

Key Figures

Key Financial Figures in € million

	3M 2017	3M 2016	Change in %	12M 2016
Rental income	417.2	392.0	6.4	1,538.1
Adjusted EBITDA Operations	300.1	276.1	8.7	1,094.0
Adjusted EBITDA Rental	285.6	269.0	6.2	1,046.2
Adjusted EBITDA Extension	19.8	7.6	160.5	57.0
Adjusted EBITDA Other	-5.3	-0.5	960.0	-9.2
Income from disposal of properties	492.2	690.5	-28.7	1,227.9
Adjusted EBITDA Sales	19.1	35.0	-45.4	92.5
Adjusted EBITDA	319.2	311.1	2.6	1,186.5
EBITDA IFRS	303.8	257.7	17.9	1,083.7
FFO 1	218.2	186.3	17.1	760.8
thereof attributable to Vonovia shareholders	206.2	173.3	19.0	713.4
thereof attributable to Vonovia hybrid capital investors	10.0	10.0	-	40.0
thereof attributable to non-controlling interests	2.0	3.0	-33.3	7.4
FFO 2	226.3	195.1	16.0	823.8
AFFO	204.6	171.7	19.2	689.2
FFO 1 per share in €	0.47	0.40	17.5	1.63
Income from fair value adjustments of investment properties	-	-	-	3,236.1
EBT	213.7	122.0	75.2	3,859.8
Profit for the period	130.7	79.2	65.0	2,512.9
Cash flow from operating activities	241.9	227.5	6.3	828.9
Cash flow from investing activities	-773.2	258.0	-	416.4
Cash flow from financing activities	-1.6	-447.2	-99.6	-2,812.4
Maintenance and modernization	191.4	125.4	52.6	792.4
thereof for maintenance expenses and capitalized maintenance	77.2	73.5	5.0	320.1
thereof for modernization (incl. new construction)	114.2	51.9	120.0	472.3

Key Balance Sheet Figures in € million

	Mar. 31, 2017	Mar. 31, 2016	Change in %	Dec. 31, 2016
Fair value of the real estate portfolio	29,607.6	23,814.4	24.3	27,115.6
Adjusted NAV	14,616.8	11,331.6	29.0	14,328.2
Adjusted NAV per share in €	31.18	24.32	28.2	30.75
LTV in %	44.4	45.8	-1.4 pp	41.6

Non-Financial Key Figures

	3M 2017	3M 2016	Change in %	12M 2016
Number of units managed	421,199	398,331	5.7	392,350
thereof own apartments	355,525	343,967	3.4	333,381
thereof apartments owned by others	65,674	54,364	20.8	58,969
Number of units bought	23,745	2,417	882.4	2,815
Number of units sold	1,692	15,551	-89.1	26,631
thereof Privatize	535	890	-39.9	2,701
thereof Non-Core	1,157	14,661	-92.1	23,930
Vacancy rate in %	2.7	2.8	-0.1 pp	2.4
Monthly in-place rent in €/m ²	6.06	5.84	3.8	6.02
Organic rent increase in %	3.4	2.9	0.5 pp	3.3
Number of employees (as at Mar. 31/Dec. 31)	8,114	6,683	21.4	7,437

EPRA Key Figures in € million

	Mar. 31, 2017	Mar. 31, 2016	Change in %	Dec. 31, 2016
EPRA NAV	17,548.6	14,048.2	24.9	17,047.1
EPRA NAV per share in €	37.43	30.15	24.1	36.58

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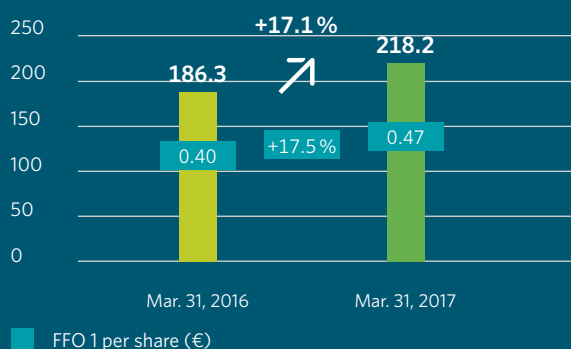
Overview

A very successful start to the 2017 fiscal year reaffirmed Vonovia's corporate strategy. The takeover and integration of conwert led to a further expansion of our real estate portfolio and a further rise in the value of the company. Strong organic rent growth of 3.4 % and the first-time inclusion of conwert enabled us to increase our operating result further. This performance is reflected in the year-over-year rise of 17.1 % in the FFO 1.

Increase in Sustained Earnings

FFO 1

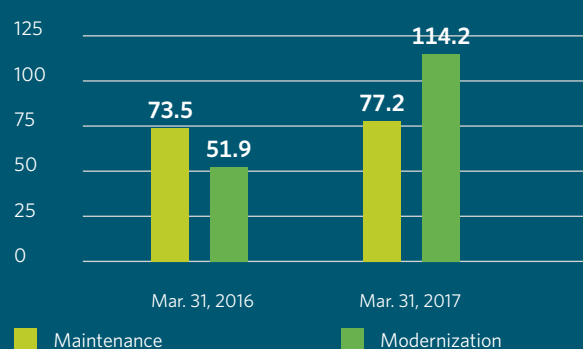
in € million



Sharp Rise in Modernization Investments

Investments

in € million

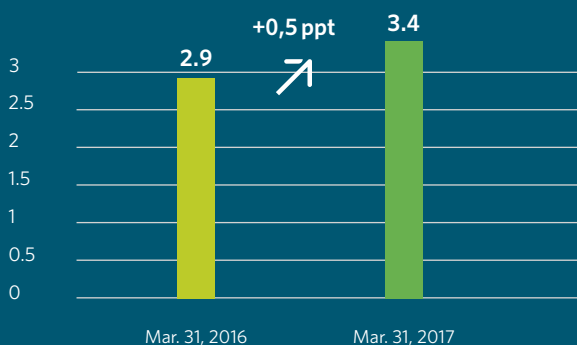


Our planned investment drive to modernize and expand our housing stock was successfully launched in the first quarter of 2017. This further substantiates our position of maintaining our own craftsmen's organization. The positive developments at the start of the year have enabled us to raise our FFO 1 forecast for 2017 to € 900–920 million.

