

Capital Markets Day 2017

Value-add Business (formerly Extension)

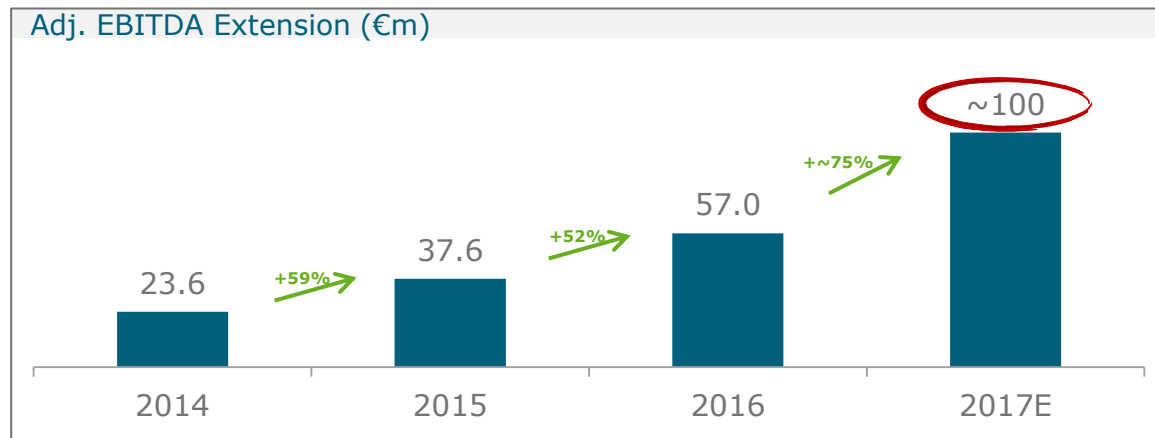
Facts, Figures, Values



Recap from Q1 2017 Earnings Call

Additional value from Extension business

- NAV does not account for Vonovia's Extension business.
- Cash flows generated in Extension business have the same stability as the Rental business, as they are directly linked to the apartment or tenant.
- Applying the impairment test WACC¹ to the 2017E Adj. EBITDA Extension Business translates into an additional value of **~€5.2 per share (~17% on top of Adj. NAV)**



¹ Pre-tax WACC of 4.1% as per Dec. 31, 2016.

Agenda

Value-add business – facts, figures, values

1. Facts – Value-add business models

2. Figures – Value-add business in our accounts

3. Values – more than NAV

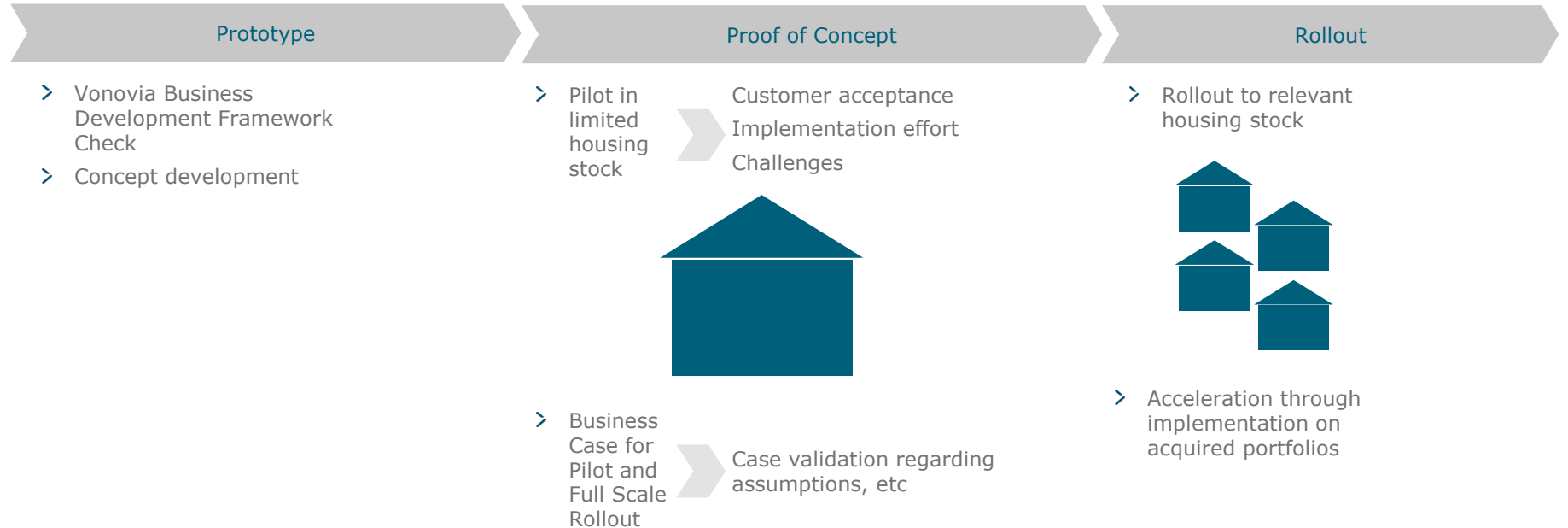
Value-add Business formerly Known as Extension

