Interim Financial Report Vonovia SE

for the first quarter of 2016

VONOVIA

Key Figures

in € million **Key Financial Figures**	3M 2016	3M 2015	Change in %
Rental income	392.0	263.6	48.7
Adjusted EBITDA Rental	269.0	177.1	51.9
Adjusted EBITDA Extension	7.6	5.5	38.2
Income from disposal of properties	690.5	123.0	461.4
Adjusted EBITDA Sales	35.0	9.5	268.4
Adjusted EBITDA	311.1	192.0	62.0
EBITDA IFRS	257.7	153.2	68.2
Interest expense FFO	-86.0	-63.2	36.1
FFO 1	186.3	118.0	57.9
thereof attributable to shareholders	173.3	110.3	57.1
thereof attributable to hybrid equity	10.0	2.8	257.1
thereof attributable to minorities	3.0	4.9	-38.8
FFO 2	195.1	125.2	55.8
AFFO	171.7	99.7	72.2
FFO 1 per share in €*	0.40	0.32	26.1
Income from fair value adjustments of investment properties	–	–	–
EBT	122.0	53.1	129.8
Profit for the period	79.2	30.3	161.4
Cash flow from operating activities	227.5	154.5	47.2
Cash flow from investing activities	258.0	-2.001.5	–
Cash flow from financing activities	-447.2	1.003.3	–
Maintenance and modernization	125.4	97.5	28.6
thereof for maintenance expenses and capitalized maintenance	73.5	62.3	18.0
thereof for modernization	51.9	35.2	47.4

in € million **Key Balance Sheet Figures**	Mar. 31, 2016	Dec. 31, 2015	Change in %
Fair value of the real estate portfolio	23,814.4	24,157.7	-1.4
Adjusted EPRA NAV	11,331.6	11,273.5	0.5
Adjusted EPRA NAV per share in €*	24.32	24.19	0.5
LTV in %**	45.8	46.9	-1.1 pp

Non-Financial Key Figures	3M 2016	3M 2015	Change in %
Number of units managed	398,331	387,712	2.7
thereof own apartments	343,967	345,629	-0.5
thereof apartments owned by others	54,364	42,083	29.2
Number of units bought	2,417	144,602	-98.3
Number of units sold	15,551	2,489	524.8
thereof Privatize	890	553	60.9
thereof Non-Core	14,661	1,936	657.3
Vacancy rate in %	2.8	3.4	-0.6 pp
Monthly in-place rent in €/m²	5.84	5.53	5.6
Monthly in-place rent in €/m² like-for-like***	5.76	5.60	2.9
Number of employees (as of March 31)	6,683	5,737	16.5

in € million **EPRA Key Figures**	Mar. 31, 2016	Dec. 31, 2015	Change in %
EPRA NAV	14,048.2	13,988.2	0.4
EPRA NAV per share in €*	30.15	30.02	0.4

	3M 2016	3M 2015	Change in %
EPRA vacancy rate in %	2.6	3.2	-0.6 pp

* Based on the shares carrying dividend rights on the reporting date Mar. 31, 2016: 466,000,624; Mar. 31, 2015: 354,106,228; prior-year value TERP-adjusted
** Based on the shares carrying dividend rights on the reporting date Mar. 31, 2016: 466,000,624; Dec. 31, 2015: 466,000,624
*** Incl. GAGFAH excl. Franconia/SÜDEWO

Contents

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

Ladies and Gentlemen, Dear Shareholders,

In 2016 to date, we have picked up where 2015 left off in terms of charting a successful course. In the first three months of the year, our key financial figures developed even better than expected, prompting us to lift our guidance for the year as a whole again:

The adjusted forecast now expects to see FFO 1 (funds from operations) of between € 720 million and € 740 million in 2016 as a whole, which corresponds to an increase of 20 % on the previous year. Before the adjustment, the FFO 1 target corridor for the fiscal year was between € 690 million and € 710 million. This puts the expected FFO 1 per share at somewhere in the range of € 1.55 to € 1.59. We expect the EPRA NAV (net asset value) per share to rise to up to € 31. The forecast does not yet take account of additional value-enhancing effects resulting from the overall positive outlook on the real estate market from rising purchase prices and a higher valuation of the real estate portfolios ("yield compression").

The positive development should also have an impact on our dividend: We plan to distribute a dividend of € 1.05 per share for the 2016 fiscal year, up by another 12 % on the dividend proposed for the 2015 fiscal year.

Continually improving customer satisfaction levels is particularly important to us. We aim to achieve a year-on-year increase of up to 5 % in our customer satisfaction index. This is why our caretakers and craftsmen in our developments handle our tenants' requests personally. We have also expanded the office hours in our central customer service department.

Operative business development in the first quarter of 2016 clearly shows that Vonovia is very well positioned even without larger acquisitions and has attractive growth opportunities. We see the results of the first quarter as renewed testimony to the sustainability of our strategy, which we have been pursuing consistently since our IPO. At the same time, the results make it clear: As one of Germany's leading providers of affordable living space, we are in an excellent position to further develop our service-oriented business.

The encouraging development of our company in the first quarter of the year is based on successful trends in our three segments. In the **Rental segment,** our business developed very well, in line with our expectations. Rental income in the Rental segment increased as a result of acquisitions by 49 % to € 392.0 million. The monthly in-place rent per square meter increased by 2.9 % year-on-year on a like-for-like basis, i.e. based on last year's residential portfolio, to € 5.76. One of the main reasons behind the improved rental income is the vacancy rate, which dropped further by 0.6 percentage points to 2.8 % at the end of the quarter as against the same cut-off date of the previous year.

As part of our ongoing moves to optimize our portfolio, we took over around 2,400 apartments in Bavaria and Baden-Württemberg with effect from January 1, 2016. The new apartments further enhance our portfolio of properties in dynamic growth regions.

In our new **Extension segment,** we continued to successfully develop the property-related services that we offer our customers. The services provided by our own craftsmen's organization, the upkeep of the residential environment, the cable TV business as well as measuring the consumption of water and heating – to name a few – will be expanded systematically.

Condominium administration for third parties is another area of business that is allocated to the Extension segment: The acquisition and integration of IVV Immobilien Verwaltung GmbH and O-TEC Hausverwaltung GmbH with effect from January 1, 2016 allowed us to expand our market position in this area significantly. Our subsidiary Vonovia Immobilien-Treuhand has been represented in 22 locations across Germany, with responsibility for around 72,000 owner-occupied apartments, since the start of the year. The contribution to the result made by the Extension segment increased by approximately 39 % to € 7.6 million (Q1 2015: € 5.5 million). We expect to see a further dynamic increase in this contribution in the future.

We have made good progress in the **Sales segment** as well, selling a total of 15,551 apartments over the past quarter, 13,570 of these were sold to the North Rhine-Westphalian LEG Group as part of a package. Most of the apartments we sold were classed as belonging to the "Non-Strategic" and "Non-Core" portfolio segments and can be managed better in a different context.

In line with our business development, the **quarterly financial data** also showed very positive development: FFO 1, our profit from operations after current interest and taxes, increased by 58 % year-on-year in the first quarter to total € 186.3 million. This represents earnings power per share of € 0.40 (Q1 2015: € 0.32). The EPRA NAV, our real estate assets without liabilities, came to € 14,048.2 million on the quarterly cut-off date, thus slightly above the level on the reporting date of December 31, 2015. The EPRA NAV per share amounted to € 30.15 (previous year: € 30.02). At 45.8 %, the loan-to-value (LTV) ratio remains well below the 50 % mark, meaning that Vonovia continues to have solid financial structures.

The **stock exchange** has also recognized this positive development: At the end of the reporting period on March 31, Vonovia's shares were trading at € 31.63, up by around 11 % on the share price recorded at the end of 2015. This means that the company's shares deviated positively from the overall trend on the DAX, which fell by around 7 %, from 10,743 to 9,965 points, during the same period. Its market capitalization of around € 14.7 billion puts Vonovia in 23rd place among the most valuable listed companies in Germany.

On the back of the momentum provided by the good start to the year, we will remain committed to continuing down this successful path in the months to come so that we are confident that we will once again have kept all of the promises made for this year.

We will continue to focus on improving our portfolio quality: As announced, our investment program will grow to between € 430 million and € 500 million in the current fiscal year. The focus of our investments will once again lie on energy efficiency measures, improving the standard of comfort that our apartments offer and senior-friendly apartment renovations. We will be doing more in terms of modernization at the tenant's request and neighborhood development, as well as in the area of infill developments and adding on to existing developments.

The latter is something that we will be focusing on more and more in the future. As a company that also acts as a partner for policymakers, we believe that we have a responsibility to do our part in helping to solve social issues. Creating affordable living space in conurbations and shaping neighborhoods that are nice to live in are a part of this.

As always, you can find our detailed financial and operating forecasts in the Interim Financial Report below. I would like to take this opportunity to stress, once again, that our primary objective remains the following: We want to achieve a sustainable increase in the value of the company for you, our shareholders. This is something we will achieve in particular by making our tenants happy and continuing to improve the service we offer. We have the necessary foundation in place: our sustainable business model and workforce that now includes almost 6,700 employees.

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

Bochum, Germany, May 2016

Sincerely,

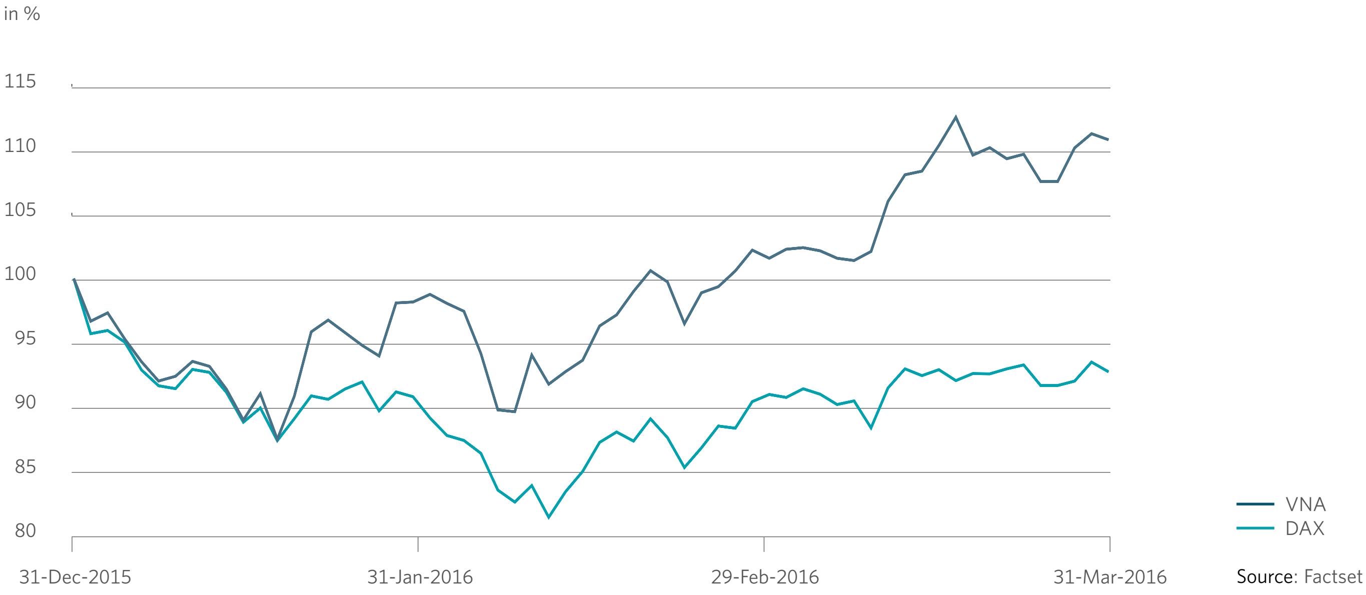
Rolf Buch
Chairman of the Management Board

Rolf Buch (CEO)

Interim Group Management Report

Vonovia SE on the Capital Market

Share Price Performance of Vonovia's Shares



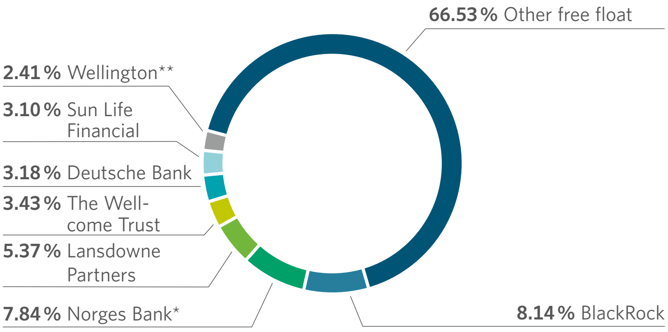
In the first quarter of 2016, Vonovia's share price rose by 10.8 %, climbing from a closing price of € 28.55 on December 31, 2015 to a closing price of € 31.63 on March 31, 2016. During the same period, the DAX fell by around 7 % from 10,743 points (December 31, 2015) to 9,965 points.