Organic Rent Growth

Organic Increase in Rent

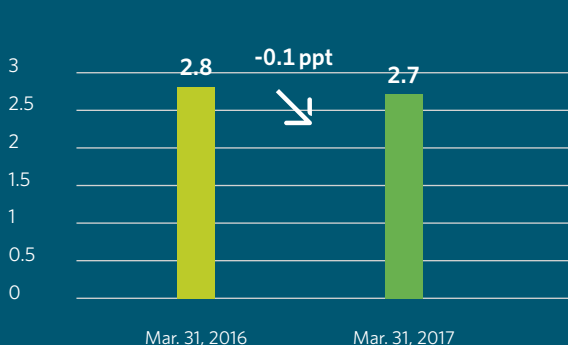
in %



Further Reduction in Vacancies

Vacancy Rate

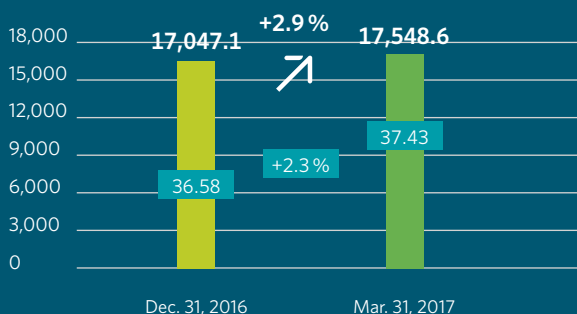
in %



Net Assets Increase due to Profit for the Period and Inclusion of convert

EPRA NAV

in € million

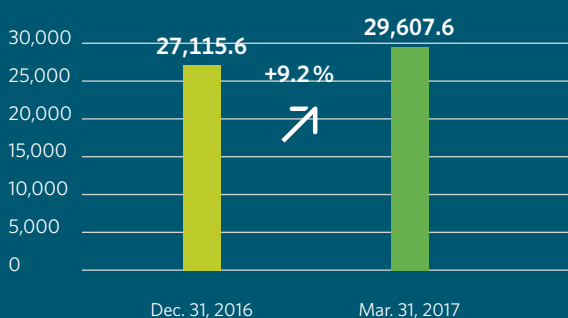


■ EPRA NAV per share (€)

Growth in Property Assets following Inclusion of convert

Fair Value of Real Estate Portfolio

in € million



Vonovia SE on the Capital Market

The Vonovia Share

The attractive risk/return profile offered by housing companies listed on the German stock market in general and the positive business development at Vonovia in particular resulted in sustained demand for shares in Vonovia in the first quarter of 2017. In the first three months of 2017, Vonovia's share price rose by 6.9% as against the closing price seen on December 31, 2016,

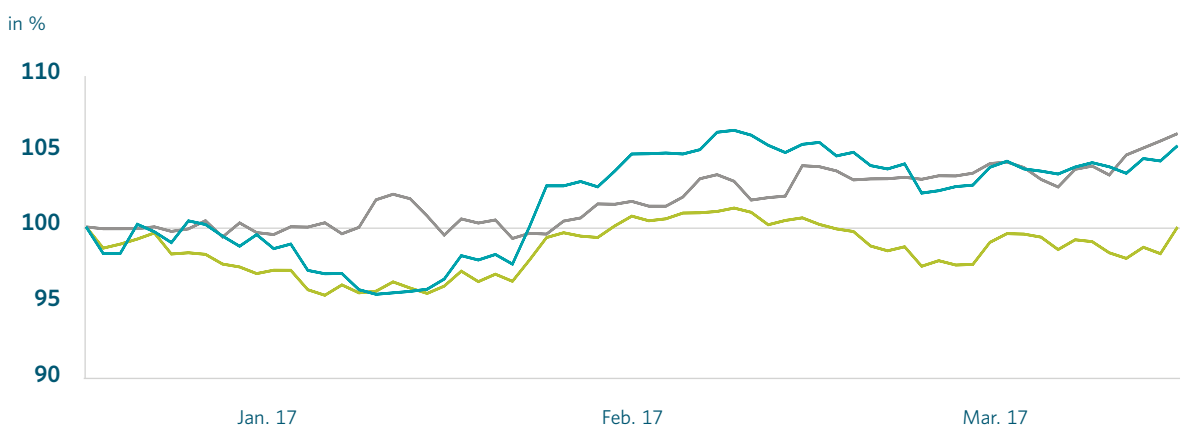
to € 33.03. The DAX showed similarly strong development during the same period, climbing by 7.25% to 12,312.87 points. By contrast, the EPRA Europe rose by only 0.5% to 1,711.95 points.

Vonovia's market capitalization amounted to around € 15.5 billion as of March 31, 2017.

Share Price Performance in the First Three Months of 2017

■ Vonovia SE ■ DAX ■ EPRA December 31, 2016 to March 31, 2017

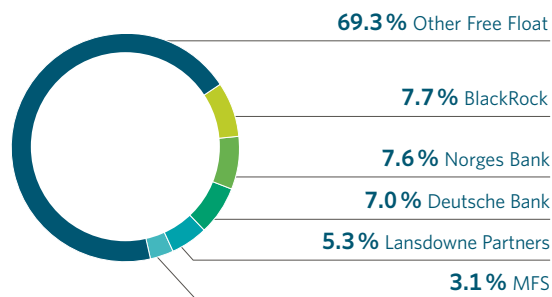
Source: FactSet



Shareholder Structure

Free Float and Breakdown of Major Shareholders

(as of March 31, 2017)



Based on the German stock exchange's definition of free float, only the interest held by Norges Bank (Norwegian Ministry of Finance) does not count towards the free float. This means that 92.4 % of Vonovia's shares were in free float on March 31, 2017.

In line with Vonovia's long-term strategic focus, the majority of its investors have a similarly long-term focus. The company's investors include pension funds, sovereign wealth funds and international asset managers in particular. There is also a large number of individual shareholders, although they only represent a small proportion of the total capital.

Investor Relations Activities

In the first quarter of 2017, communication with investors focused on the following issues, in particular: property valuation, the investment program, innovative property management, the immunity of Vonovia SE's business model to macroeconomic fluctuations, the importance of acquisitions and organic growth, and the takeover of conwert.

In order to provide information to interested members of the financial community, the Investor Relations team once again organized and carried out numerous property tours for interested investors and analysts on location with colleagues from the operational areas of the company.

We will continue to communicate openly with the capital market as this year progresses. Various roadshows and conferences, as well as our Capital Markets Day, have already been planned. Information can be found in the Financial Calendar on our Investor Relations website. <http://investors.vonovia.de>

Analyst Assessments

As of March 31, 2017, 30 national and international analysts were publishing studies on Vonovia. The average target share price was € 36.10, with 55 % of analysts issuing a "buy" recommendation and 38 % issuing a "hold" recommendation. Only 7 % issued a "sell" recommendation for Vonovia's shares.

As part of the conwert takeover offer, 93.09 % of the shares were tendered for exchange. 87.57 % of conwert's shareholders accepted the cash exchange offer, with 5.52 % accepting the stock exchange offer.

Development of the Economic Environment

German Economic Upswing Gaining Breadth

According to the Kiel Institute for the World Economy (IfW), the German economy made another strong start to the year with a great deal of momentum in 2017. Based on the current data, the slowdown that had started to emerge in the middle of last year is no longer visible. According to the German Federal Ministry of Economic Affairs and Energy (BMWi), production in the manufacturing sector was increased considerably at the start of the year. The order situation also remains positive. Despite a slight dip in construction activity at the turn of the year, the overall conditions point towards a sustained dynamic construction sector. The upswing also continued in other areas of the economy, particularly in the majority of service sectors, meaning that economic output was up by 0.6% in the first quarter of this year after expanding by 0.4% in the closing quarter of last year. What is more, the ifo business climate index is currently showing the most positive value seen since July 2011. Nevertheless, the geopolitical risks remain relatively high. In particular, the conflicts in the Middle East and the associated tension within Europe in matters relating to refugee policy could have an impact on the economic climate. Aside from this, major eurozone economies are facing upcoming elections that could potentially have a significant impact on overall economic development. The monetary policy pursued by the European Central Bank (ECB) remains extremely expansive, with key interest rates still sitting at an all-time low of 0.0%.

