cost side is part of the reporting to the management board to ensure an efficient management.

€ million	Rental	Sales	Other*	Group
Jan. 1 – Sep. 30, 2014				
Segment revenues	**572.7**	**213.0**	**264.0**	**1,049.7**
Carrying amount of properties sold		-180.6		
Revaluation from disposal of assets held for sale		18.8		
Maintenance expenses	-106.4			
Operating expenses	-101.8	-15.5	-264.0	
Adjusted EBITDA	**364.5**	**35.7**	**0.0**	**400.2**
Non-recurring items				-40.5
Period adjustments from assets held for sale				-2.3
EBITDA IFRS				**357.4**
Net income from fair value adjustments of investment properties				26.9
Depreciation and amortisation				-5.1
Income from other investments				-0.9
Financial income				4.2
Financial expenses				-206.7
EBT				**175.8**
Income taxes				-53.8
Profit for the period				**122.0**

* Income in the Rental and Sales segments display revenues which are reported on a regularly basis to the management board as chief operating decision–makers. The revenues in the column "Other" consist of ancillary costs which can be passed on to tenants in the amount of € 250.8 million and other income from property management in the amount of € 13.2 million. These are not part of the regularly reporting to the management board and will therefore be disclosed in the column "other". Nevertheless the cost side is part of the reporting to the management board to ensure an efficient management.

€ million	Rental	Sales	Other*	Group
Jul. 1 – Sep. 30, 2015				
Segment revenues	**391.4**	**94.2**	**172.4**	**658.0**
Carrying amount of properties sold		-84.1		
Revaluation from disposal of assets held for sale		10.0		
Maintenance expenses	-60.7			
Operating expenses	-57.5	-5.5	-172.4	
EBITDA (adjusted)	**273.2**	**14.6**	**0.0**	**287.8**
Non-recurring items				-43.4
Period adjustments from assets held for sale				-0.8
EBITDA IFRS				**243.6**
Net income from fair value adjustments of investment properties				0.0
Depreciation and amortisation				-2.5
Income from other investments				-0.1
Financial income				0.8
Financial expenses				-61.4
EBT				**180.4**
Income taxes				-71.8
Profit for the period				**108.6**

* Income in the Rental and Sales segments display revenues which are reported on a regularly basis to the management board as chief operating decision-makers. The revenues in the column "Other" consist of ancillary costs which can be passed on to tenants in the amount of € 165.1 million and other income from property management in the amount of € 7.3 million. These are not part of the regularly reporting to the management board and will therefore be disclosed in the column "other". Nevertheless the cost side is part of the reporting to the management board to ensure an efficient management.

€ million	Rental	Sales	Other*	Group
Jul. 1 – Sep. 30, 2014				
Segment revenues	**196.0**	**74.1**	**89.4**	**359.2**
Carrying amount of properties sold		-59.7		
Revaluation from disposal of assets held for sale		5.6		
Maintenance expenses	-37.3			
Operating expenses	-30.2	-6.7	-89.4	
EBITDA (adjusted)	**128.5**	**13.3**	**0.0**	**141.8**
Non-recurring items				-9.8
Period adjustments from assets held for sale				-0.4
EBITDA IFRS				**131.6**
Net income from fair value adjustments of investment properties				6.1
Depreciation and amortisation				-1.7
Income from other investments				-0.5
Financial income				1.4
Financial expenses				-61.7
EBT				**75.2**
Income taxes				-23.2
Profit for the period				**52.0**

* Income in the Rental and Sales segments display revenues which are reported on a regularly basis to the management board as chief operating decision–makers. The revenues in the column “Other” consist of ancillary costs which can be passed on to tenants in the amount of € 85.2 million and other income from property management in the amount of € 4.2 million. These are not part of the regularly reporting to the management board and will therefore be disclosed in the column “other”. Nevertheless the cost side is part of the reporting to the management board to ensure an efficient management.

30 Contingent liabilities

The property transfer obligations decreased by € 1.0 million from € 1.7 million as at December 31, 2014 to € 0.7 million. A detailed description of contingent liabilities can be found in the consolidated financial statements as at December 31, 2014.

31 Share-based payments for executives

The Long-Term Incentive Plan (LTIP or Pre-IPO LTIP) that was in place prior to the IPO in 2013 was unwound at the time of the IPO and replaced by a new LTIP (LTIP 2013). As a result of the departure of Monterey Holdings S.à r.l. (MHI) as a majority shareholder in 2014, key criteria of this LTIP were met, meaning that it once again had to be replaced by a new LTIP 2015.