The sustained low interest rate environment was one of the main reasons why Vonovia's shares were able to buck the relatively poor performance trend seen on the DAX. Developments on the DAX are hindered further by the fact that individual companies in the index are currently feeling the burden of special issues that ultimately have an impact on the performance of the index as a whole. Another factor working in Vonovia's favor is the fact that the attractive risk/return profile offered by housing companies listed on the German stock market is fueling sustained high demand overall.

The company's market capitalization came to € 14.74 billion as of March 31, 2016.

Shareholder Structure

Free Float and Breakdown of Major Shareholders (as of March 31, 2016)



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

** The last notification of voting rights submitted by Wellington pursuant to the German Securities Trading Act (WpHG) was dated March 17, 2015, and showed an investment interest of 3.18 % of share capital totaling € 354,106,228.

Based on the German stock exchange's definition of free float, only the interest held by Norges Bank does not count towards the free float. This means that 92.16 % of Vonovia SE's shares were in free float on March 31, 2016.

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

Investor Relations Activities

Vonovia SE is committed to transparent, ongoing dialogue with its shareholders and potential investors. The Management Board held numerous roadshows in the first quarter of 2016, visiting key European and North American financial centers and attending a total of five investors' conferences and eight roadshows. In addition, numerous "one-on-one" meetings and teleconferences were held with selected investors and analysts to keep them informed of current developments and special issues. Communication with investors in the first quarter of 2016 focused on the takeover offer made to the shareholders of Deutsche Wohnen AG.

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

Aims of Investor Relations Work in 2016

We want to continue to communicate openly with the capital market as 2016 progresses. As well as attending conferences and conducting roadshows, property tours and individual meetings, another Capital Markets Day is scheduled to take place in Essen on June 6 and 7, 2016.

Analyst Recommendations

At present, 24 international analysts publish studies on Vonovia on a regular basis (as of March 31, 2016). The average target share price was € 32.00 as of March 31, 2016. Of these analysts, 57 % issued a "buy" recommendation, with 30 % issuing a "hold" recommendation and only 13 % recommending that investors sell the company's shares.

Share Information

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

Fundamental Information about the Group

Company and Business Model

With 343,967 of its own residential units, 87,638 garages and parking spaces and 3,514 commercial units in attractive cities and regions within Germany and a portfolio worth around € 24 billion as of March 31, 2016, Vonovia is Germany's leading, and continental Europe's second-largest, listed real estate company. Vonovia's residential units are located in contiguous settlements in 755 cities and municipalities in Germany. Vonovia also manages 54,364 residential units for other owners.

As of March 31, 2016, Vonovia has a workforce of 6,683 employees.

Vonovia's business model remains unchanged compared to the combined management report for the 2015 fiscal year. This means that Vonovia still sees itself as a modern service company that focuses on customer orientation and tenant satisfaction. Offering tenants affordable, attractive and livable homes is a prerequisite for the company's continued sustainable and successful development.

The company's objectives, strategy and corporate mission statement also continue to apply unchanged as set out in detail in the combined management report for the 2015 fiscal year. The same applies to the customer services and management system based on performance indicators, which are also unchanged from the 2015 management report.

The public takeover offer made to the shareholders of Deutsche Wohnen AG ended when the offer period expired on February 9, 2016. At this time, fewer Deutsche Wohnen AG shareholders had voted in favor of the takeover offer made by Vonovia SE than would have been necessary in accordance with the takeover conditions, meaning that the takeover did not come to fruition.

Corporate Governance

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

Portfolio Structure

As of March 31, 2016, the residential portfolio that Vonovia manages accounts for approximately 77 % of the Group's assets in terms of fair value.

The Group's real estate portfolio covered 21,458,002 m² of living area in total, with the average apartment size coming in at 62 m², as of March 31, 2016. The average unit consists of two or three rooms, a kitchen and a bathroom. The vacancy rate came to 2.8 % on March 31, 2016. Vonovia generated average monthly in-place rent of € 5.84 per m².

In addition to the acquisition and sale of larger subportfolios, Vonovia's portfolio has also changed in 2016 to date as a result of disposals resulting from privatization measures and the sale of multifamily residences from the Non-Strategic and Non-Core portfolio.

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

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

With effect from March 31, 2016, we sold a real estate portfolio comprising 13,570 residential units to the LEG Group.

				In-place rent	
	Units	Living area (in thou. m²)	Vacancy rate (in %)	(p.a. € million)	(€/m²/month)
Sales portfolio LEG	**13,570**	**843**	**5.0**	**46.9**	**4.88**

Vonovia's residential portfolio is as follows as of March 31, 2016:

Vonovia's Residential Portfolio

				In-place rent	
as of Mar. 31, 2016	Units	Living area (in thou. m²)	Vacancy rate (in %)	(p.a. € million)	(€/m²/month)
Strategic	**301,721**	**18,709**	**2.3**	**1,298.4**	**5.93**
Operate	125,556	7,751	2.4	537.4	5.92
Upgrade Buildings	102,752	6,252	2.3	425.4	5.81
Optimize Apartments	73,413	4,706	2.2	335.6	6.08
Non-Strategic	**13,570**	**853**	**6.8**	**45.2**	**4.74**
Privatize	**18,819**	**1,288**	**4.5**	**86.4**	**5.85**
Non-Core	**9,857**	**608**	**10.0**	**29.0**	**4.50**
Total	**343,967**	**21,458**	**2.8**	**1,459.0**	**5.84**

Regional Distribution of the Housing Stocks by German Federal State

as of Mar. 31, 2016	Units	Living area (in thou. m²)	Vacancy rate (in %)	In-place rent (p.a. in € million)	In-place rent (€/m²/month)
North Rhine-Westphalia	109,688	6,936	3.3	440.8	5.48
Saxony	44,866	2,561	3.7	154.5	5.23
Baden-Württemberg	34,619	2,212	2.3	173.2	6.69
Berlin	30,517	1,904	1.6	132.0	5.87
Hesse	24,955	1,577	1.7	133.4	7.16
Lower Saxony	23,542	1,499	3.3	97.8	5.63
Schleswig-Holstein	20,820	1,240	2.4	79.6	5.51
Bavaria	19,791	1,290	1.6	98.3	6.45
Bremen	11,402	693	3.7	40.9	5.16
Hamburg	10,970	691	1.2	53.2	6.50
Rhineland-Palatinate	4,983	341	3.1	22.9	5.77
Thuringia	2,687	168	4.8	11.1	5.76
Brandenburg	2,404	161	4.5	11.0	5.94
Saxony-Anhalt	1,373	93	8.7	4.7	4.68
Mecklenburg-Western Pomerania	1,326	91	8.4	5.5	5.42
Saarland	24	1	4.2	0.1	4.84
Total	**343,967**	**21,458**	**2.8**	**1,459.0**	**5.84**

Residential Portfolio in the 25 Largest Locations

				In-place rent	
as of Mar. 31, 2016	Units	Living area (in thou. m²)	Vacancy rate (in %)	(p.a. in € million)	(€/m²/month)
Dresden	37,898	2,150	2.6	133.8	5.33
Berlin	30,517	1,904	1.6	132.0	5.87
Dortmund	19,432	1,195	2.5	71.4	5.11
Essen	12,092	748	4.4	46.1	5.39
Kiel	11,976	694	1.5	44.1	5.37
Frankfurt am Main	11,693	718	0.8	66.3	7.75
Bremen	11,272	685	3.7	40.4	5.17
Hamburg	10,970	691	1.2	53.2	6.50
Bochum	7,519	432	2.2	27.6	5.44
Hanover	7,206	461	1.7	33.0	6.05
Cologne	6,407	449	1.3	37.9	7.13
Duisburg	5,536	334	4.1	19.9	5.20
Munich	5,483	361	0.8	30.7	7.15
Bonn	5,174	363	1.6	27.6	6.45
Stuttgart	4,643	290	1.4	27.9	8.13
Bielefeld	4,637	307	2.7	18.1	5.04
Heidenheim an der Brenz	3,958	242	4.7	16.7	6.04
Osnabrück	3,915	248	3.5	15.9	5.53
Gelsenkirchen	3,887	247	5.4	13.7	4.89
Düsseldorf	3,540	228	2.7	19.5	7.31
Braunschweig	3,495	215	1.3	14.0	5.51
Gladbeck	3,136	192	3.1	11.5	5.14
Zwickau	3,106	174	9.6	8.0	4.26
Herne	2,910	185	2.9	10.9	5.09
Mannheim	2,748	184	3.4	14.1	6.63
Subtotal of the 25 largest locations	**223,150**	**13,697**	**2.5**	**934.3**	**5.83**
Other locations	120,817	7,761	3.5	524.7	5.85
Total	**343,967**	**21,458**	**2.8**	**1,459.0**	**5.84**

Report on Economic Position

Development of the Economy and the Industry

German Economy Remains Robust in a Difficult International Environment

According to the Kiel Institute for the World Economy (IfW), the German economy started 2016 with a great deal of momentum after last year had witnessed slight stagnation in the GDP growth rate, which closed the year at 1.7 %. This year, the IfW expects to see GDP expand by an estimated 2.0 %. Purchasing power will continue to increase on the back of the sustained low crude oil prices, higher state transfer payments and the robust labor market, and is currently providing considerable stimulus for private consumption. The IfW expects investment to become the second pillar propping up the upswing, a trend that is likely to be attributable primarily to rising construction investment. While business expectations are looking brighter, 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 are having an impact on the economic climate. The monetary policy pursued by the European Central Bank (ECB) remains extremely expansive and is likely to result in further distortions in terms of price and production structures.

The situation on the labor market is continuing to improve: According to the German Federal Statistical Office, the number of people employed was up by 517,000 year-over-year in January 2016 and by 543,000 in February 2016. The German Federal Employment Agency (Bundesagentur für Arbeit) published an unemployment rate of 6.5 % for March, down by 0.3 percentage points over the previous year.

In recent months, the increase in consumer prices had settled at a relatively low level. In January 2016, the rate of inflation came in at 0.5 % based on the consumer price index. In February 2016, the inflation rate came to 0.0 %, climbing again to 0.3 % in March 2016 compared with the same quarter of the previous year. The pronounced drop in the price of mineral oil products is still putting a damper on inflation.

Housing Market

Ongoing Rise in Housing Prices and Rents

Quoted rents continued to increase in the first two months of 2016, climbing by 0.5 percentage points in both January 2016 and February 2016 in a month-over-month comparison. These were the figures reported by the real estate portal ImmobilienScout24 based on an analysis of the IMX real estate index, which is measured on a regular basis. According to ImmobilienScout24, the stable development in nationwide quoted rents is likely to continue. The portal also reported a further increase in the quoted prices of owner-occupied apartments across Germany at the start of the year. This increase was more pronounced than the increase in rents. The prices for newly built apartments rose by 1.6 percentage points month-over-month in January 2016, and by 1 percentage point in February 2016. The prices for existing owner-occupied apartments increased by as much as 2.2 percentage points in January 2016 and 1.8 percentage points in February 2016. ImmobilienScout24 cites the ECB's ongoing low interest rate policy as the main reason for the rising prices.