The labor market remains on a positive trajectory: according to the Federal Statistical Office (Statistisches Bundesamt), the number of people in work in February 2017 was up by 608,000 year-on-year. The German Federal Employment Agency (Bundesagentur für Arbeit) published an unemployment rate of 6.0% for March 2017. This is down by 0.5 percentage points compared with the previous year.

Consumer price performance has been picking up again ever so slightly since the end of last year. In January 2017, the rate of inflation – based on the consumer price index – came to 1.9%, with the trend continuously being shaped by price developments in the energy sector.

Continued Rise in Quoted Rents and Quoted Prices in Germany

Quoted rents in Germany remained on an upward trend at the beginning of 2017. According to IMX, the price index of the real estate portal ImmobilienScout24, rents rose by 0.4 percentage points between December 2016 and January 2017 and by 0.5 percentage points between January 2017 and February 2017. The increase in the quoted prices for owner-occupied apartments was once again much more pronounced than the increase in rents. According to IMX, the prices for existing owner-occupied apartments increased by 1.8 percentage points month-on-month in January and 1.9 percentage points in February. The price index for newly built apartments rose by 1.6 percentage points and 1.1 percentage points during the

same periods. This means that, looking at Germany as a whole, there are no signs of the market potentially settling down, as had been previously discussed.

According to ImmobilienScout24, price developments for newly built owner-occupied apartments slowed in the course of last year in certain major cities. This indicates that price growth is reaching its limits in some cases. According to Deutsche Bundesbank, the increasing supply growth in 2016 is not sufficient to restrict the price pressure created by the sustained high demand for living space. Deutsche Bundesbank believes that the price of residential property ownership in cities is likely to have moved even further away from the level based on economic and demographic factors. The experts believe that only part of the additional momentum can be explained by the further reduction in financing costs. F+B Forschung und Beratung für Wohnen, Immobilien und Umwelt GmbH reports that the prices of apartments offered on real estate portals have been developing in line with the increase in new contract rents for some time now.

German Residential Investment Market Makes a Strong Start to 2017

In the first quarter of 2017, residential building bundles and residential developments of 50 units or more accounted for a total transaction volume of around € 3.2 billion on the German residential investment market, according to the real estate consultancy firm CBRE. This puts the transaction volume up by around 30 % on the same quarter of last year. The sustained high market activity on the German residential investment market is being driven by highly liquid fixed assets. The transaction volume is, however, limited by the sustained lack of supply. According to CBRE, investors are focusing increasingly on project developments. CBRE expects purchase prices and rents to continue to rise as the year progresses. This will be reflected in continued yield compression in top locations in Germany. A transaction volume of well in excess of € 10 billion may be realistic in 2017.

Demand for Living Space in Major German Cities Remains High

The demand for living space in Germany's major cities remains high. According to a recent expert opinion published by the Cologne Institute for Economic Research (IW), this is due to strong immigration from abroad and other parts of Germany. German cities are not, however, managing to create enough additional living space to meet the demand. Compared with the required construction level, only around 53 % of the apartments required were built between 2011 and 2015 looking at the nationwide average. The rate was often as low as 30 % in the country's major cities. According to the Cologne Institute for Economic Research, this has resulted in rising prices and rents and in a wave of migration to neighboring areas.

Business Development in the First Quarter of 2017

Group Makes a Good Start to the Fiscal Year

Vonovia got off to a very successful start to the 2017 fiscal year. The takeover of convert Immobilien Invest SE allowed us to expand our own residential portfolio to 355,525 units at the end of the quarter. We also continued to pursue our corporate strategy in the course of the quarter. In the Rental segment, this relates, in particular, to the further expansion of our modernization measures and the ramping up of our

new construction measures. In the Extension segment, we continued to further expand our housing-related services while in the Sales segment, we forged ahead with our strategy of selective sales.

Our positive business development is reflected in the development of our key performance indicators.

The following key figures provide an overview of the development in FFO 1 and other value drivers in the first quarter of 2017:

in € million	3M 2017	3M 2016	Change in %	12M 2016
Rental income	417.2	392.0	6.4	1,538.1
Maintenance expenses	-63.1	-58.6	7.7	-247.4
Operating expenses	-68.5	-64.4	6.4	-244.5
Adjusted EBITDA Rental	285.6	269.0	6.2	1,046.2
Extension income	215.8	138.7	55.6	851.2
thereof external income	51.4	27.2	89.0	108.1
thereof internal income	164.4	111.5	47.4	743.1
Operating expenses	-196.0	-131.1	49.5	-794.2
Adjusted EBITDA Extension	19.8	7.6	160.5	57.0
Adjusted EBITDA Other	-5.3	-0.5	960.0	-9.2
Adjusted EBITDA Operations	300.1	276.1	8.7	1,094.0
FFO interest expense	-76.8	-86.0	-10.7	-322.7
FFO 1 current income taxes	-5.1	-3.8	34.2	-10.5
FFO 1	218.2	186.3	17.1	760.8

In the reporting period, we were able to increase our primary key figure for the sustained earnings power of our core business, **FFO 1**, by € 31.9 million or 17.1% compared with the first quarter of 2016 to € 218.2 million. This trend was fueled primarily by the positive development in adjusted EBITDA Operations, which increased by 8.7% from € 276.1 million in the first quarter of 2016 to € 300.1 million in the first quarter of 2017. Positive growth was witnessed in both the Rental and Extension segments.

In the **Rental segment**, our apartments had virtually full occupancy at the end of the first quarter of 2017. The apartment vacancy rate of 2.7% was down slightly on the value of 2.8% seen in the first quarter of 2016 and is now due predominantly to construction measures as part of our extensive investment program. Rental income increased by 6.4% from € 392.0 million in the first quarter of 2016 to € 417.2 million due to acquisitions. At € 6.06/m², the average monthly in-place rent at the end of the first quarter of 2017 was up 3.8% on the previous year's figure of € 5.84/m² at the end of the first quarter of 2016. This increase comprises a market-based increase in rent of 1.6%, a further increase in rent of 1.8% resulting from property value improvements, new construction measures and the addition of extra stories and, finally, a rent increase of 0.4% per square meter due to portfolio optimization measures as a result of sales. This means that organic rent growth, i.e. the increase in the like-for-like rent based on constant total square meters, plus increases in rent associated with the creation of new square meters in our properties, comes to 3.4% on the whole.

In the first quarter of 2017, we increased our modernization and maintenance measures to a volume of € 191.4 million (3M 2016: € 125.4 million). Modernization efforts increased significantly from € 51.9 million in the first quarter of 2016 to € 114.2 million in the first quarter of 2017.