What's in a name?

- In Q4 2015, we introduced our **additional service business** in a **separate segment** and called it **Extension**.
- The **underlying idea** behind the name was that we are **extending the relationship with the tenant** to offer additional services as well as **extending property management operations** by providing craftsmen work and other services through our insourced organization.
- The term had **never been intended to refer to** extension in the context of „square meter extension“ or **new construction**.
- With an increasing relevance of space creation within our investment program we have come to realize that the **term “Extension” is frequently misunderstood** by capital market participants.
- We are therefore discontinuing the term Extension and will be referring to this segment and group of activities as **“Value-add Business.”**

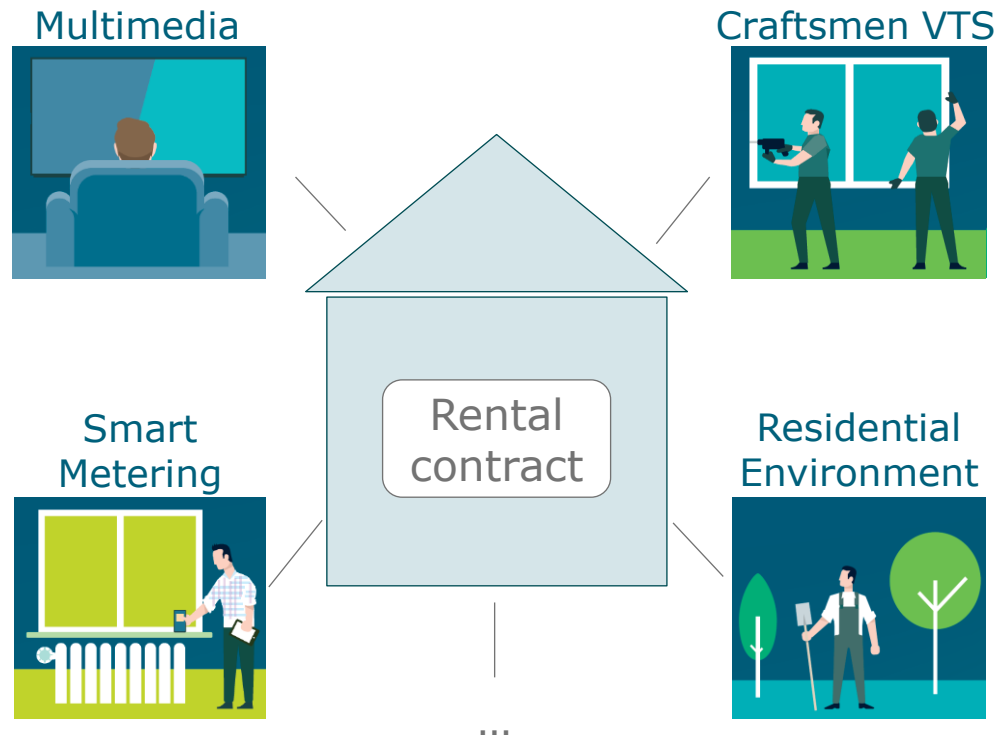
Value-add Business Method

Proven concept for Value-add business implementation



Overview Value-add Business

Multiple services tied to rental contract



Value-add business	Revenue 2016 (€m)	Revenue potential (€m)
Multimedia		
Smart (Sub)Metering	103	~170
Residential Environment		
Craftsmen (revenue of own craftsmen)	287	~1,300
Further new ideas/prototypes in pipeline eg Energy		?