Record Year for the German Residential Investment Market

According to experts from the real estate consultancy firm CBRE, the German residential investment market achieved a transaction volume of around € 2.3 billion in total in the first quarter of 2016. This, it reports, makes the area of institutional residential the second strongest asset class during this period after office real estate. The analysis includes transaction bundles encompassing 50 or more units. Even if the special effect relating to Deutsche Annington's takeover of GAGFAH at the beginning of 2015 is left out of the equation, this year's transaction volume is down on the prior-year value so far.

According to CBRE, this is due to a lack of available products. The biggest buyers have included open-ended real estate and special funds, the public sector and real estate companies, while the most active players on the selling side include not only real estate stock corporations and REITs but also, in particular, project developers and building contractors. CBRE says that, while there is continued high demand for residential real estate on both the user and the investor side, product availability has since become a factor that is placing constraints on the continuation of the investment story on the German residential investment market. CBRE expects to see a transaction volume of € 10 billion for 2016 as a whole.

Rent Ceiling Already in Place in Many Federal States

The German Tenancy Amendment Act was passed in 2015. Among other things, the act contains provisions stating that when properties located in housing markets that are evidently strained are rented to new tenants, the rent charged cannot be any more than 10 percent above the standard local comparative rent. Rent agreements that were lawfully concluded before the rent ceilings came into force, however, can be concluded once again at the existing rent level. The act includes a time limit and has excluded new buildings and apartments rented for the first time after extensive modernization from the provisions. The provisions were already in force in nine federal states, including Berlin, Hamburg, some cities and municipalities in North Rhine-Westphalia and Bavaria, by the end of 2015. Since the start of 2016, the provisions have also applied to some cities and municipalities in Brandenburg and, with effect from March 31, 2016, also in the cities of Erfurt and Jena in Thuringia. Based on initial analyses conducted after the end of last year, when the rent ceiling was introduced, experts from the research institute empirica conclude that, so far, the rent ceiling is barely showing any signs of having a sustainable impact in most of Germany's major cities.

Economic Development of the Group

Business Development in the First Quarter of 2016 – An Overview

Vonovia got off to a successful start to the 2016 fiscal year **on the whole.** Our operational key figures are showing positive development, as planned.

In the **Rental segment,** we have been able to further develop our operating business in line with our expectations and continue with our maintenance and modernization strategy. With effect from January 1, 2016, we took over a real estate portfolio comprising around 2,400 residential units. As of March 31, 2016, Vonovia managed a total portfolio comprising 343,967 of its own residential units across Germany.

In the **Extension segment,** we continued with our strategy, strengthening our property-related services and further expanding the range of services provided by our craftsmen's organization. In addition, we successfully integrated two companies that we acquired on January 1, 2016 – IVV Immobilien Verwaltung GmbH and O-TEC Hausverwaltung GmbH – into the Extension segment, enhancing our market position considerably. Since the beginning of the year, our subsidiary Vonovia Immobilien-Treuhand GmbH has been represented in 22 locations across Germany and, as Germany's biggest property manager, is responsible for the management of around 72,000 owner-occupied apartments on a fiduciary basis.

In the **Sales segment,** we continued with our strategy and sold a total of 15,551 units in the first quarter of 2016 (Q1 2015: 2,489 units). These include a portfolio of 13,570 units sold to the LEG Group with effect from March 31, 2016.

As of March 31, 2016, the company's workforce had increased to 6,683.

The performance indicators for 2016 include all acquisitions made in 2015 with an earnings contribution for the months from January to March 2016. By contrast, GAGFAH is included in the business figures for the first quarter of 2015 only through an earnings contribution for the month of March 2015. The first quarter of 2015 does not include any earnings contributions made by Franconia and SÜDEWO, as these companies were not acquired until after March 31, 2015. This means that a direct comparison of performance indicators is only possible to a limited extent.

In the first quarter of 2016, income from property management was in line with our expectations and came in at a total of € 565.9 million (Q1 2015: € 386.8 million). Income from disposal of properties stood at € 690.5 million in the first quarter of 2016 (Q1 2015: € 123.0 million).

In the first quarter of 2016, the GAGFAH portfolio contributed € 205.8 million towards income from property management (March 2015: € 69.1 million) and € 152.7 million towards income from disposal of properties (March 2015: € 45.4 million). The Franconia portfolio contributed € 7.1 million towards income from property management and € 0.2 million towards income from disposal of properties in the reporting period. The SÜDEWO portfolio contributed € 34.4 million towards income from property management and € 1.8 million towards income from disposal of properties.

Our key performance indicators also showed positive development in line with our expectations. All in all, FFO 1 in the first quarter of 2016 came in at € 186.3 million, up by 57.9 % over the first quarter of 2015. EBITDA IFRS amounted to € 257.7 million and was therefore up considerably, namely by 68.2 %, over the figure for the first quarter of 2015 (€ 153.2 million). Adjusted EBITDA increased by 62.0 % from € 192.0 million in the first quarter of 2015 to € 311.1 million in the first quarter of 2016. Our EPRA NAV increased by 0.4 %, from € 13,988.2 million at the end of 2015 to € 14,048.2 million as of March 31, 2016.

Results of Operations

The following key figures provide an overview of how Vonovia's results of operations developed in the first quarter of 2016. Regarding the different times at which the earnings contributions from individual subportfolios of GAGFAH, SÜDEWO and Franconia were included, we refer to the comments made in the chapter above on overall business development.

Key Performance Indicators of Vonovia

in € million	3M 2016	3M 2015
Income from property management	565.9	386.8
thereof rental income	392.0	263.6
Adjusted EBITDA Rental	269.0	177.1
Adjusted EBITDA Extension	7.6	5.5
Income from disposal of properties	690.5	123.0
Adjusted EBITDA Sales	35.0	9.5
EBITDA IFRS	257.7	153.2
Adjusted EBITDA	311.1	192.0
FFO 1*	186.3	118.0
FFO 2 (FFO 1 incl. adjusted EBITDA Sales/current income taxes Sales)	195.1	125.2
AFFO*	171.7	99.7
Number of employees (as of March 31)	6.683	5.737
Number of units bought	2,417	144,602
Number of units sold	15,551	2,489
thereof Privatize	890	553
thereof Non-Core	14,661	1,936
Vacancy rate in %	2.8	3.4
Monthly in-place rent (€/m²)	5.84	5.53
Number of residential units in portfolio	343,967	345,629

* Value in Q1 2015 adjusted, current income taxes in Q1 2015 redistributed among the segments in line with each segment's share of FFO taxes in 2015 as a whole

Rental

Our core Rental business showed positive development, in line with our expectations, in the first quarter of 2016. We were able to further develop our operating business as planned and continue with our maintenance and modernization strategy.

Adjusted EBITDA Rental increased by 51.9 % from € 177.1 million in the first quarter of 2015 to € 269.0 million in the first quarter of 2016. Within this context, it is important to bear in mind that the earnings figures for the first quarter of 2015 include the earnings contribution made by the GAGFAH portfolio only for a single month, March 2015. Due to the new segmentation of our business in the fourth quarter of 2015, the presentation of the prior-year figures has been adjusted accordingly. Adjusted EBITDA Rental reported for the previous year was reduced by € 5.4 million as a result. This earnings contribution is now attributable to the new Extension segment.

Adjusted EBITDA Rental

in € million	3M 2016	3M 2015
Rental income	392.0	263.6
Maintenance expenses	-58.6	-43.8
Operating expenses*	-64.4	-42.7
Adjusted EBITDA Rental	**269.0**	**177.1**

* Correction of property management costs for 3M 2015 from the former amount of € -37.3 million to € -42.7 million in operating expenses due to the resegmentation of the Extension segment

Our **rental income** in the Rental segment increased by 48.7 % from € 263.6 million in the first quarter of 2015 to € 392.0 million in the first quarter of 2016. The GAGFAH portfolio contributed € 141.6 million (March 2015: € 47.7 million) to this amount, with the Franconia portfolio contributing € 4.9 million and the SÜDEWO portfolio contributing € 26.2 million. If we leave the addition of the acquired portfolios of GAGFAH, Franconia, SÜDEWO and the portfolio acquired in the first quarter of 2016 out of the equation, then rental income came to € 215.9 million in the first quarter of 2016, which is on a par with the level seen in the first quarter of 2015. This means that the rent lost due to disposals since March 2015 has been compensated for by rent increases.

The monthly in-place rent per square meter rose from € 5.53 at the end of the first quarter of 2015 to € 5.84 at the end of the first quarter of 2016. This corresponds to an increase of 5.6 % in total. At the end of the quarter, the GAGFAH portfolio was included in the Group value at a monthly in-place rent of € 5.59/m² (end of March 2015: € 5.40/m²), the Franconia portfolio at a monthly in-place rent of € 5.98/m² and the SÜDEWO portfolio at a monthly in-place rent of € 6.93/m². The monthly in-place rent per square meter, on a like-for-like basis (incl. GAGFAH), came to € 5.76 at the end of the first quarter of 2016. This corresponds to an increase of 2.9 % compared to the level of € 5.60 at the end of the first quarter of 2015.

We were able to further reduce our vacancy rate in the first quarter of 2016. It dropped from 3.4 % at the end of the first quarter of 2015 to 2.8 % at the end of the first quarter of 2016. The development in vacancy also had a positive impact on rental income. In line with this development, the EPRA vacancy rate dropped from 3.2 % at the end of the first quarter of 2015 to 2.6 % at the end of the first quarter of 2016.

We systematically continued with our modernization and maintenance strategy in the reporting period as planned. **Expenses for maintenance** totaled € 58.6 million in the first quarter of 2016 and were therefore up by 33.8 % over the expenses for maintenance incurred in the first quarter of 2015, namely € 43.8 million, largely due to acquisitions. In the reporting period, € 25.2 million was attributable to the GAGFAH portfolio (March 2015: € 6.2 million), with € 0.9 million attributable to the Franconia portfolio and € 1.3 million attributable to the SÜDEWO portfolio. Expenses for maintenance in the subportfolio, excluding the acquired GAGFAH, Franconia and SÜDEWO portfolios, came in at € 31.2 million, down by around 17 % on the figure for the first quarter of 2015 (€ 37.6 million), mainly due to disposals. We increased our value-enhancing modernization program by 47.4 % to € 51.9 million in the first quarter of 2016, as compared to a volume of € 35.2 million in the first quarter of 2015. This means that, including capitalized maintenance of € 14.9 million, we invested a total volume of € 125.4 million (Q1 2015: € 97.5 million) in modernization and maintenance work on our properties in the first quarter of 2016.

Maintenance and Modernization

in € million	3M 2016	3M 2015
Expenses for maintenance	58.6	43.8
Capitalized maintenance	14.9	18.5
Modernization work	51.9	35.2
Total cost of modernization and maintenance*	**125.4**	**97.5**
thereof sales of own craftsmen's organization	111.5	67.7
thereof bought-in services	13.9	29.8

* Incl. intra-Group profits for Q1 2016: € 5.9 million (thereof € 0.3 million capitalized maintenance, thereof € 1.2 million modernization); Q1 2015: € 3.8 million (thereof € 0.2 million capitalized maintenance, thereof € 0.5 million modernization)

In relation to the average number of square meters of living area, this corresponds to spending on modernization and maintenance of € 5.65 per m² in the first quarter of 2016 (Q1 2015: € 6.19 per m²).

In the first quarter of 2016, **operating expenses** in the Rental segment came to € 64.4 million, up by € 21.7 million over the prior-year value of € 42.7 million due to acquisitions.

Extension

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

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

We were able to boost our earnings power in the Extension segment in the first quarter of 2016. Compared with the first quarter of 2015, segment income rose by 102.5 % in total, from € 68.5 million to € 138.7 million in the first quarter of 2016. This was due primarily to the expansion of our craftsmen's organization, which is now also responsible for the acquired GAGFAH and SÜDEWO portfolios. We have also been commissioning/coordinating all modernization and maintenance measures via Deutsche TGS since the 2016 fiscal year, even if these services are then passed on to subcontractors. This results in a further increase in internal income. Operating expenses came in at € 131.1 million in the first quarter of 2016, around 108 % higher than the figure for the first quarter of 2015 (€ 63.0 million). All in all, adjusted EBITDA Extension rose to € 7.6 million in the first quarter of 2016, up by 38.2 % over the figure of € 5.5 million reported in the first quarter of 2015.