With effect from January 1, 2015, the Supervisory Board passed a resolution on a new virtual share programme (share-based payment plan) (LTIP 2015) for the Management Board members of Vonovia, which was confirmed by the Annual General Meeting held on April 30, 2015. This programme constitutes a long-term variable remuneration instrument to encourage the executives to participate in the company’s long-term development. This means that, on January 1, the Management Board members are granted a fixed number of phantom stocks (Performance Share Units or "PSU"), which are paid out at the end of a four-year performance period based on the extent to which a pre-defined target achievement level has been reached. The payout amount is limited to 250 % of the original award amount. As a result, this LTIP 2015 constitutes a form of cash-settled share-based remuneration pursuant to IFRS 2; in turn, the payout claim can be lost entirely if the defined target achievement level has not been reached.

The level of target achievement that determines the payout amount under the LTIP 2015 is calculated based on the following parameters: Relative Total Shareholder Return (RTSR), Performance of NAV per Share, Performance of FFO I per Share and the Customer Satisfaction Index (CSI), which are all assigned an equal weighting of 25 %.

The long-term incentive system for the first management level directly below the Management Board is closely linked to the provisions that apply to the Management Board (New Management LTIP 2015). In addition, there are also the predecessor incentive systems for selected managers at management level I.

In accordance with IFRS 2, the LTIP 2015 programme has resulted in total expenses of € 1.5 million as at September 30, 2015.

As part of the acquisition of GAGFAH, share-based remuneration programmes for GAGFAH-managers were assumed. These are remuneration plans featuring cash compensation. The virtual stocks are granted over a period of three consecutive years, with one tranche being granted per year. The conditions for exercise are the corresponding target achievement level and an uninterrupted length of service in each vesting period. In accordance with IFRS 2, the LTIP 2015 programme has resulted in total expenses of € 0.4 million as at September 30, 2015.

All in all, the consolidated financial statements as at September 30, 2015 include obligations arising from share-based remuneration in the amount of € 13.7 million.

32 Events after the balance-sheet date

Public takeover offer to the shareholders of Deutsche Wohnen AG

On October 14, 2015, the Management Board of Vonovia SE has, pursuant to Section 10(1)(3), sentence 1 of the German Securities and Takeover Act (WpÜG), provided notice of its decision to make a voluntary takeover offer under WpÜG to the shareholders of Deutsche Wohnen AG, headquartered in Frankfurt am Main, to purchase all of their shares in Deutsche Wohnen AG. This offer is to be made as a combined cash and exchange offer under certain circumstances.

The shareholders of Deutsche Wohnen AG will be offered a mixed cash and non-cash consideration for the shares submitted for exchange, i.e. a combination of a cash payment and new shares in Vonovia SE. In exchange for eleven no-par-value bearer shares in Deutsche Wohnen AG with a notional share of the share capital of € 1.00 per share, the shareholders of Deutsche Wohnen AG will be offered seven new no-par-value registered shares in Vonovia SE with a notional share of the subscribed capital of € 1.00 per share plus an additional cash payment of € 83.14 as part of a combined cash/exchange offer.

The new Vonovia shares to be provided within the scope of the share component are to be created through a capital increase in return for a non-cash contribution (in the form of a so-called "mixed non-cash contribution"). The subscription right of the shareholders of Vonovia SE is excluded for this non-cash capital increase. Subject to the following restrictions, the Deutsche Wohnen shares for which the combined cash/exchange offer has been accepted are to be contributed to Vonovia SE through a capital increase in return for a non-cash contribution.

The shareholders of Vonovia SE are invited to provide their consent to this capital increase at the extraordinary general shareholders' meeting to be held at 10 a.m. (CET) on Monday, November 30, 2015 at CASTELLO Düsseldorf, Karl-Hohmann-Str. 1, 40599 Düsseldorf (reference is hereby made to the invitation to the extraordinary general shareholders' meeting).

Hedging the future interest rate risk resulting from the assumed GAGFAH-CMBS financing arrangements

In early October, Vonovia Finance B.V. hedged the existing interest rate risks for the assumed GAGFAH-CMBS financing arrangements by entering into substantial interest-rate hedging transactions. The hedged nominal volume of the transaction initially amounts to € 2.7 billion. Through the interest-rate hedging transactions which it has entered into, Vonovia has already secured in advance more than 85 % of the financing synergies envisaged through its takeover of GAGFAH and has reduced its future average financing costs.