Operating expenses in the Rental segment were up by 6.4% on the figures for the first quarter of 2016 to € 68.5 million due to acquisitions. All in all, adjusted EBITDA Rental increased by 6.2% from € 269.0 million in the first quarter of 2016 to € 285.6 million in the first quarter of 2017.

We were able to further boost our earnings power and, in particular, significantly improve the output of our craftsmen's organization in the **Extension segment**, too. This will allow us to successfully implement our investment program in the 2017 fiscal year, helping us to continue to improve our portfolio considerably in the 2017 fiscal year. In addition, we continued to expand our business activities in the areas of condominium administration, the provision of cable television to our tenants, metering services and insurance and residential environment services in the first quarter of 2017. Total income from our Extension activities increased by 55.6% from € 138.7 million in the first quarter of 2016 to € 215.8 million in the first quarter of 2017. The adjusted EBITDA Extension improved considerably from € 7.6 million in the first quarter of 2016 to € 19.8 million in the first quarter of 2017.

The EBITDA margin of the core business, calculated based on the adjusted EBITDA Operations in relation to rental income within the Group, once again showed positive development in the reporting period. It increased from 70.3% in the first quarter of 2016 to 71.8% in the first quarter of 2017.

Due to refinancing and lower interest rates, FFO interest expense came to € 76.8 million in the first quarter of 2017, down by 10.7% on the value for the first quarter of 2016 of € 86.0 million.

We successfully continued our selective sales strategy in the **Sales segment**. The segment covers all business activities relating to the sale of single residential units (Privatize) and the sale of entire buildings or land (Non-Core/Non-Strategic). A total of 1,692 apartments were sold in the first quarter of 2017 (3M 2016: 15,551). 535 of these apartments were attributable to privatization (3M 2016: 890) and 1,157 to Non-Core/Non-Strategic (3M 2016: 14,661).

In the reporting period, adjusted EBITDA Sales came to € 19.1 million, down considerably on the value of € 35.0 million seen in the first three months of 2016. Sales in the previous year had been shaped considerably by the block sale of 13,570 units to LEG. The fair value step-up for privatization came to 31.1% in the first quarter of 2017, up slightly on the value of 30.9% seen in the first quarter of 2016 despite increases in value at the end of 2016. By contrast, the Non-Core/Non-Strategic fair value step-up came to 2.3% in the first quarter of 2017, which is slightly lower than the value of 3.8% seen in the first quarter of 2016.

in € million	3M 2017	3M 2016	Change in %	12M 2016
Income from disposal of properties	492.2	690.5	-28.7	1,227.9
Fair value of properties sold adjusted to reflect effects not relating to the period from assets held for sale	-465.8	-650.7	-28.4	-1,107.7
Adjusted profit from disposal of properties	26.4	39.8	-33.7	120.2
thereof Privatize	17.1	17.4	-1.7	71.1
thereof Non-Core/Non-Strategic	9.3	22.4	-58.5	49.1
Selling costs	-7.3	-4.8	52.1	-27.7
Adjusted EBITDA Sales	19.1	35.0	-45.4	92.5

The **non-recurring items** eliminated in the adjusted EBITDA as a whole came to € 13.9 million in the 2017 reporting period, much lower than the value of

€ 26.7 million seen in the first quarter of 2016, which is due primarily to lower acquisition and integration costs.

in € million	3M 2017	3M 2016	Change in %	12M 2016
Business model optimization/development of new fields of business	5.5	3.8	44.7	19.5
Acquisition costs incl. integration costs*	4.0	14.7	-72.8	48.3
Refinancing and equity measures	0.9	0.7	28.6	3.2
Severance payments/pre-retirement part-time work arrangements	3.5	7.5	-53.3	23.5
Total non-recurring items	13.9	26.7	-47.9	94.5

* Including takeover costs and one-time expenses in connection with acquisitions, such as HR measures relating to the integration process. Figures for the previous year shown in line with the current reporting structure for 2017

The financial result in the first quarter of 2017 came to € -83.0 million, which is a considerable improvement on the comparable figure for the first quarter of 2016 of € -131.4 million. This is due primarily to the repayment of financing in 2016. In addition, the first quarter

of 2016 was hit by transaction costs and prepayment penalties in connection with the repayment of portfolio loans. FFO 1 interest expense is derived from the financial result as follows.

in € million	3M 2017	3M 2016	Change in %	12M 2016
Income from non-current loans	0.5	0.5	-	1.9
Interest income	0.5	8.9	-94.4	14.1
Interest expense	-84.0	-140.8	-40.3	-449.0
Financial result*	-83.0	-131.4	-36.8	-433.0
Adjustments:				
Transaction costs	1.9	20.5	-90.7	21.5
Prepayment penalties and commitment interest	1.9	9.8	-80.6	64.4
Effects from the valuation of non-derivative financial -instruments	-7.8	-1.1	596.4	-31.0
Derivatives	5.1	0.0	-	12.9
Interest accretion to provisions	2.4	2.6	-7.7	11.2
Accrued interest	7.3	39.1	-81.3	-7.9
Other effects	2.2	4.0	-45.0	0.6
Net cash interest	-70.0	-56.5	23.8	-361.3
Accrued interest adjustment	-7.3	-39.1	-81.3	7.9
Adjustments EMTN interest	-	9.6	-100.0	21.1
Adjustments Income from investments in other real estate companies	-	-	-	9.6
Interest payment adjustment due to taxes	0.5	-	-	-
FFO interest expense	-76.8	-86.0	-10.7	-322.7

* Excluding income from other investments

The **profit for the period** came to € 130.7 million in the first quarter of 2017, up considerably on the value of € 79.2 million reported in the first quarter of 2016. This is mainly due to an increase in rental income and an improved financial result.

At the end of the first quarter of 2017, the adjusted NAV per share came to € 31.18, up by 28.2% on the prior-year figure of € 24.32. This is mainly due to the revaluation performed at the end of 2016 and to the addition of conwert Immobilien Invest SE in 2017. The EPRA NAV per share climbed from € 30.15 at the end of the first quarter of 2016 to € 37.43 at the end of the first quarter of 2017. No NAV forecast will be provided from the 2017 fiscal year onwards.

in € million	Mar. 31, 2017	Mar. 31, 2016	Change in %	Dec. 31, 2016
Equity attributable to Vonovia shareholders	12,706.5	10,628.4	19.6	12,467.8
Deferred taxes on investment properties/asset held for sales	4,827.4	3,217.8	50.0	4,550.3
Fair value of derivative financial instruments*	29.0	268.9	-89.2	44.4
Deferred taxes on derivative financial instruments	-14.3	-66.9	-78.6	-15.4
EPRA NAV	17,548.6	14,048.2	24.9	17,047.1
Goodwill	-2,931.8	-2,716.6	7.9	-2,718.9
Adjusted NAV	14,616.8	11,331.6	29.0	14,328.2
EPRA NAV per share in €**	37.43	30.15	24.1	36.58
Adjusted NAV per share in €**	31.18	24.32	28.2	30.75

* Adjusted for effects from cross currency swaps;