Adjusted EBITDA Extension

in € million	3M 2016	3M 2015
Income	138.7	68.5
thereof external income	27.2	8.2
thereof internal income	111.5	60.3
Operating expenses	-131.1	-63.0
Adjusted EBITDA Extension	**7.6**	**5.5**

Costs per Unit and EBITDA Margin

The actual costs incurred by Vonovia for the management of its properties are shown in the costs of the Rental segment that do not relate to maintenance, and in the earnings contribution made by the service business, which is directly linked to the properties. As a result, we have grouped the operating expenses of the Rental segment and the adjusted EBITDA of the Extension and Other segments to show the Group-wide property management costs. In terms of the average number of residential units, these costs came to € 161 per unit in the first quarter of 2016 (Q1 2015: € 149). This increase is due to special effects in connection with the first-time consolidation of GAGFAH in the same quarter of the previous year, which resulted in lower costs in the first quarter of 2015 and higher costs in the following quarters.

Furthermore, the EBITDA margin of the core business, expressed in the cumulative adjusted EBITDA of the Rental, Extension and Other segments, once again showed positive development in relation to rental income within the Group during the reporting period. It increased from 69.2 % in the first quarter of 2015 to 70.3 % in the first quarter of 2016, which equates to an improvement of 1.1 percentage points.

Sales

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

Sales in the **Privatize** portfolio were as follows in the first quarter of 2016:

Sales in the Privatize Portfolio

in € million	3M 2016	3M 2015
Number of units sold	890	553
Income from disposal of properties	73.8	51.4
Fair value of properties sold*	-56.4	-37.6
Adjusted profit from disposal of properies	**17.4**	**13.8**
Fair value step-up in %	30.9	36.7

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

The figure of 890 units sold in the first quarter of 2016 was considerably higher than the figure of 553 from the first quarter of 2015. Sales proceeds increased by 43.6 % from € 51.4 million in the first quarter of 2015 to € 73.8 million in the first quarter of 2016. At 30.9 %, the fair value step-up was lower than for the previous year (36.7 %). This is due to around 425 privatization units that formed part of the portfolio sale to LEG. Leaving this portfolio sale out of the equation, the fair value step-up was 35.6 % in Q1 2016. 36 residential units were privatized from the GAGFAH portfolio in the first quarter of 2016. No units from the SÜDEWO or Franconia portfolios were privatized in 2016.

Sales in the Non-Core Portfolio

in € million	3M 2016	3M 2015
Number of units sold	14,661	1,936
Income from disposal of properties	616.7	71.6
Fair value of properties sold*	- 594.3	-71.0
Adjusted profit from disposal of properties	**22.4**	**0.6**
Fair value step-up in %	3.8	0.8

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

In the Non-Core portfolio, we continued, as planned, to sell properties that do not fit in with our medium- to long-term strategy as the opportunity arises. With 14,661 units sold in the first quarter of 2016, the sales volume was up considerably on the value for the first quarter of 2015 (1,936 units). These include a portfolio of 13,145 units (13,570 units including the 425 privatization units) that was sold to the LEG Group with effect from March 31, 2016.

3,544 Non-Core units were sold from the GAGFAH portfolio, 19 from the Franconia portfolio and 130 from the SÜDEWO portfolio.

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

Adjusted EBITDA Sales

in € million	3M 2016	3M 2015
Income from disposal of properties	690.5	123.0
Carrying amount of assets sold	-683.0	-115.8
Revaluation of assets held for sale	5.6	7.3
Profit on disposal of properies (IFRS)	**13.1**	**14.5**
Revaluation (realized) of assets held for sale	-5.6	-7.3
Revaluation from disposal of assets held for sale	32.3	7.2
Adjusted profit from disposal of properties	**39.8**	**14.4**
Selling costs	-4.8	-4.9
Adjusted EBITDA Sales	**35.0**	**9.5**

The adjusted profit from disposal of properties rose considerably from € 14.4 million in the first quarter of 2015 to € 39.8 million in the first quarter of 2016. The Non-Core sales made a particular contribution to this trend. In the Sales segment, we make adjustments for effects not relating to the period from assets held for sale. This adjustment is made to show the effect of real estate sales on the result only in the period in which the sale takes place. The total adjustment in the first quarter of 2016 was € 26.7 million, compared with € -0.1 million in the first quarter of 2015. This effect is attributable, in particular, to the units already registered as of December 31, 2015, as part of the portfolio sale to LEG, the sale of which was concluded in the first quarter of 2016. In accordance with the IFRS, the associated profits were already reported in the previous year, while the adjusted EBITDA Sales relates to profits and revenue posted in the same period, thus allowing the undistorted disclosure of the step-up.

At € 4.8 million, selling costs were down slightly on the value for the first quarter of 2015 (€ 4.9 million). Adjusted EBITDA Sales increased by 268.4 % from € 9.5 million in the first quarter of 2015 to € 35.0 million in the first quarter of 2016.

Non-Recurring Items

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

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

Non-Recurring Items

in € million	3M 2016	3M 2015
Business model optimization/ development of new fields of business	3.9	1.7
Acquisition costs incl. integration costs*	14.6	35.2
Refinancing and equity measures	0.7	0.2
Severance payments/pre-retirement, part-time work arrangements	7.5	1.8
Total non-recurring items	**26.7**	**38.9**

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

In the reporting period, the non-recurring items related primarily to acquisition costs of € 14.6 million (Q1 2015: € 35.2 million), mainly due to the costs incurred in connection with the public takeover offer made to the shareholders of Deutsche Wohnen AG and costs associated with the integration of GAGFAH.

All in all, adjusted EBITDA rose to € 311.1 million in the first quarter of 2016 and was therefore € 119.1 million above the comparable figure for the previous year of € 192.0 million. Excluding these adjustments for non-recurring items and effects not relating to the period in the Sales segment, EBITDA IFRS came in at € 257.7 million in the first quarter of 2016, € 104.5 million above the comparable figure of € 153.2 million for the first quarter of 2015.

FFO

In the reporting period, we were able to increase our primary key figure for the sustained earnings power of our core business, FFO 1, by € 68.3 million or 57.9 % compared with the first quarter of 2015 to € 186.3 million.

The table shows the reconciliation of key financial figures. In general, it is important to remember that the business figures for the same reporting period in 2015 do not include the above-mentioned acquisitions (Franconia and SÜDEWO), and that, in 2015, GAGFAH was included in the figures reported with an earnings contribution only for a single month, namely March:

Funds From Operations (FFO)

in € million	3M 2016	3M 2015
Profit for the period	**79.2**	**30.3**
Financial result	131.3	98.1
Income taxes	42.8	22.8
Depreciation and amortization	4.4	2.0
Net income from fair value adjustments of investment properties	-	-
= EBITDA IFRS	**257.7**	**153.2**
Non-recurring items	26.7	38.9
Total period adjustments from assets held for sale	26.7	-0.1
= Adjusted EBITDA	**311.1**	**192.0**
Adjusted EBITDA Sales	-35.0	-9.5
Adjusted EBITDA Other	0.5	0.1
Adjusted EBITDA Extension	-7.6	-5.5
= Adjusted EBITDA Rental	**269.0**	**177.1**
Adjusted EBITDA Extension	7.6	5.5
Adjusted EBITDA Other	-0.5	-0.1
FFO interest expense	-86.0	-63.2
Current income taxes Rental*	-3.8	-1.3
= FFO 1	**186.3**	**118.0**
Capitalized maintenance	-14.6	-18.3
= AFFO	**171.7**	**99.7**
Current income taxes Sales*	-26.2	-2.3
FFO 2 (FFO 1 incl. adjusted EBITDA Sales/current income taxes Sales)	**195.1**	**125.2**
FFO 1 per share in €**	0.40	0.32
AFFO per share in €**	0.37	0.27

* Current income taxes in Q1 2015 redistributed among the segments in line with each segment's share of FFO taxes in 2015 as a whole

** Based on the shares qualifying for a dividend on the reporting date Mar. 31, 2016: 466,000,624; Mar. 31, 2015: 354,106,228; due to the subscription right share issue, which allowed the new shares to be purchased at a discount, the key figures per share have been adjusted to make them comparable to the values including the rights issue (TERP adjustment). The adjustment factor is calculated based on the last share price prior to the deduction of subscription rights (€ 26.46) divided by the assumed share price following the issue of new shares (€ 25.18) (TERP, theoretical ex-rights price). This results in an adjustment factor of 1.051, by which the actual values for 2015 were divided in order to ensure comparability.

The **financial result** in the first quarter of 2016 came to € -131.4 million, considerably lower than the comparable figure for the first quarter of 2015 of € -98.1 million. This was largely due to the financing costs for our acquisition activities. In the first quarter of 2016, the operating FFO-related interest result came to € -86.0 million, 36.1% higher than the comparable value for the first quarter of 2015 due to acquisitions.

Reconciliation of Financial Result to Net Cash Interest

in € million	3M 2016	3M 2015
Income from other non-current loans	0.5	0.5
Interest income	8.9	0.2
Interest expenses	-140.8	-98.8
Financial result*	**-131.4**	**-98.1**
Adjustments:		
Transaction costs	20.5	47.3
Prepayment penalties and commitment interest	9.8	0.3
Effects from the valuation of non-derivative financial instruments	-1.1	-4.2
Derivatives	0.0	-13.9
Interest accretion to provisions	2.6	2.6
Accrued interest	39.1	40.1
Other effects	4.0	2.8
Net cash interest	**-56.5**	**-23.1**
Deferred interest adjustment	-39.1	-40.1
EMTN interest adjustment**	9.6	-
FFO interest expense	**-86.0**	**-63.2**

* Excluding income from other investments

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

Profit for the Period

In the first quarter of 2016, the profit for the period came to € 79.2 million, up considerably on the value of € 30.3 million reported in the first quarter of 2015, which is ultimately due to the full inclusion of GAGFAH and SÜDEWO in 2016.

Assets

Asset and Capital Structure

Consolidated Balance Sheet Structure

	Mar. 31, 2016		Dec. 31, 2015	
	in € million	in %	in € million	in %
Non-current assets	27,268.2	88.0	26,678.6	86.2
Current assets	3,703.6	12.0	4,280.5	13.8
Total assets	**30,971.8**	**100.0**	**30,959.1**	**100.0**
Equity	11,898.4	38.4	11,866.9	38.3
Non-current liabilities	16,926.8	54.7	17,405.0	56.2
Current liabilities	2,146.6	6.9	1,687.2	5.5
Total equity and liabilities	**30,971.8**	**100.0**	**30,959.1**	**100.0**

At the end of the first quarter of 2016, Vonovia's **total assets** came to € 30,971.8 million, on a par with the level as of December 31, 2015. Vonovia's **equity and liabilities** are also at the same level seen at the end of last year, coming in at € 11,898.4 million and € 19,073.4 million respectively. As far as **liabilities** are concerned, the only aspect that needs to be highlighted is a shift between current and non-current non-derivative financial liabilities.

Within **equity,** retained earnings fell by a further € 20.7 million due to actuarial losses after deferred taxes in the first quarter of 2016 due to the renewed drop in interest rates. Effects from cash flow hedges also put pressure on equity in the amount of € 64.3 million. On the other hand, equity was increased by the positive net result for the first quarter of 2016 in the amount of € 79.2 million, while other comprehensive income contained therein also increased by € 36.1 million after deferred taxes due to the book gains associated with the acquired shares in Deutsche Wohnen AG.

The **equity ratio** was virtually unchanged at 38.4 % on the reporting date of March 31, 2016, having stood at 38.3 % at the end of the 2015 fiscal year.

The value of our **Investment Properties,** our most important asset, came to € 23,720.6 million at the end of the first quarter of 2016, which corresponds to 76.6 % of our total assets. 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). There are investment obligations in connection with public safety measures.