Agenda

Value-add Business – facts, figures, values

1. Facts – Value-add business models

2. Figures – Value-add business in our accounts

3. Values – more than NAV

Multimedia – Example for Top-line Growth

Markup on services bought from service provider as Value-add business profit

Illustrative figures

Asset company		Multimedia		Group unconsolidated	
		P+L Value-add business		P+L Vonovia Group	
Rental income	100	External income	5	Rental income	100
Maintenance expense	-20	Operating expenses	-3	Maintenance expense	-20
OPEX	-30	- thereof Personnel exp	-1	OPEX	-30
- thereof PTU advances MM	5	- thereof service provider	-2	EBITDA Rental	50
- thereof PTU cost MM	-5	EBITDA Value-add business	2	Income Value-add business	5
EBITDA Rental	50			Operating expenses Value-add	-3
				EBITDA Value-add business	2
				EBITDA Other (Consolidation)	0
				EBITDA Operations	52

VTS (TGS) – Example for Bottom-line Savings

Efficiency of insourced Value-add business drives FFO and even more cash flow

Illustrative figures

Asset company		VTS (TGS)		Group	
P+L Rental business		P+L Value-add business		P+L Vonovia Group	
Rental income	100	Internal income	65	Rental income	100
Maintenance expense	-20	- thereof Maint exp	20	Maintenance expense	-20
OPEX	-30	- thereof Cap. Maint.	5	OPEX	-30
EBITDA Rental	50	- thereof Modernization	25	EBITDA Rental	50
		- thereof Order Handling	15	Income Value-add business	65
		Operating expenses	-54	Operating expenses Value-add	-54*
		- thereof Personnel exp	-10	EBITDA Value-add business	11
		- thereof Material exp	-35	EBITDA Other (Consolidation)	-6
		- thereof Other	-9	EBITDA Operations	55
		EBITDA Value-add bus.	11	FFO Advantage +5	
		- thereof Maint exp	5		
		- thereof Cap. Maint.	1		
		- thereof Modernization	5		
		- thereof Order Handling	0		
Balance Sheet (CAPEX)				Balance Sheet (CAPEX)	
Capitalised Maintenance	-5			Capitalised Maintenance	-4
Modernization	-25			Modernization	-20
Order Handling	-15			Order Handling	-15*
CAPEX	-45			CAPEX	-39
		Cash Flow Advantage +6			

* Order handling directly capitalised / not through consolidated group P/L

Value-add Business in Our Accounts

MD&A offers most transparency

Adjusted EBITDA Rental

in € million	2016	2015
Rental income	1,538.1	1,414.6
Maintenance expenses	-247.4	-242.2
Operating expenses*	-244.5	-248.0
Adjusted EBITDA Rental	1,046.2	924.4

p. 63 annual report

Maintenance and Modernization

in € million	2016	2015
Expenses for maintenance	247.4	242.2
Capitalized maintenance	72.7	88.5
Modernization work	472.3	355.6
Total cost of modernization and maintenance*	792.4	686.3

* Incl. intra-Group profits for 2016: € 45.5 million (thereof € 1.1 million capitalized maintenance, thereof € 8.7 million modernization); 2015: € 31.0 million (thereof € 1.0 million capitalized maintenance, thereof € 3.8 million modernization), new construction in 2016: € 13.9 million (2015: € 1.5 million).