** Based on the number of shares on the reporting date (Mar. 31, 2017: 468,796,936; Mar. 31, 2016, and Dec. 31, 2016: 466,000,624)

Assets

Consolidated Balance Sheet Structure

	Mar. 31, 2017		Dec. 31, 2016	
	in € million	in %	in € million	in %
Non-current assets	33,208.8	95.3	30,459.8	93.7
Current assets	1,639.3	4.7	2,062.3	6.3
Total assets	34,848.1	100.0	32,522.1	100.0
Equity	14,270.6	41.0	13,888.4	42.7
Non-current liabilities	16,828.0	48.3	16,229.1	49.9
Current liabilities	3,749.5	10.7	2,404.6	7.4
Total equity and liabilities	34,848.1	100.0	32,522.1	100.0

The Group's **total assets** increased by € 2,326.0 million from € 32,522.1 million as of December 31, 2016, to € 34,848.1 million, mainly due to an increase in **investment properties** of € 2,482.7 million to € 29,463.0 million, with € 2,445.9 million resulting from the integration of the conwert Group, and due to an increase in **goodwill** of € 212.9 million due to the first-time consolidation of the conwert Group. **Current assets** fell by € 532.9 million to € 1,007.9 million, mainly as a result of the drop in cash resources due to the payment of the conwert cash component from the first tender phase and the repayment of the CMBS Taurus. The inflow from the January EMTN drawdown had the opposite effect.

The gross asset value (**GAV**) of Vonovia's property assets came to € 29,598.1 million as of March 31 2017, which corresponds to 84.9% of total assets compared with € 27,106.4 million or 83.3% at the end of 2016.

The € 382.2 million increase in **equity** to € 14,270.6 million is due, in the amount of € 130.7 million, to the positive profit for the first quarter, as well as to the non-cash capital increase and the increase in minorities due to the takeover of conwert.

This brings the **equity ratio** to 41.0% compared with 42.7% at the end of 2016.

The increase in **current liabilities** is dominated by the residual purchase price obligation of € 275.0 million for

the convert shares tendered during the second offer phase, which were paid in the second quarter of 2017.

The NAV amounts to € 17,548.6 million as of March 31, 2017.

Financial Position

Cash Flow

The following table shows the Group cash flow:

Key Data from the Statement of Cash Flows

in € million	3M 2017	3M 2016
Cash flow from operating activities	241.9	227.5
Cash flow from investing activities	-773.2	258.0
Cash flow from financing activities	-1.6	-447.2
Net changes in cash and cash equivalents	-532.9	38.3
Cash and cash equivalents at the beginning of the period	1,540.8	3,107.9
Cash and cash equivalents at the end of the period	1,007.9	3,146.2

The cash flow from **operating activities** comes to € 241.9 million for the first three months of 2017 compared with € 227.5 million for the same period of 2016. The increase is mainly due to the improvement in the EBITDA IFRS operating result, in particular due to the integration of the acquired convert portfolio. The change in net current assets, which is down by around € 10 million on the value for the same period of 2016, had the opposite effect.

The cash flow from **investing activities** shows a payout balance of € 773.2 million in total due to net payouts of € 1,133.3 million for the cash component of the convert takeover. The proceeds from sales included in the figure came to € 513.2 million, down by € 207.1 million year-on-year. Investments in investment properties came to € 131.8 million (previous year: € 54.1 million), due in particular to payouts for modernization measures.

The cash flow from **financing activities** is characterized by the proceeds from the EMTN drawdown and by the fact that new mortgages were taken out (funds relating to the German government-owned development bank, KfW) in a total amount of € 1,041.8 million. On the other hand, payouts were made in connection with scheduled and unscheduled repayments (mainly CMBS Taurus) in the amount of € 1,172.0 million, as well as for transaction and financing costs and interest paid totaling € 112.7 million.

The **net drop in cash and cash equivalents** in the first quarter of 2017 comes to € 532.9 million.

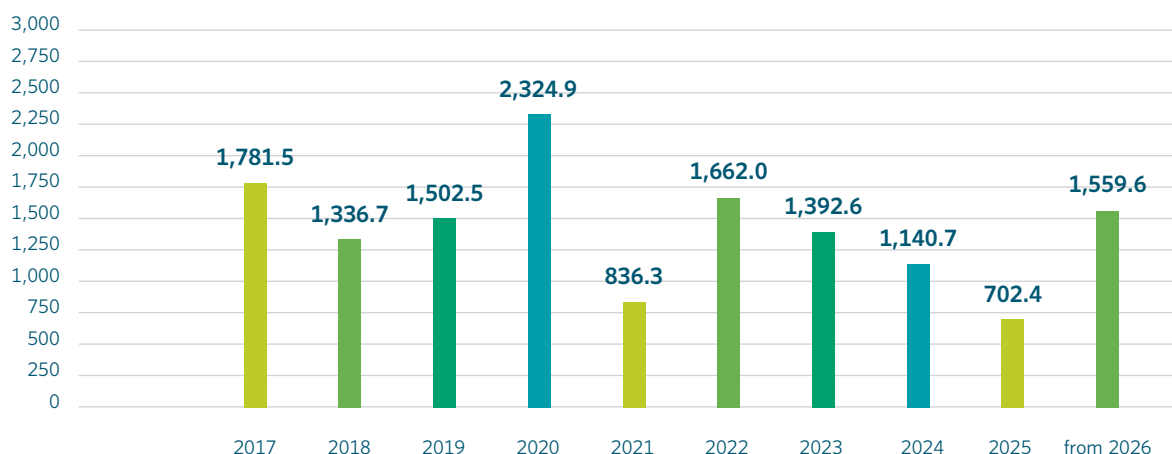
Financing

Vonovia's credit rating as awarded by the agency Standard & Poor's is unchanged at 'BBB+' with a stable outlook for the long-term corporate credit rating and 'A-2' for the short-term corporate credit rating. At the same time, the credit rating for the issued unsecured bonds is 'BBB+'. Vonovia placed a total bond volume of € 11.5 billion via its Dutch subsidiary Vonovia Finance B.V.

The **debt maturity profile** of Vonovia's financing was as follows as of March 31, 2017:

Maturity profile

as of March 31, 2017, in € million



in € million	Mar. 31, 2017	Mar. 31, 2016	Change in %	Dec. 31, 2016
Non derivative financial liabilities	14,435.3	14,705.0	-1.8	13,371.0
Foreign exchange rate effects	-194.8	-140.4	38.7	-209.9
Cash and cash equivalents	-1,007.9	-3,146.2	-68.0	-1,540.8
Net debt	13,232.6	11,418.4	15.9	11,620.3
Sales receivables	-144.4	-295.3	-51.1	-135.4
Additional loan amount for outstanding acquisitions*	275.0	-	100.0	-
Adjusted net debt*	13,363.2	11,123.1	20.1	11,484.9
Fair value of the real estate portfolio	29,607.6	23,814.4	24.3	27,115.6
Shares in other real estate companies	520.4	460.6	13.0	503.1
Adjusted fair value of the real estate portfolio	30,128.0	24,275.0	24.1	27,618.7
LTV	44.4%	45.8%	-1.4 ppt	41.6%