Another major asset, which amounts to € 2,716.6 million or 8.8 % of total assets, relates to the **goodwill** reported under intangible assets, which increased slightly by € 2 million due to the acquisition of a condominium administration business. Goodwill remains unimpaired.

In the reporting period, the **cash and cash equivalents** came to € 3,146.2 million, virtually unchanged compared to the value reported at the end of the year (€ 3,107.9 million) due to the bond placement in December 2015. These funds will be used in the course of the fiscal year for planned refinancing measures.

Fair Values

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

Major market developments and valuation parameters that had an impact on Vonovia's fair values are assessed every quarter. If necessary, the real estate portfolio is revalued. The assessment did not reveal any need for value adjustments as of March 31, 2016. The changes in value resulting from our extensive modernization measures have, however, been reflected and shown in the capitalized modernization costs.

Net Asset Value

Vonovia's net asset value (NAV) figures are based on the best practice recommendations of the EPRA (European Public Real Estate Association). At the end of the first quarter of 2016, the net asset value (NAV), in accordance with EPRA standards, was, in line with equity, on a par with the level at the end of 2015 at € 14,048.2 million. The adjusted EPRA NAV rose slightly from € 11,273.5 million to € 11,331.6 million. This represents an increase in the adjusted EPRA NAV per share from € 24.19 to € 24.32.

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

in € million	Mar. 31, 2016	Dec. 31, 2015
Equity attributable to Vonovia's shareholders	**10,628.4**	**10,620.5**
Deferred taxes on investment properties/ asset held for sales	3,217.8	3,241.2
Fair value of derivative financial instruments*	268.9	169.9
Deferred taxes on derivative financial instruments	-66.9	-43.4
EPRA NAV	**14,048.2**	**13,988.2**
Goodwill	-2,716.6	-2,714.7
Adjusted EPRA NAV	**11,331.6**	**11,273.5**
EPRA NAV PER SHARE IN €**	**30.15**	**30.02**
Adjusted EPRA NAV PER SHARE IN €**	**24.32**	**24.19**

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

Financial Position

Cash Flow

The following table shows the Group cash flow:

Statement of Cash Flows

in € million	3M 2016	3M 2015
Cash flow from operating activities	227.5	154.5
Cash flow from investing activities	258.0	-2,001.5
Cash flow from financing activities	-447.2	1,003.3
Net changes in cash and cash equivalents	**38.3**	**-843.7**
Cash and cash equivalents at the beginning of the period	3,107.9	1,564.8
Cash and cash equivalents at the end of the period	**3,146.2**	**721.1**

At the end of the first quarter of 2016, cash flow from operating activities came to € 227.5 million, compared to € 154.5 million at the end of the first quarter of 2015. This increase is due to the increased business volume as a result of the inclusion of GAGFAH and SÜDEWO in the first quarter of 2016, whereas SÜDEWO had not been included in the figures for the first quarter of 2015 at all and GAGFAH had been included only with the March contribution. The change in working capital contributed around € 17 million to the cash flow from operating activities in the first quarter of 2016 due to a cash outflow.

The cash flow from investing activities is characterized by modernization payments for investment properties in the amount of € 54.1 million and by the payouts for the acquisition of a condominium administration business and a portfolio containing around 2,400 units as of January 1, 2016. On the other hand, there were proceeds of € 720.3 million as a consideration for the portfolios sold. All in all, the cash flow from investing activities is positive at € 258.0 million, compared to the negative figure of around € 2,001.5 million last year due to the takeover of GAGFAH.

The cash flow from **financing activities** shows a payout balance for the first quarter of 2016 of € 447.2 million, compared with a proceeds balance of € 1,003.3 million at the end of the first quarter of the previous year. The proceeds balance in the first quarter of the previous year was characterized by cash inflows for the GAGFAH takeover. The cash flow from financing activities in the first quarter of 2016 reveals proceeds from mortgages (mainly relating to the German government-owned development bank, KfW) in the amount of € 38.4 million and payouts for interest payments, transaction costs and both scheduled and unscheduled loan repayments. The unscheduled repayments relate to the repayment of a structured loan with AXA and the repayment of financing assumed along with an acquired portfolio in the amount of € 135.0 million.

As at the end of the 2015 fiscal year, the **cash and cash equivalents** are characterized by the inflows from the EMTN bond placement on December 15, 2015. The funds invested will be used in line with the medium-term financial planning in the 2016 fiscal year.

Financing

Responsibility for financing the Group as a whole and the Group companies individually lies with Vonovia. 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 Vonovia Finance B.V., Amsterdam, its Dutch subsidiary.

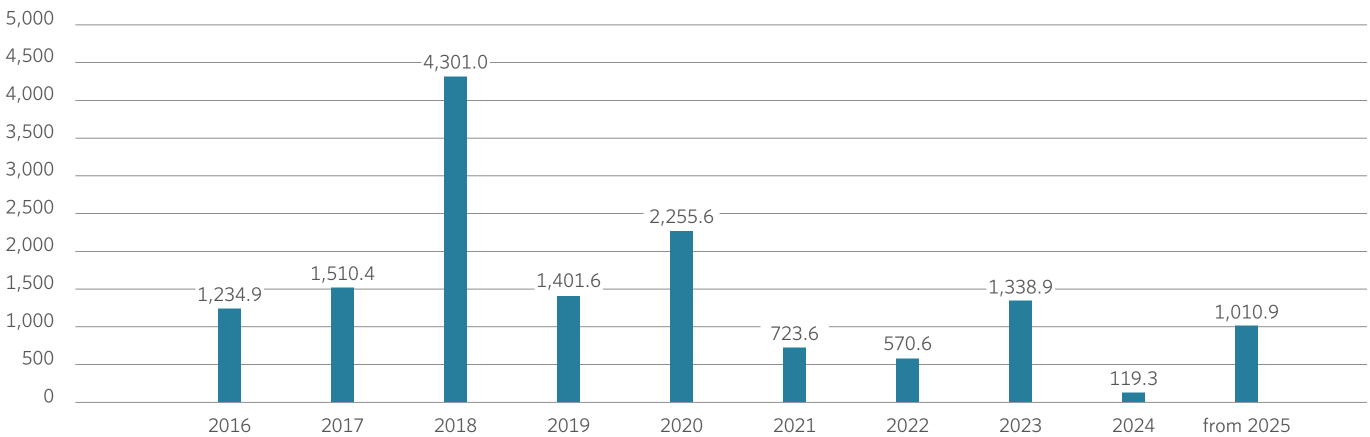
In its publication dated March 10, 2015, the rating agency Standard & Poor's assigned Vonovia a long-term corporate credit rating of 'BBB+' with a stable outlook and a short-term credit rating of 'A-2'. At the same time, the creditworthiness of the unsecured bonds issued was confirmed, with the rating being lifted from 'BBB' to 'BBB+'.

A bond tap issue was launched via Vonovia Finance B.V. in the form of an EMTN program (EMTN: European medium term notes program). An EMTN program allows funds to be raised quickly at any time, without any major administrative outlay, using bond issues. The prospectus for the EMTN program has to be updated annually and approved by the financial supervisory authority of the Grand Duchy of Luxembourg (CSSF).

The debt maturity profile of Vonovia's financing was as follows as of March 31, 2016:

Maturity Profile

as at March 31, 2016, in € million



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

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

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

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

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

in € million	Mar. 31, 2016	Dec. 31, 2015
Non-derivative financial liabilities	14,705.0	14,939.9
Foreign exchange rate effects	-140.4	-179.4
Cash and cash equivalents	-3,146.2	-3,107.9
Net debt	**11,418.4**	**11,652.6**
Receivables in Sales*	-295.3	-330.0
Additional purchase price for outstanding acquistions	–	134.9
Adjusted Net Debt**	**11,123.1**	**11,457.5**
Fair value of the real estate portfolio	**23,814.4**	**24,157.7**
Fair value of outstanding acquisitions	–	240.0
Shares in other real estate companies	460.6	13.7
Adjusted fair value of the real estate portfolio**	**24,275.0**	**24,411.4**
LTV	**45.8 %**	**46.9 %**

* Value as of December 31, 2015, adjusted, full disclosure of outstanding purchase price payments from disposals
** Value as of December 31, 2015, adjusted, separate disclosure of investments in the adjusted fair value

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

in € million	Mar. 31, 2016	Dec. 31, 2015
Non-derivative financial liabilities	14,705.0	14,939.9
Total assets	30,971.8	30,959.1
LTV bond covenants	**47.5 %**	**48.3 %**

Subsequent Events

Subsequent Events

No scenarios subject to a reporting requirement arose between March 31, 2016, and the time at which the interim report was published.

Opportunities and Risks

For the purposes of the interim financial statements as of March 31, 2016, there are no opportunities and risks over and above, or material changes to, the opportunities and risks set out in the combined management report for the 2015 fiscal year.

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

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

Forecast Report

Further Course of the Group

Expected Development of the Overall Economic Environment

German Economy Remains on an Upward Trajectory

After the German economy reported solid growth of 1.7 % in real terms in 2015, upward forces continue to dominate the economic situation, despite unpredictable risks associated with the foreign trade environment. The Kiel Institute for the World Economy (IfW) expects GDP to expand by 2.0 % in the course of 2016.

The IfW expects consumer spending, both among private households and by the state, as well as construction investment, to be the main factors driving growth in 2016. Corporate investment is also expected to be a further pillar propping up the economy. In purely arithmetical terms, foreign trade is not expected to provide any growth impetus. The upswing, which will be driven primarily by the domestic economy in 2016, is expected to result in imports growing at a much faster rate than exports. The labor market remains in a robust condition, with employment levels on the rise and the unemployment rate headed south. Consumer prices will remain stable on average in 2016 due to oil prices. The low inflation rates will, in turn, drive private consumer spending. The inflation rate will start to increase again considerably in 2016. The IfW expects the public budgets to continue to report slight surpluses. Financing costs for the state and the corporate sector alike are likely to drop further due to the government bond purchase program launched in March.

Looking ahead to 2017, the IfW expects to see a further acceleration in economic momentum, predicting GDP growth of 2.2 %. This forecasts rests on the fact that the expansion forces in the domestic economy will remain strong, the monetary environment will continue to provide considerable stimulus and the outlook for exports is expected to improve as the global economy recovers.

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: Further Increase in Prices Expected

The price increases on the real estate market are likely to continue in 2016, although price levels and momentum will vary considerably from region to region. According to an analysis conducted by experts from Deutsche Bank Research (DB Research), real estate prices in 126 major German towns and cities rose by 6 % in 2015 in a year-over-year comparison, an increase that outstrips the increase in rents. With prices expected to increase by another 6 % this year, 2016 is likely to signal the end of the normalization in apartment and house prices. Given the considerable excess demand, which could potentially increase even further, DB Research expects real estate prices to continue rising even after 2016 is over. This would likely, however, come hand-in-hand with excessive valuations, meaning that painful adjustment processes could await at the end of the cycle. As far as rents for new and existing properties in 126 major German towns and cities are concerned, the experts predict growth of 3.25 % in 2016, on a par with the level seen in previous years. Evaluations conducted by the real estate service provider ImmobilienScout24 confirm a further increase in quoted rents and prices, looking at the whole of Germany on average, in the first two months of 2016. With regard to the rent ceiling, the experts at HSH Nordbank assume that, in the 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. According to experts from empirica, there are still no signs of the rent ceiling having any impact on prices. They believe that, as things stand at the moment, all indicators suggest that the rent ceiling will either remain futile or will actually result in a further increase in price pressure if the short supply can be attributed to the rent ceiling. As of March 31, 2016, the rent ceiling applied in eleven federal states (see the Report on Economic Position). As of the summer, the rent ceiling could also apply to twelve municipalities and on the East Frisian islands belonging to Lower Saxony.