Düsseldorf, October 28, 2015

Rolf Buch
(CEO)

Thomas Zinnöcker
(CRO)

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 of the Vonovia SE - comprising Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and Notes to the condensed interim consolidated financial statements - together with the interim group management report of the Vonovia SE, for the period from January 1 to September 30, 2015, that are part of the semi annual financial report according to § 37x Abs. 3 WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Essen, October 30, 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Hain	Salzmann
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Glossary

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortisation)
Adjusted EBITDA is the result before interest, taxes, depreciation and amortisation (including income from other investments) adjusted for special effects which 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 business areas and business processes, acquisition projects, expenses for refinancing and equity increases (where not treated as capital procurement costs), IPO preparation costs and expenses for pre-retirement part-time work arrangements and severance payments.

Adjusted EBITDA Rental
The adjusted EBITDA Rental is calculated by deducting property management costs and maintenance expenses 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.

Adjusted NAV
The adjusted NAV is equal to the EPRA NAV less goodwill.

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).

CMBS (commercial mortgage-backed securities)
Securities backed by mortgages. The properties used as collateral are commercial.

Core/Non-Core properties
Properties which are assigned to the company's Core or Non-Core real estate portfolios. Non-Core properties are less attractive management propositions because they are at odds with our processes or due to their characteristics or location. Furthermore, significant numbers of these properties have below-average growth potential and will be sold in the medium term in line with the corporate strategy. Core properties are our properties in the Rental Only and Privatise portfolios.

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 neighbourhood, customer service, commercial and technical support as well as maintenance and modernisation management.

EPRA (European Public Real Estate Association)
Organisation located in Brussels which represents the interests of the large European property companies in the public view and supports the development and market presence of the European publicly listed real estate companies.

EPRA NAV
EPRA NAV is used as an indicator of Vonovia's long-term equity and is calculated based on the equity of Vonovia's shareholders ("EPRA NNNAV") excluding the fair value of derivative financial instruments (net) and deferred taxes on investment properties, properties held for sale and derivative financial instruments.

EPRA vacancy rate
The EPRA vacancy rate shows the rental income on vacant properties that would be expected based on market rent values in relation to the rental income on the residential property portfolio, based on market rent values.

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 residential unit and its current market value in relation to its fair value. It shows the percentage increase in value for the company on the sale of a residential unit before further costs to sell.

FFO (funds from operations)
FFO reflects the recurring earnings from the operating business. In addition to adjusted EBITDA, FFO allows for recurring cash-effective net interest expenses from non-derivative financial instruments as well as income taxes. This metric 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/FFO2/AFFO
Vonovia differentiates between
FFO 1: The profit or loss for the period adjusted to reflect the adjusted profit or loss from sales, the effects from property held for sale, special effects which do not relate to the period, are non-recurring or do not relate to the object of the company, one-off/special effects, the net income from fair value adjustments of investment properties, depreciation and amortisation, 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 is adjusted to reflect maintenance expenses.

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

In order to calculate FFO 2, the adjusted EBITDA Sales is added to FFO 1 for the periods in question.

LTV ratio (loan-to-value ratio)
The LTV ratio refers to the coverage ratio of financial liabilities. It shows the ratio of non-derivative financial liabilities pursuant to IFRS, less cash and cash equivalents, to the total fair values of the investment properties, trading properties, properties used by the company itself and assets held for sale.

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

Modernisation measures
Modernisation 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. façade insulation, insulation of the top storey ceilings and cellar ceilings. In addition to modernisation 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 m² and is the current gross rental income per month for rented residential 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 residential units. The in-place rent is often referred to as the net cold rent. The monthly in-place rent (in € per m²) like-for-like 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 like-for-like.

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 residential units as agreed in the corresponding rent agreements before the deduction of non-transferable ancillary costs.

TERP
The TERP (theoretical ex-rights price) is the assumed share price following the issue of recent shares after a capital increase. The TERP is calculated by determining the arithmetic mean of the prices of new and old shares and dividing this by the total number of new and old shares.

$$\text{TERP} = \frac{\text{Number of old shares * share price + number of new shares * subscription price}}{\text{Number of old shares + number of new shares}}$$

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

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Financial Calendar

2015

April 30, 2015	Annual General Meeting in Düsseldorf
June 1, 2015	Interim report Q1 2015
August 19, 2015	Interim report H1 2015
June 3, 2015	Interim report Q3 2015
November 30, 2015	Extraordinary Shareholders' Meeting in Düsseldorf

2016

March 3, 2016	Publication of 2015 Annual Report
May 12, 2016	Annual General Meeting in Düsseldorf
May 12, 2016	Interim report Q1 2016
August 2, 2016	Interim report H1 2016
November 3, 2016	Interim report Q3 2016

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 projections 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 2014 Annual Report. We do not assume any obligation to update the forward-looking statements contained in this report. This financial report does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security of Vonovia SE.

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