* Funds held for the payment of cash component by second convert acceptance deadline

The financial covenants have been fulfilled as of the reporting date.

in € million	Mar. 31, 2017	Mar. 31, 2016	Change in %	Dec. 31, 2016
Non-derivative financial liabilities	14,435.3	14,705.0	-1.8	13,371.0
Total assets	34,848.1	30,971.8	12.5	32,522.1
LTV bond covenants	41.4%	47.5%	-6.1 ppt	41.1%

Expected Development in the Remainder of the Fiscal Year

Economy as a Whole: The Economic Expansion will Continue to Stabilize

After the German economy picked up in the fourth quarter of 2016, reporting solid growth of 1.9 % at the end of the year, the economic indicators suggest that the growth trend is set to continue. The Kiel Institute for the World Economy (IfW) expects GDP to expand by 1.7 % in the course of 2017, with the slightly lower growth rate attributable exclusively to the lower number of working days. Private consumption will expand at a much slower pace due to the purchasing power losses resulting from the increase in oil prices. With no further increase in spending on refugee migration, the rate of public consumption growth is likely to slow. Instead, the IfW expects investments to be the main engine driving the sustained upswing, primarily due to the further expansion in construction investments. Equipment investments are also likely to pick up again after showing slightly slower development of late due to the uncertain international environment. Foreign trade also dropped due to the uncertainties on key sales markets such as the United States and the United Kingdom. As the global economy gradually recovers, however, the IfW predicts a return to strong export and import growth over the next two years, with the upswing, driven primarily by the domestic economy, expected to result in imports growing at a much faster rate than exports.

Looking ahead to 2018, the IfW expects to see a further acceleration in economic momentum, predicting GDP growth of 2.0 %. This forecast rests on the fact that the expansion forces in the domestic economy

are likely to remain strong, with the monetary environment expected to continue to provide considerable stimulus and the outlook for exports expected to improve further as the global economy recovers.

According to the IfW, the risks to the growth forecast lie in geopolitical tension resulting from conflicts in the Middle East, a sharp increase in crude oil prices, the uncertain development of the external value of the euro and the increasing susceptibility of the German economy to overheating and the negative developments that would come as a result.

Real Estate Market: Germany Expected to see High Demand and Continued Rent Increases

Savills believes that the overall conditions on the German residential real estate market remain positive from an investor's perspective. The population is still growing and the short supply on the rental market will persist in many cities in the medium term. Given the high demand, rents will continue to rise this year unless the state steps in with clear regulatory measures to slam the brakes on rent development. Savills believes that Germany's major metropolitan areas offer positive long-term growth prospects. Investors should look not only at the country's core cities, but also at their surrounding areas.

In an environment of geopolitical uncertainty, the stability that Germany offers as a location is likely to create sustained investment pressure on the German

residential real estate market. While FERI EuroRating Services AG (Feri) believes that the risk of overheating is mounting on the whole, it remains limited to major cities and regional hotspots. Although the empirica bubble index increased again in the fourth quarter of 2016, there is no conventional nationwide price bubble at the moment. Rents and purchase prices in 227 out of 402 administrative districts and self-governing cities are no longer developing in tandem, with the bubble index indicating a medium to high risk for 158 districts. Yields are low, but are justified by exceptionally low interest rates, and to some extent the low interest rates are the reason behind the low yields.

Savills does not believe that a significant increase in interest rates is on the horizon in Europe at the moment. Future value developments will depend not only on interest rates but also on the real economy and demographic trends. Experts at bulwiengesa believe that marked price corrections in Germany's major cities are unrealistic. ImmobilienScout24 believes that, in addition to rising quoted rents, the prices of existing and newly built apartments are likely to continue to rise looking at Germany on average. According to DB Research, residential property ownership remains affordable due to positive income momentum and low interest rates for construction. There are, however, pronounced differences from region to region.

Due to the significant increase in rents in many places, there are also calls for greater regulation of the residential property market in the run-up to the German Bundestag elections. The most significant new regulatory measure from a property owner's perspective, the rent ceiling, is already in place in more than 300 municipalities in twelve federal states. In Mecklenburg-West Pomerania, the federal state government has been tasked with introducing the regulations as soon as possible. It seems unlikely that a second package of tenancy legislation will be pushed through before the 2017 election.

Business Outlook

Vonovia got off to a very successful start to the 2017 fiscal year on the whole. Bolstered by the acquisition of conwert and the further expansion of our Extension business, we were able to further expand our leading market position in the first quarter of 2017.

We expect the positive business developments to continue over the coming quarters and that we will achieve the forecast figures as published in our 2016 annual report. Given the dynamic development of the German real estate market, we expect to see a further increase in value in our investment properties in 2017 and with this a further boost to NAV.

We have updated our forecast for the following key figures:

	Actual 2016	Forecast 2017*	Forecast for 2017 in the 2017 Q1 Report
FFO 1	€ 760.8 million	€ 830-850 million	€ 900-920 million
FFO 1/share	€ 1.63	€ 1.78-1.82	approx. € 1.88
Rental income from property management	€ 1,538 million	€ 1,530-1,550 million	€ 1,660-1,680 million
Organic rent increase	3.3%	Increase of 3.5-3.7%	Increase of 3.8-4.0%
Maintenance incl. capitalized maintenance	€ 320.1 million	approx. € 340 million	approx. € 340 million
Modernization	€ 472.3 million	€ 700-730 million	approx. € 730 million
Step-up Privatize	36.2%	approx. 35%	approx. 30%

* In accordance with the Group management report 2016 excl. conwert

Düsseldorf, May 22, 2017

Management Board

Condensed Interim Consolidated Financial Statements

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Consolidated Income Statement

in € million	Jan. 1- Mar. 31, 2017	Jan. 1- Mar. 31, 2016
Income from property letting	586.7	556.6
Other income from property management	10.0	9.3
Income from property management	596.7	565.9
Income from disposal of properties	492.2	690.5
Carrying amount of properties sold	-476.7	-683.0
Revaluation of assets held for sale	9.4	5.6
Profit on disposal of properties	24.9	13.1
Net income from fair value adjustments of investment properties	-	-
Capitalized internal expenses	85.4	49.4
Cost of materials	-274.3	-244.1
Personnel expenses	-102.0	-92.9
Depreciation and amortization	-7.1	-4.4
Other operating income	26.5	23.6
Other operating expenses	-59.7	-57.3
Financial income	7.3	9.5
Financial expenses	-84.0	-140.8
Earnings before tax	213.7	122.0
Income taxes	-83.0	-42.8
Profit for the period	130.7	79.2
Attributable to:		
Vonovia's shareholders	116.6	56.5
Vonovia's hybrid capital investors	7.4	7.4
Non-controlling interests	6.7	15.3
Earnings per share (basic and diluted) in €	0.25	0.12