The ECB recently cut the benchmark rate to zero percent. According to experts from ImmobilienScout24, however, the ECB's most recent decision is not associated with the risk of a bubble bursting. Experts from the research institute empirica likewise did not believe that there was any bubble at the end of the fourth quarter of 2015. Nevertheless, rents and purchase prices in 199 out of 402 administrative districts and self-governing cities are no longer developing in tandem, with the bubble index indicating a high risk for 124 districts. Yet, there are signs of excessive new construction volumes in only 14 districts. The risk of a bubble emerging in high-growth regions continues to grow. Due to growing levels of disposable income and, in particular, the fact that interest rates are at an all-time low, residential property ownership is still a relatively affordable option in Germany on average, according to DB Research. There are, however, pronounced differences from region to region.

High Levels of New Construction Still Required

The research institute empirica estimates that around 360,000 new apartments will have to be completed across Germany every year for the next five to ten years. In addition to the existing need for 286,000 apartments, an additional 75,000 new apartments will be required every year due to the influx of refugees. Federal Construction Minister Barbara Hendricks (SPD) has put a similar figure on the number of apartments required every year (350,000). In December 2015, experts from the Cologne Institute for Economic Research (IW) actually estimated that 430,000 new apartments will be required every year between now and 2020. They stress that the marked increase in immigration in 2015 calls for an additional analysis of demographic trends. The Cologne Institute for Economic Research estimates that between 83.75 and 85 million people will be living in Germany by 2020. The population projection prepared by the Federal Statistical Office in March 2015 only put this figure at between 81.4 million and 82.25 million people by 2020.

Expected Development of Business

Forecast for the 2016 Fiscal Year

Vonovia got off to a successful start to the 2016 fiscal year on the whole. We were able to further develop our operating business as planned and continue with our maintenance and modernization strategy. With effect from January 1, 2016, we took over a real estate portfolio comprising around 2,400 residential units. In addition, we successfully integrated two companies that we acquired with effect from January 1, 2016 – IVV Immobilien Verwaltung GmbH and O-TEC Hausverwaltung GmbH – into the Extension segment. With effect from March 31, 2016, we sold a portfolio comprising 13,570 residential units to the LEG Group.

Based on the current overall portfolio, our forecast for the 2016 fiscal year is as follows.

	Actual 2015	Forecast for 2016 in the 2015 annual report	Current forecast for 2016 in the 2016 Q1 Report
Adjusted EPRA NAV/share	24.19 €	€ 24 – 25	€ 24 – 25
EPRA NAV/share	30.02 €	€ 30 – 31	€ 30 – 31
FFO 1	€ 608.0 million	€ 690–710 million	€ 720 – 740 million
FFO 1/share*	€ 1.30	€ 1.48 – 1.52	€ 1.55 – 1.59
CSI	Increase of 2.8 %	Increase of up to 5 %	Increase of up to 5 %
Monthly in-place rent €/m² (like-for-like)*	€ 5.78	Increase of 2.8 – 3.0 %	Increase of 2.8 – 3.0 %
Vacancy rate	2.7 %	ca. 3 %	ca. 2.7 %
Maintenance and modernization work incl. capitalized maintenance	€ 330.7 million	ca. € 330 million	ca. € 330 million
Modernization	€ 355.6 million	€ 430 – 500 million	€ 430 – 500 million
Number of units sold Privatize	2,979	ca. 2,400	ca. 2,400
Step-up Privatize	30.50 %	ca. 30 %	ca. 30 %
Number of units sold Non-Core	12,195	Continue opportunistic sales	Continue opportunistic sales
Step-up Non-Core	9.2 %	0 %	0 %

* Monthly in-place rent in 2015 per m² (like-for-like) incl. GAGFAH excl. Franconia/SÜDEWO

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

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

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

In the coming fiscal year, we plan to expand our leading position on the German residential real estate market. We aim to use a high level of customer orientation to offer our customers affordable homes that meet their needs together with housing-related services and reliable support, while at the same time securing sustainable, risk-commensurate yields for our investors.

We expect to be able to increase the value of the company even further in 2016. By the end of 2016, we still expect the adjusted EPRA NAV per share to have risen to up to € 25, with the EPRA NAV per share predicted to have increased to up to € 31.

We plan to further improve our sustained operational earnings power in the 2016 fiscal year. The modernization measures taken in the 2015 fiscal year and in the first quarter of 2016 will also help us to achieve this. In addition, the acquisitions made in 2015 will make a full-year contribution to earnings for the first time. We predict that the FFO 1 will increase to somewhere in the range of € 720 million to € 740 million in 2016. This corresponds to an FFO 1 per share of between € 1.55 and € 1.59 and includes the acquisitions of GAGFAH and SÜDEWO, which were completed in 2015, as well as the portfolio acquired in the first quarter of 2016. The forecast does not take account of any further larger acquisitions of real estate portfolios.

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

In 2016, we will once again be investing substantial volumes of money in our real estate portfolios. Our modernization program planned for the 2016 fiscal year is expected to comprise a volume of € 430–500 million. The focus will remain on energy-efficient modernizations, the refurbishment of units to improve the standard of comfort and on senior-friendly conversions. We will also, however, be investing in new programs such as modernization in response to tenant requests, the development of residential districts or the construction of new apartments. In addition, we still expect to perform ongoing maintenance work, including capitalized maintenance, with a volume of around € 330 million. All in all, this corresponds to an investment volume of up to € 830 million, or up to € 38 per square meter in 2016. We expect an increase from 2.8 % to 3.0 % in the monthly in-place rent per square meter like-for-like in 2016. We expect the vacancy rate to come in at around 2.7 % at the end of 2016. Overall, we expect rental income to rise from € 1.4 billion in 2015 to over € 1.5 billion in 2016.

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

In the Sales segment, we will continue to pursue our strategy of selective sales. In the privatization business, we expect around 2,400 apartments to be sold in 2016 with a step up on the fair value of these apartments of around 30 %. We will also continue to intensify our strategy of selling buildings from the Non-Core subportfolio at prices that are roughly in line with the fair value in 2016, insofar as corresponding opportunities present themselves.

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

Düsseldorf, Germany, April 28, 2016

Rolf Buch
(CEO)

Klaus Freiberg
(COO)

Dr. A. Stefan Kirsten
(CFO)

Gerald Klinck
(CCO)

Condensed Interim Consolidated Financial Statements

Consolidated Income Statement

in € million	Notes	Jan. 1 – Mar. 31, 2016	Jan. 1 – Mar. 31, 2015
Income from property letting		556.6	380.9
Other income from property management		9.3	5.9
Income from property management	3	**565.9**	**386.8**
Income from disposal of properties		690.5	123.0
Carrying amount of properties sold		-683.0	-115.8
Revaluation of assets held for sale		5.6	7.3
Profit on disposal of properties	4	**13.1**	**14.5**
Net income from fair value adjustments of investment properties	5	**-**	**-**
Capitalized internal expenses		49.4	26.5
Cost of materials	6	-244.1	-171.8
Personnel expenses		-92.9	-60.7
Depreciation and amortization		-4.4	-2.0
Other operating income		23.6	19.8
Other operating expenses		-57.3	-61.9
Financial income		9.5	0.7
Financial expenses	7	-140.8	-98.8
Earnings before tax		**122.0**	**53.1**
Income taxes		-42.8	-22.8
Profit for the period		**79.2**	**30.3**
Attributable to:			
Vonovia's shareholders		56.5	19.6
Vonovia's hybrid capital investors		7.4	7.4
Non-controlling interests		15.3	3.3
Earnings per share (basic and diluted) in €	**8**	**0.12**	**0.06**

Consolidated Statement of Comprehensive Income

in € million	Jan. 1 – Mar. 31, 2016	Jan. 1 – Mar. 31, 2015
Profit for the period	**79.2**	**30.3**
Cash flow hedges		
Change in unrealized gains/losses	-126.9	89.4
Taxes on the change in unrealized gains/losses	32.0	-21.5
Net realized gains/losses	41.0	-104.1
Taxes on the change in net realized gains/losses	-10.4	25.8
Available-for-sale-financial assets		
Changes in the period	53.4	–
Taxes on changes in the period	-17.3	–
Items which will be recognized in profit or loss in the future	**-28.2**	**-10.4**
Actuarial gains and losses from pensions and similar obligations		
Change in actuarial gains/losses, net	-31.0	-29.7
Tax effect	10.3	9.8
Items which will not be recognized in profit or loss in the future	**-20.7**	**-19.9**
Other comprehensive income	**-48.9**	**-30.3**
Total comprehensive income	**30.3**	**0.0**
Attributable to:		
Vonovia's shareholders	7.9	-7.2
Vonovia's hybrid capital investors	7.4	7.4
Non-controlling interests	15.0	-0.2

Also see the corresponding explanations in the Notes.

Consolidated Balance Sheet

in € million	Notes	Mar. 31, 2016	Dec. 31, 2015
Assets			
Intangible assets		2,741.3	2,724.0
Property, plant and equipment		76.4	70.7
Investment properties	9	23,720.6	23,431.3
Financial assets		630.1	221.7
Other assets		27.4	158.5
Income tax receivables		0.1	0.1
Deferred tax assets		72.3	72.3
Total non-current assets		**27,268.2**	**26,678.6**
Inventories		3.8	3.8
Trade receivables		319.6	352.2
Financial assets		2.0	2.0
Other assets		160.0	113.4
Income tax receivables		20.8	23.1
Cash and cash equivalents		3,146.2	3,107.9
Assets held for sale		51.2	678.1
Total current assets		**3,703.6**	**4,280.5**
Total assets		**30,971.8**	**30,959.1**

in € million	Notes	Mar. 31, 2016	Dec. 31, 2015
Equity and liabilities			
Subscribed capital		466.0	466.0
Capital reserves		5,892.5	5,892.5
Retained earnings		4,346.0	4,309.9
Other reserves		- 76.1	- 47.9
Total equity attributable to Vonovia's shareholders		**10,628.4**	**10,620.5**
Equity attributable to hybrid capital investors		1,011.5	1,001.6
Total equity attributable to Vonovia's shareholders and hybrid capital investors		**11,639.9**	**11,622.1**
Non-controlling interests		258.5	244.8
Total equity		**11,898.4**	**11,866.9**
Provisions		647.2	612.9
Trade payables		0.8	0.9
Non-derivative financial liabilities	10	13,334.1	13,951.3
Derivatives		239.3	144.5
Liabilities from finance leases		94.9	94.9
Liabilities to non-controlling interests		39.0	46.3
Other liabilities		27.6	25.9
Deferred tax liabilities		2,543.9	2,528.3
Total non-current liabilities		**16,926.8**	**17,405.0**
Provisions		419.9	429.5
Trade payables		85.3	91.6
Non-derivative financial liabilities	10	1,370.9	988.6
Derivatives		61.5	58.8
Liabilities from finance leases		4.6	4.4
Liabilities to non-controlling interests		17.5	9.8
Other liabilities		186.9	104.5
Total current liabilities		**2,146.6**	**1,687.2**
Total liabilities		**19,073.4**	**19,092.2**
Total equity and liabilities		**30,971.8**	**30,959.1**

Also see the corresponding explanations in the Notes.

Consolidated Statement of Cash Flows

in € million	Notes	Jan. 1 – Mar. 31, 2016	Jan. 1 – Mar. 31, 2015
Profit for the period		79.2	30.3
Revaluation of assets held for sale		-5.6	-7.3
Depreciation and amortization		4.4	2.0
Interest expenses/income		131.3	98.1
Income taxes		42.8	22.8
Results from disposals of investment properties		-7.5	-7.2
Results from disposals of other non-current assets		–	1.3
Other expenses/income not affecting net income		0.1	-
Change in inventories		-3.0	-22.0
Change in receivables and other assets		-13.3	19.5
Change in provisions		-26.2	-11.9
Change in liabilities		28.7	30.9
Income tax paid		-3.4	-2.0
Cash flow from operating activities[1)]		**227.5**	**154.5**
Proceeds from disposals of investment properties and assets held for sale		720.3	126.8
Proceeds from disposals of other assets		0.5	–
Proceeds from disposals of shares in consolidated companies (net of cash inflow)		–	3.9
Payments for acquisition of investment properties	9	-54.1	-343.2
Payments for acquisition of other assets		-411.3	-31.7
Proceeds/payments for acquisition of shares in consolidated companies (net of cash outflow)		0.3	-1,759.4
Interest received		2.3	2.1
Cash flow from investing activities[1)]		**258.0**	**-2,001.5**

in € million	Notes	Jan. 1 – Mar. 31, 2016	Jan. 1 – Mar. 31, 2015
Capital contributions on the issue of new shares (including premium)		–	114.5
Cash paid to non-controlling interests		-3.2	-2.1
Proceeds from issuing financial liabilities	10	38.4	1,931.8
Cash repayments of financial liabilities	10	-403.0	-948.4
Payment for transaction costs in relating to capital measures		-4.5	-67.0
Payments for other financing costs		-16.2	-0.3
Interest paid		-58.7	-25.2
Cash flow from financing activities		**-447.2**	**1,003.3**
Net changes in cash and cash equivalents		**38.3**	**-843.7**
Cash and cash equivalents at the beginning of the period		3,107.9	1,564.8
Cash and cash equivalents at the end of the period [2]		**3,146.2**	**721.1**

Also see the corresponding explanations in the Notes

[1] Adjustment to transaction costs disclosed in the previous year in the amount of € 0.7 million. In the amount of € 0.7 million, these will be reported under the cash flow from operating activities.
[2] Thereof restricted cash € 227.6 million (Mar. 31, 2015: € 120.1 million)

Consolidated Statement of Changes in Equity

in € million	Subscribed capital	Capital reserves	Retained earnings	Other reserves – Can be reclassified – Cash flow hedges	Other reserves – Can be reclassified – Available-for-sale financial assets	Other reserves – Total
As of Jan. 1, 2015	**271.6**	**2,076.0**	**2,643.4**	**-58.4**	**0.0**	**-58.4**
Profit for the period			19.6			
Other comprehensive income						
Changes in the period			-19.4	70.8	0.0	70.8
Reclassification affecting net income				-78.2		-78.2
Total comprehensive income			0.2	-7.4	0.0	-7.4
Capital increase	82.5					
Premium on the issue of new shares		2,575.2				
Transaction costs in connection with the issue of shares		-1.9				
Acquisition of GAGFAH						
Changes recognized directly in equity			0.6			
As of Mar. 31, 2015	**354.1**	**4,649.3**	**2.644.2**	**-65.8**	**0.0**	**-65.8**
As of Jan. 1, 2016	**466.0**	**5,892.5**	**4,309.9**	**-48.3**	**0.4**	**-47.9**
Profit for the period			56.5		-	
Other comprehensive income						
Changes in the period			-20.4	-94.9	36.1	-58.8
Reclassification affecting net income				30.6		30.6
Total comprehensive income			36.1	-64.3	36.1	-28.2
Changes recognized directly in equity						
As of Mar. 31, 2016	**466.0**	**5,892.5**	**4,346.0**	**-112.6**	**36.5**	**-76.1**

Equity attributable to Vonovia's shareholders	Equity attributable to Vonovia's hybrid capital investors	Equity attributable to Vonovia's shareholders and hybrid capital investors	Non-controlling interests	Total equity
4,932.6	**1,001.6**	**5,934.2**	**28.0**	**5,962.2**
19.6	7.4	27.0	3.3	30.3
51.4		51.4	-3.5	47.9
-78.2		-78.2		-78.2
-7.2	7.4	0.2	-0.2	0.0
82.5		82.5		82.5
2,575.2		2,575.2		2,575.2
-1.9		-1.9		-1.9
			259.5	259.5
0.6	2.5	3.1	-2.1	1.0
7,581.8	**1,011.5**	**8,593.3**	**285.2**	**8,878.5**
10,620.5	**1,001.6**	**11,622.1**	**244.8**	**11,866.9**
56.5	7.4	63.9	15.3	79.2
-79.2		-79.2	-0.3	-79.5
30.6		30.6		30.6
7.9	7.4	15.3	15.0	30.3
	2.5	2.5	-1.3	1.2
10,628.4	**1,011.5**	**11,639.9**	**258.5**	**11,898.4**

Selected Explanatory Notes in Accordance with IFRS

Accounting Policies

1
Principles of the Consolidated Financial Statement

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

The consolidated financial statements as of March 31, 2016, were prepared in line with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union for interim financial statements in accordance with IAS 34 and include the company and its subsidiaries. In addition, the supplementary commercial law provisions under Section 315a (1) of the German Commercial Code (HGB) have been considered.

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

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

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

2
Scope of Consolidation and Business Combinations

All in all, and including Vonovia SE, 202 companies (Dec. 31, 2015: 190) – thereof 169 (Dec. 31, 2015: 158) domestic companies and 33 (Dec. 31, 2015: 32) foreign companies – have been included in the consolidated financial statements as of March 31, 2016. In addition, three companies were included as joint ventures (Dec. 31, 2015: four).

The changes as of March 31, 2016, compared with December 31, 2015, result from the acquisition of the GRAINGER Group (four companies), the IVV Group (eight companies), an acquisition, a sale and a liquidation.

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

Notes to the Consolidated Income Statement

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

3
Income from Property Management

in € million	Jan. 1 - Mar. 31, 2016	Jan. 1 - Mar. 31, 2015
Rental income	392.8	263.6
Ancillary costs	163.8	117.3
Income from property letting	**556.6**	**380.9**
Other income from property management	**9.3**	5.9
Income from property management	**565.9**	**386.8**

4
Profit on Disposal of Properties

in € million	Jan. 1 - Mar. 31, 2016	Jan. 1 - Mar. 31, 2015
Income from disposal of investment properties	23.5	45.1
Carrying amount of investment properties sold	-16.0	-37.9
Profit on disposal of investment properties	**7.5**	**7.2**
Income from sale of assets held for sale	667.0	77.9
Retirement carrying amount of assets held for sale	-667.0	-77.9
Revaluation of assets held for sale	5.6	7.3
Profit on disposal of assets held for sale	**5.6**	**7.3**
	13.1	**14.5**

The fair value adjustment of investment properties held for sale for which a purchase contract had been signed but for which transfer of title had not yet taken place led to a gain of € 5.6 million as of March 31, 2016 (first quarter 2015: € 7.3 million). After value adjustment, these properties were transferred to “Assets held for sale.”

5
Net Income from Fair Value Adjustments of Investment Properties

Major market developments and valuation parameters that have an impact on the fair values of Vonovia are assessed every quarter. The results of this assessment are that no value adjustments are required as of March 31, 2016.

6
Cost of Materials

in € million	Jan. 1 - Mar. 31, 2016	Jan. 1 - Mar. 31, 2015
Expenses for ancillary costs	158.5	118.5
Expenses for maintenance	65.7	37.8
Other cost of purchased goods and services	19.9	15.5
	244.1	**171.8**

7
Financial Expenses

in € million	Jan. 1 - Mar. 31, 2016	Jan. 1 - Mar. 31, 2015
Interest expense from non-derivative financial liabilities	87.6	62.1
Swaps (current interest expense for the period)	10.3	3.2
Effects from the valuation of non-derivative financial instruments	-1.1	-4.2
Effects from the valuation of swaps	8.6	-13.9
Transaction costs	20.5	47.3
Prepayment penalties and commitment interest	9.8	0.3
Interest accretion to provisions	2.7	2.2
Other financial expenses	2.4	1.8
	140.8	**98.8**

8
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 - Mar. 31, 2016	Jan. 1 - Mar. 31, 2015
Profit for the period attributable to Vonovia shareholders (in € million)	56.5	19.6
Weighted average number of shares*	466,000,624	310,507,981
Earnings per share (basic and diluted) in €	**0.12**	**0.06**

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

Notes to the Consolidated Balance Sheet

9
Investment Properties

in € million	
As of Jan. 1, 2016	**23,431.3**
Additions*	262.1
Capitalized modernization costs	61.5
Grants received	-1.1
Transfer to assets held for sale	-21.5
Disposals	-16.5
Revaluation of assets held for sale	4.8
As of Mar. 31, 2016	**23,720.6**
As of Jan. 1, 2015	**12,687.2**
Additions due to business combinations	9,817.9
Additions from the acquisition of the Franconia portfolio	298.1
Additions	41.8
Capitalized modernization costs	433.5
Grants received	-0.7
Other transfers	22.3
Transfer from property, plant and equipment	0.7
Transfer to property, plant and equipment	-4.0
Transfer from assets held for sale	0.1
Transfer to assets held for sale	-859.4
Disposals	-381.4
Net income from fair value adjustments of investment properties	1,323.5
Revaluation of assets held for sale	51.7
As of Dec. 31, 2015	**23,431.3**

* largely additions due to the acquisition of the GRAINGER portfolio

The following table gives an overview of the material valuation parameters and valuation results for the overall portfolio as of March 31, 2016:

Valuation parameters	Average	min.*	max.*
Management costs residential	€ 252 per residential unit p.a.	222	329
Ongoing maintenance costs residential	€ 10.09 per m² p.a.	5.98	12.58
Apartment improvement costs for reletting	€ 3.34 per m² p.a.	0.00	15.57
Maintenance costs total	€ 13.44 per m² p.a.	6.13	25.90
Cost increase/inflation	1.5 % p.a.		
Market rent	€ 6.35 per m² p.a.	2.44	13.15
Market rent increase	1.2 % p.a.	0.6 %	1.6 %
Stabilized vacancy rate	2.6 %	0.4 %	12.5 %
Discount rate	5.8 %	4.5 %	8.1 %
Capitalized interest rate	4.6 %	3.3 %	7.1 %

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

Valuation results	
Net initial yield	4.5 %
In-place-rent multiplier	15.5-fold
Fair value per m²	€ 1,075 per m² of lettable area

10
Non-Derivative Financial Liabilities

	Mar. 31, 2016		Dec. 31, 2015	
in € million	non-current	current	non-current	current
Non-derivative financial liabilities				
Liabilities to banks	6,024.1	549.8	6,444.2	199.5
Liabilities to other creditors	7,310.0	709.4	7,507.1	711.9
Deferred interest from non-derivative financial liabilities	–	111.7	–	77.2
	13,334.1	**1,370.9**	**13,951.3**	**988.6**

The US dollar bonds issued in 2013 are translated at the exchange rate at the end of the reporting period in line with applicable IFRS provisions. Allowing for the hedging rate prescribed through the interest hedging transaction entered into, this financial liability would be € 140.4 million (Dec. 31, 2015: € 179.4 million) lower than the recognized value.