Consolidated Statement of Comprehensive Income

in € million	Jan. 1- Mar. 31, 2017	Jan. 1- Mar. 31, 2016
Profit for the period	130.7	79.2
Cash flow hedges		
Change in unrealized gains/losses	-0.5	-126.9
Taxes on the change in unrealized gains/losses	1.0	32.0
Net realized gains/losses	17.7	41.0
Taxes on the change in net realized gains/losses	-5.9	-10.4
Total	12.3	-64.3
Available-for-sale-financial assets		
Changes in the period	17.3	53.4
Taxes on changes in the period	-0.3	-17.3
Total	17.0	36.1
Items which will be recognized in profit or loss in the future	29.3	-28.2
Actuarial gains and losses from pensions and similar obligations		
Change in actuarial gains/losses, net	4.0	-31.0
Tax effect	-1.3	10.3
Items which will not be recognized in profit or loss in the future	2.7	-20.7
Other comprehensive income	32.0	-48.9
Total comprehensive income	162.7	30.3
Attributable to:		
Vonovia's shareholders	148.6	7.9
Vonovia's hybrid capital investors	7.4	7.4
Non-controlling interests	6.7	15.0

Consolidated Balance Sheet

in € million	Mar. 31, 2017	Dec. 31, 2016
Assets		
Intangible assets	2,958.8	2,743.1
Property, plant and equipment	129.2	115.7
Investment properties	29,463.0	26,980.3
Financial assets	618.0	585.9
Other assets	14.9	15.2
Deferred tax assets	24.9	19.6
Total non-current assets	33,208.8	30,459.8
Inventories	6.7	5.0
Trade receivables	183.3	164.4
Financial assets	166.5	153.2
Other assets	171.7	102.7
Income tax receivables	39.1	34.6
Cash and cash equivalents	1,007.9	1,540.8
Assets held for sale	64.1	61.6
Total current assets	1,639.3	2,062.3
Total assets	34,848.1	32,522.1

in € million	Mar. 31, 2017	Dec. 31, 2016
Equity and liabilities		
Subscribed capital	468.8	466.0
Capital reserves	5,421.9	5,334.9
Retained earnings	6,784.8	6,665.4
Other reserves	31.0	1.5
Total equity attributable to Vonovia's shareholders	12,706.5	12,467.8
Equity attributable to hybrid capital investors	1,011.5	1,001.6
Total equity attributable to Vonovia's shareholders and hybrid capital investors	13,718.0	13,469.4
Non-controlling interests	552.6	419.0
Total equity	14,270.6	13,888.4
Provisions	612.1	607.9
Trade payables	0.6	1.3
Non-derivative financial liabilities	12,003.9	11,643.4
Derivatives	23.3	19.1
Liabilities from finance leases	94.6	94.7
Liabilities to non-controlling interests	10.0	9.9
Other liabilities	81.2	83.3
Deferred tax liabilities	4,002.3	3,769.5
Total non-current liabilities	16,828.0	16,229.1
Provisions	378.9	370.8
Trade payables	137.0	138.8
Non-derivative financial liabilities	2,431.4	1,727.6
Derivatives	69.3	57.5
Liabilities from finance leases	11.4	4.5
Liabilities to non-controlling interests	0.3	2.7
Other liabilities	721.2	102.7
Total current liabilities	3,749.5	2,404.6
Total liabilities	20,577.5	18,633.7
Total equity and liabilities	34,848.1	32,522.1

Consolidated Statement of Cash Flows

in € million	Jan. 1- Mar. 31, 2017	Jan. 1- Mar. 31, 2016
Profit for the period	130.7	79.2
Revaluation of assets held for sale	-9.4	-5.6
Depreciation and amortization	7.1	4.4
Interest expenses/income	83.0	131.3
Income taxes	83.0	42.8
Results from disposals of investment properties	-15.5	-7.5
Other expenses/income not affecting net income	1.3	0.1
Change in working capital	-23.9	-13.8
Income tax paid	-14.4	-3.4
Cash flow from operating activities	241.9	227.5
Proceeds from disposals of investment properties and assets held for sale	513.2	720.3
Proceeds from disposals of other assets	0.5	0.5
Payments for acquisition of investment properties	-131.8	-54.1
Payments for acquisition of other assets	-19.4	-411.3
Payments (last year: proceeds) for acquisition of shares in consolidated companies, in due consideration of liquid funds	-1,137.9	0.3
Interest received	2.2	2.3
Cash flow from investing activities	-773.2	258.0

in € million	Jan. 1- Mar. 31, 2017	Jan. 1- Mar. 31, 2016
Cash paid to shareholders of non-controlling interests	-4.6	-3.2
Proceeds from issuing financial liabilities	1,041.8	38.4
Cash repayments of financial liabilities	-1,172.0	-403.0
Payments for transaction costs in relating to capital measures	-8.7	-4.5
Payments for other financing costs	-31.8	-16.2
Payments for the acquisition of shares in non-controlling interests	-3.9	-
Proceeds for the sale of shares of consolidated companies	249.8	-
Interest paid	-72.2	-58.7
Cash flow from financing activities	-1.6	-447.2
Net changes in cash and cash equivalents	-532.9	38.3
Cash and cash equivalents at the beginning of the period	1,540.8	3,107.9
Cash and cash equivalents at the end of the period¹⁾	1,007.9	3,146.2

¹⁾ Thereof restricted cash € 52.7 million (Mar. 31, 2016: € 227.6 million)

Portfolio Information

Vonovia manages its own real estate portfolio with a fair value of € 29.6 billion as of March 31, 2017. The vast majority of our apartments are located in regions with positive economic and demographic development prospects.

Portfolio structure

As at March 31, 2017	Fair value*		Residential units	Vacancy rate (in %)	In-place rent (in €/m ²)
	(in € million)	(in €/m ²)			
Strategic	26,585.9	1,295	320,228	2.3	6.12
Operate	9,239.1	1,287	105,895	2.4	6.25
Upgrade Buildings	9,530.5	1,244	125,067	2.6	5.95
Optimize Apartments	7,816.2	1,374	89,266	1.9	6.18
Privatize	1,540.4	1,323	16,688	4.2	5.99
Non-Strategic	374.2	606	9,948	8.1	4.84
Non-Core	317.3	710	6,425	6.7	5.06
Vonovia Germany	28,817.8	1,266	353,289	2.7	6.06
Vonovia Austria	620.0	1,986	2,236	3.4	6.11
Total	29,437.8	1,276	355,525	2.7	6.06

Breakdown of Strategic Housing Stock by Regional Market**

As at March 31, 2017	Fair value*		Residential units	Vacancy rate (in %)	In-place rent (in €/m ²)
	(in € million)	(in €/m ²)			
Regional market**					
Berlin	4,286.9	1,686	38,609	1.7	6.16
Rhine Main Area	3,096.4	1,697	28,134	1.8	7.48
Rhineland	2,979.2	1,407	30,713	2.7	6.60
Dresden	2,506.1	1,070	38,606	2.3	5.52
Southern Ruhr Area	2,494.4	898	44,488	2.9	5.47
Hamburg	1,738.6	1,601	16,608	1.9	6.61
Munich	1,650.0	2,495	9,771	0.8	7.55
Stuttgart	1,580.0	1,701	14,261	1.9	7.38
Northern Ruhr Area	1,321.8	764	27,519	3.7	5.21
Hanover	1,042.2	1,170	13,846	2.6	5.94
Kiel	864.2	1,026	13,988	1.6	5.56
Bremen	788.8	1,059	11,923	3.2	5.30
Leipzig	647.3	1,042	9,185	3.6	5.60
Westphalia	594.0	937	9,650	2.5	5.42
Freiburg	494.1	1,763	4,060	1.5	6.80
Other strategic locations	1,930.1	1,239	23,994	2.6	6.17
Total strategic locations	28,014.2	1,298	335,355	2.4	6.11