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

in € million	Mar. 31, 2016	Dec. 31, 2015
Bonds*	1,300.0	1,300.0
Bonds (US dollar)*	739.8	739.8
Bonds (EMTN)*	5,000.0	5,000.0
Bond (Hybrid)*	700.0	700.0
GERMAN RESIDENTIAL FUNDING 2013-1 (CMBS GRF-1)*	1,844.7	1,850.6
GERMAN RESIDENTIAL FUNDING 2013-2 (CMBS GRF-2)*	658.3	679.8
Taurus*	1,029.4	1,032.3
Portfolio loans:		
AXA S.A. (Société Générale S.A.)*	–	155.4
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin) (1)*	565.9	569.1
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin) (2)*	227.7	228.3
Berlin-Hannoversche Hypothekenbank, Landesbank Berlin and Landesbank Baden-Württemberg*	412.6	419.3
Corealcredit Bank AG (1)*	153.5	154.0
Corealcredit Bank AG (2)*	93.6	94.1
Deutsche Hypothekenbank*	178.0	179.7
HSH Nordbank AG*	20.6	22.6
Nordrheinische Ärzteversorgung	34.2	34.4
Norddeutsche Landesbank (1)*	137.5	137.5
Norddeutsche Landesbank (2)*	122.7	123.5
Mortgages	1,248.3	1,275.6
	14,466.8	**14,696.0**

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

Other Notes and Dislosures

11
Additional Financial Instrument Disclosures

Measurement categories and classes: in € million	Measurement category in acc. with IAS 39	Carrying amounts Mar. 31, 2016
Assets		
Cash and cash equivalents		
Cash on hand and deposits at banking institutions	LaR	1,846.3
Commercial papers	LaR	1,299.9
Trade receivables	LaR	319.6
Financial assets		
Joint ventures valued at equity	n.a.	3.9
Long-term bank balances restricted with regard to their use	LaR	3.1
Loans to other investments	LaR	33.5
Other non-current loans	LaR	3.8
Dividends from other investments	LaR	2.0
Non-current securities	AfS	6.9
Other investments	AfS	462.3
Derivative financial assets		
Cash flow hedges (cross currency swaps)	n.a.	115.8
Embedded derivatives	FLHfT	0.7
Liabilities		
Trade payables	FLAC	86.1
Non-derivative financial liabilities	FLAC	14,705.0
Derivative financial liabilities		
Purchase price liabilities from put options/rights to reimbursement	FLHfT	55.8
Stand-alone interest rate swaps	FLHfT	101.2
Other swaps	n.a.	143.9
Liabilities from finance leases	n.a.	99.5
Liabilities to non-controlling interests	FLAC	56.5
Thereof aggregated by measurement categories in accordance with IAS 39:		
Loans and receivables	LaR	3,508.2
Available-for-sale financial assets	AfS	469.2
Financial liabilities held for trading	FLHfT	157.7
Financial liabilities measured at amortized cost	FLAC	14,847.6

	Amounts recognized in balance sheet in accordance with IAS 39							
	Face value	Amortized cost	Acquisition cost	Fair value affecting net income	Fair value recognized in equity	Amounts recognized in balance sheet in acc. with IAS 17/IAS 28	Fair value Mar. 31, 2016	Fair value hierarchy level
	1,846.3						1,846.3	1
		1,299.9					1,299.9	2
		319.6					319.6	2
						3.9	3.9	n.a.
	3.1						3.1	1
		33.5					57.2	2
		3.8					3.8	2
		2.0					2.0	2
					6.9		6.9	1
			2.6		459.7		462.3	1
							115.8	2
				0.7			0.7	2
		86.1					86.1	2
		14,705.0					15,340.3	2
				55.8			55.8	3
				101.2			101.2	2
							143.9	2
						99.5	174.7	2
		56.5					56.5	3
	1,849.4	1,658.8					3,531.9	
			2.6		466.6		469.2	
				156.3			157.7	
		14,847.6					15,482.9	

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

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

Employee benefits IAS 19: gross presentation of right to reimbursement arising from transferred pension obligations in the amount of € 7.1 million (Dec. 31, 2015: € 7.6 million); amount by which the fair value of plan assets exceeds the corresponding obligation of € 1.0 million (Dec. 31, 2015: € 1.0 million); provisions for pensions and similar obligations € 524.9 million (Dec. 31, 2015: € 495.2 million).

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

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

in € million	Mar. 31, 2016	Level 1	Level 2	Level 3
Assets				
Investment properties	**23,720.6**			23,720.6
Available-for-sale financial assets				
Non-current securities	**6.9**	6.9		
Other investments	**459.7**	459.7		
Assets held for sale				
Investment properties (contract closed)	**51.2**		51.2	
Derivative financial assets				
Cash flow hedges (cross currency swaps)	**115.8**		115.8	
Liabilities				
Derivative financial liabilities				
Purchase price liabilities from put options/rights to reimbursement	**55.8**			55.8
Cash flow hedges	**138.1**		138.1	
Stand-alone derivatives	**101.2**		101.2	

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

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

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

Vonovia measures its investment properties on the basis of the discounted cash flow (DCF) methodology (Level 3). The main valuation parameters and valuation results can be found in note [9] Investment Properties.

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

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

For the measurement of financial instruments, cash flows are initially calculated and then discounted. In addition to the tenor-specific EURIBOR rates (3M; 6M), the respective credit risk is taken as a basis for discounting. Depending on the expected cash flows, either Vonovia's own credit risk or the counterparty risk is taken into account in the calculation. For the consolidated financial statements, Vonovia's own credit risk was relevant for interest rate swaps. This credit risk is derived for major risks from rates observable on the capital markets and ranges of between 41 and 104 basis points, depending on the residual maturities of financial instruments. Regarding the positive market values of the cross currency swaps, a counterparty risk of between 35 and 106 basis points was taken into account.

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

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

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

The addition relating to the change in the scope of consolidation relates to a put option with the acquisition of the GRAINGER portfolio in the amount of € 6.7 million.

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

in € million	As of Jan. 1	Change in Scope of consolidation	Change Affecting net income	Change Cash effective	As of Mar. 31
2016					
Purchase price liabilities from put options/rights to reimbursement	**57.6**	6.7	-8.5	-	55.8
2015					
Purchase price liabilities from put options/rights to reimbursement	**21.7**	77.6	23.6	-65.3	57.6

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

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

In September 2015, Vonovia entered into an agreement with Commerzbank AG on a working capital facility of € 300 million. This unsecured credit line runs until September 2018 and is subject to interest on the basis of EURIBOR plus a mark-up. The working capital facility had not been utilized by March 31, 2016. Furthermore, a general guarantee facility agreement for € 10 million is in place between Vonovia and Commerzbank, from which bills of exchange of approximately € 3.6 million had been drawn as of March 31, 2016.

As part of the acquisition of the GAGFAH Group, unused credit lines of € 64 million were assumed. These will be gradually reduced as of the respective interest payment dates. These relate to a liquidity line that currently totals € 45.1 million between Goldman Sachs Bank USA and GERMAN RESIDENTIAL FUNDING 2013-1 LIMITED, as well as a liquidity line that currently totals € 16.2 million between Bank of America N.A., London branch, and GERMAN RESIDENTIAL FUNDING 2013-2 LIMITED.

12
Cash Flow Hedges and Stand-Alone Interest Rate Swaps

The nominal volume of the euro interest rate swaps amounts to € 6,501.3 million on the reporting date (Dec. 31, 2015: € 6,653.2 million). Interest rates vary between 0.684 % and 4.470 % with original swap periods of between two and ten years.

The nominal volume of the cross currency swaps amounts to € 739.8 million on the reporting date (Dec. 31, 2015: € 739.8 million). The interest conditions are 2.970 % for four years and 4.580 % for ten years.

13
Segment Reporting

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

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

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

The corresponding amounts for the first quarter of 2015 were adjusted accordingly for the new segment structure.

The following table shows the segment information for the first quarter of 2016:

in € million	Rental	Extension	Sales	Other*	Group
Jan. 1 – Mar. 31, 2016					
Segment income	**392.0**	**138.7**	**690.5**	**35.2**	**1,256.4**
thereof external income	392.0	27.2	690.5	146.7	1,256.4
thereof internal income		111.5		-111.5	
Carrying amount of assets sold			-683.0		
Revaluation from disposal of assets held for sale			32.3		
Expenses for maintenance	-58.6				
Operating expenses	-64.4	-131.1	-4.8	-35.7	
Adjusted EBITDA	**269.0**	**7.6**	**35.0**	**-0.5**	**311.1**
Non-recurring items					-26.7
Period adjustments from assets held for sale					-26.7
EBITDA IFRS					**257.7**
Net income from fair value adjustments of investment properties					–
Depreciation and amortization					-4.4
Income from other investments					0.0
Financial income					9.5
Financial expenses					-140.8
EBT					**122.0**
Income taxes					-42.8
Profit for the period					**79.2**

* The income for the segments Rental, Extension and Sales constitutes income that is regularly reported to the Management Board as chief operating decision-maker. The income in the column “Other” results from the onward charging of ancillary costs amounting to € 163.8 million as well as consolidation effects. These are not part of the regular reporting to the Management Board and have thus been presented in the “Other” column. The cost side is also part of the reporting to the Management Board in order to ensure efficient property management.

in € million	Rental	Extension	Sales	Other*	Group
Jan. 1 – Mar. 31, 2015					
Segment income	**263.6**	**68.5**	**123.0**	**54.7**	**509.8**
thereof external income	263.6	8.2	123.0	115.0	509.8
thereof internal income		60.3		-60.3	
Carrying amount of assets sold			-115.8		
Revaluation from disposal of assets held for sale			7.2		
Expenses for maintenance	-43.8				
Operating expenses	-42.7	-63.0	-4.9	-54.8	
Adjusted EBITDA	**177.1**	**5.5**	**9.5**	**-0.1**	**192.0**
Non-recurring items					-38.9
Period adjustments from assets held for sale					0.1
EBITDA IFRS					**153.2**
Net income from fair value adjustments of investment properties					-
Depreciation and amortization					-2.0
Income from other investments					0.0
Financial income					0.7
Financial expenses					-98.8
EBT					**53.1**
Income taxes					-22.8
Profit for the period					**30.3**

* The income for the segments Rental, Extension and Sales constitutes income that is regularly reported to the Management Board as chief operating decision-maker. The income in the column "Other" results from the onward charging of ancillary costs amounting to € 117.3 million as well as consolidation effects. These are not part of the regular reporting to the Management Board and have thus been presented in the "Other" column. The cost side is also part of the reporting to the Management Board in order to ensure efficient property management. Unlike in the previous year, the income from property management that is attributable to the Extension segment is now reported in the Extension segment.

Some business activities that serve to expand the value chain and relate to property-related services, which were reported under the Rental segment in the first quarter of 2015, are now reported in the Extension segment and have been excluded from the Rental segment accordingly. In the first quarter of 2015, the earnings contribution made by these activities had been offset against other operating expenses in the Rental segment. Due to the separate reporting for the new Extension segment, the operating expenses in the Rental segment for the first quarter of 2015 were adjusted from the previous figure of € -37.3 million to € -42.7 million.

Düsseldorf, April 28, 2016

Rolf Buch

Klaus Freiberg

Dr. A. Stefan Kirsten

Gerald Klinck

Review Report

To Vonovia SE, Düsseldorf:

We have reviewed the condensed interim consolidated financial statements – comprising Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and Selected Explanatory Notes to the condensed interim consolidated financial statements – together with the interim group management report of the Vonovia SE, Düsseldorf, for the period from January 1 to March 31, 2016 that are part of the quarterly financial report according to § 37w WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Essen, April 29, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Salzmann Wirtschaftsprüferin [German Public Auditor]	Bornhofen Wirtschaftsprüfer [German Public Auditor]

Glossary

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

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

Adjusted EBITDA Extension

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

Adjusted EBITDA Rental

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

Adjusted EBITDA Sales

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

Cash-Generating Unit (CGU)

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

Covenants

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

CSI (Customer Satisfaction Index)

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

EPRA (European Public Real Estate Association)

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

EPRA Key Figures

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

EPRA NAV/Adjusted EPRA NAV

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

Fair Value

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

Fair Value Step-Up

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

FFO (Funds From Operations)

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

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

Vonovia differentiates between

FFO 1: The profit or loss for the period to reflect the adjusted profit or loss from sales; period adjustments from assets held for sale; specific effects that do not relate to the period, are non-recurring or do not relate to the objective of the company; the net income from fair value adjustments of investment properties; depreciation and amortization; deferred and 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 capitalized maintenance.

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

LTV Ratio (Loan-to-Value Ratio)

The LTV ratio refers to the coverage ratio of financial liabilities. It shows the ratio of non-derivative financial liabilities pursuant to IFRS, less foreign exchange rate effects and cash and cash equivalents, to the total fair values of the real estate portfolio.

Maintenance

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

Modernization Measures

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

Monthly In-Place Rent

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

Non-Core/Non-Strategic

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

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

Privatize

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

Rating

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

Rental income

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

Strategic

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

Vacancy Rate

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

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Financial Calendar

March 3, 2016	Publication of 2015 Annual Report
May 12, 2016	Annual General Meeting
May 12, 2016	Publication of Interim Report January–March 2016
August 2, 2016	Publication of Interim Report January–June 2016
November 3, 2016	Publication of Interim Report January–September 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 forecasts of the Management Board as well as information currently available to the Board. The forward-looking statements are not guarantees of the future developments and results mentioned therein. The future developments and results depend on a large number of factors. They involve certain risks and uncertainties and are based on assumptions that may prove to be inaccurate. These risk factors include but are not limited to those discussed in the Risk Report of the 2015 Annual Report. We do not assume any obligation to update the forward-looking statements contained in this report. This financial report does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security of Vonovia SE.

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