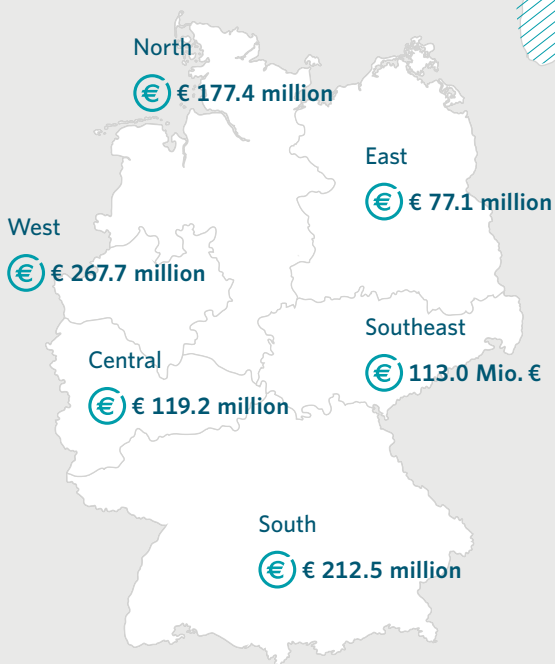
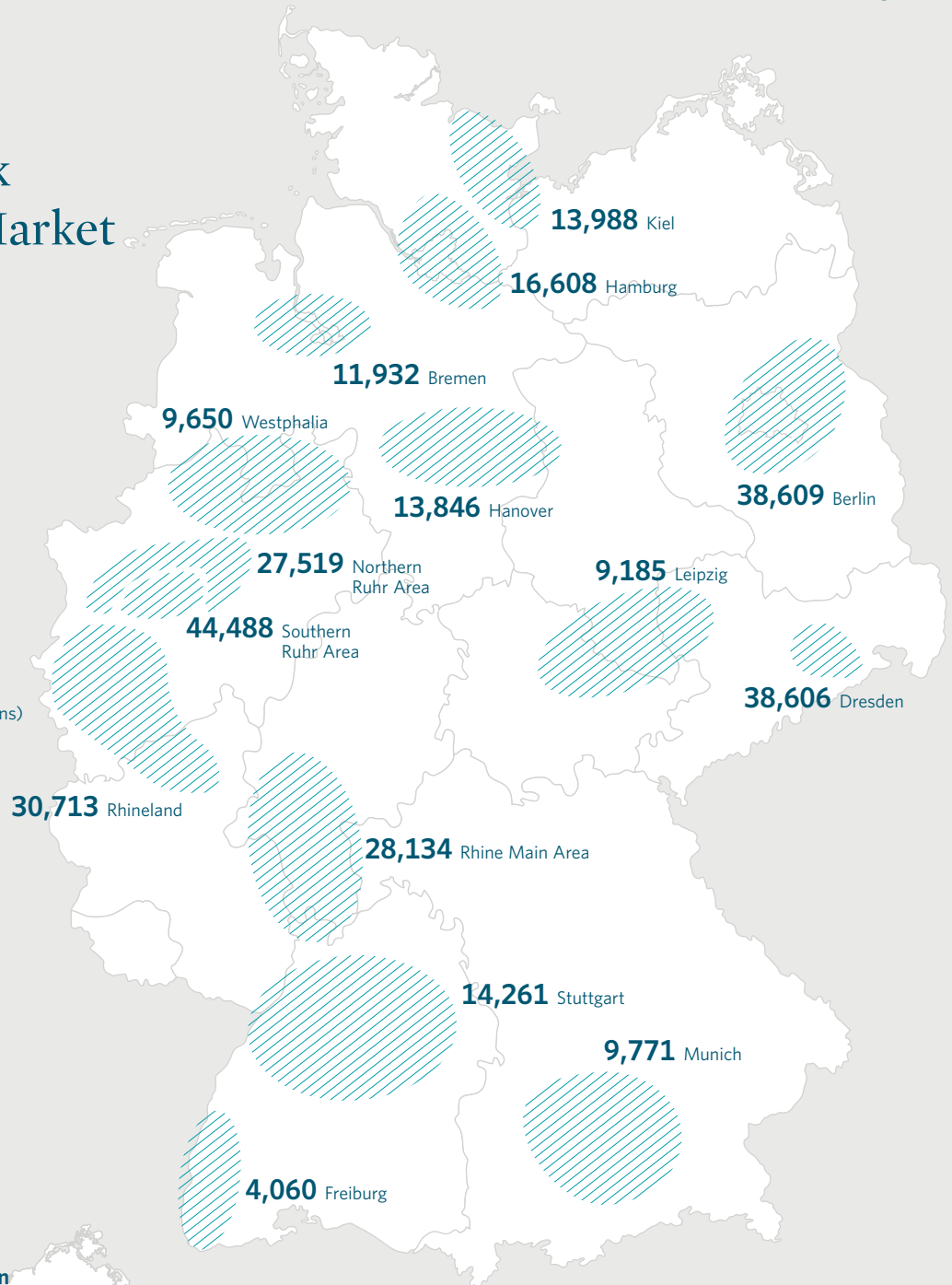
* Fair value of the developed land excluding € 169.8 million for undeveloped land, inheritable building rights granted and other.

** With regard to the residential real estate market, regional markets are largely similar metropolitan areas based on the definition of the German Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR). In addition to the strategic housing stock, they also include stocks for privatization in strategic locations.

Housing Stock by Regional Market

Number of Units

355,525
units (including units at other locations)



Planned Portfolio Investments in 2017*

* plus € 33 million for other projects at preparation stage

1 billion

Total investments for 2017 in €

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Financial Calendar

- May 24, 2017** Publication of Interim Statement January–March 2017
- August 2, 2017** Publication of Interim Report January–June 2017
- November 8, 2017** Publication of Interim Statement January–September 2017

Note

This quarterly report is published in German and English. The German version is always the authoritative text. The quarterly report can be found on the website at www.vonovia.de.

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Disclaimer

This quarterly report contains forward-looking statements. These statements are based on current experience, assumptions and forecasts of the Management Board as well as information currently available to the Board. The forward-looking statements are not guarantees of the future developments and results mentioned therein. The future developments and results depend on a large number of factors. They involve certain risks and uncertainties and are based on assumptions that may prove to be inaccurate. These risk factors include but are not limited to those discussed in the risk report of the 2016 Annual Report. We do not assume any obligation to update the forward-looking statements contained in this quarterly report. This quarterly report does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any securities of Vonovia SE.

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