p. 64 annual report

Source: Annual report 2016

Capital Markets Day 2017 – Value-add Business

Adjusted EBITDA Extension

in € million	2016	2015
Income	851.2	428.7
thereof external income	108.1	59.3
thereof internal income	743.1	369.4
Operating expenses	-794.2	-391.1
Adjusted EBITDA Extension	57.0	37.6

p. 65 annual report

Key Figures on Earnings Development

in € million	2016	2015
Adjusted EBITDA Operations	1,094.0	957.6
Adjusted EBITDA Rental*	1,046.2	924.4
Adjusted EBITDA Extension	57.0	37.6
Adjusted EBITDA Other	-9.2	-4.4

p. 62 annual report

Funds From Operations (FFO)

in € million	2016	2015
Profit for the period	2,512.9	994.7
Financial result*	433.0	414.0
Income taxes	1,346.9	739.8
Depreciation and amortization	27.0	13.4
Net income from fair value adjustments of investment properties	-3,236.1	-1,323.5
= EBITDA IFRS	1,083.7	838.4
Non-recurring items	94.5	209.4
Total period adjustments from assets held for sale	17.9	-18.7
Financial income from investments in other real estate companies	-9.6	-0.4
= Adjusted EBITDA	1,186.5	1,028.7
Adjusted EBITDA Sales	-92.5	-71.1
= Adjusted EBITDA operations	1,094.0	957.6
Interest expense FFO**	-322.7	-339.4
Current income taxes FFO 1	-10.5	-10.2
= FFO 1	760.8	608.0
Capitalized maintenance	-71.6	-87.5
= AFFO	689.2	520.5

p. 68 annual report

From VTS (TGS) to Consolidated Group Figures

Maintenance and VTS revenues eliminated – profit and cash advantage remain

Illustrative figures

Asset company		VTS (TGS)		Group unconsolidated		Group consolidated	
P+L Rental business		P+L Value-add business		P+L extract Vonovia Group		P+L extract Vonovia Group	
Rental income	100	Internal income	65	Rental income	100	Rental income	100
Maintenance expense	-20	- thereof Maint exp	20	Maintenance expense	-20	Personnel expense	-25
OPEX	-30	- thereof Cap. Maint.	5	OPEX	-30	Material expense	-45
- thereof Personnel exp	-15	- thereof Modernization	25	EBITDA Rental	50	Capitalised int. mod expense	39
- thereof Material exp	-10	- thereof Order Handling	15	Income Value-add business	65	Other	-14
- thereof Other	-5	Operating expenses	-54	Operating expenses Value-add	-54	EBITDA (Operations)	55
EBITDA Rental	50	- thereof Personnel exp	-10	EBITDA Value-add business	11		
		- thereof Material exp	-35	EBITDA Other (Consolidation)	-6		
		- thereof Other	-9	EBITDA Operations	55		
		EBITDA Value-add bus.	11				
Balance Sheet (CAPEX)		- thereof Maint exp	5			Balance Sheet (CAPEX)	
Capitalised Maintenance	-5	- thereof Cap. Maint.	1			Capitalised Maintenance	-4
Modernization	-25	- thereof Modernization	5			Modernization	-20
Order Handling	-15	- thereof Order Handling	0			Order Handling	-15*
CAPEX	-45					CAPEX	-39
Total Mod+Maintenance	-65					Total Mod+Maintenance	-54

* Order handling directly capitalised / not through consolidated group P/L

Value-add business figures in our consolidated accounts **VONOVIA**

Complete but hard to see

Vonovia 2016 in €m	Group	Rental	Value-add	Consolidation	Sales
Income from property letting	2,170	2,164	83	-78	
Rental income	1,542	1,538	4		
Ancillary costs	628	626	79	-78	
Other income from property management	39	15	25		
Income from property management	2,209	2,179	108	-78	0
Income from disposal of properties	1,228				1,228
Carrying amount of properties sold	-1,178				-1,178
Revaluation of assets held for sale	52				52
Profit on disposal of properties	102				102
Net income from fair value adjustments of investment properties	3,236	3,237			-1
Capitalized internal expenses	341	340			1
Cost of materials	-1,082	-697	-375		-10
Expenses for ancillary costs	-612	-548	-64		0
Expenses for maintenance	-387	-77	-309		-2
Other cost of purchased goods and services	-83	-73	-2		-8
Personnel expenses	-354	-184	-164		-6
Other operating income	105	86	16		3
Other operating expenses	-250	-200	-44		-6

- Group P/L based on total cost method
- Contribution of individual segments not visible due to consolidation; examples:
 - Rental segment with only €77m maintenance expense, cost of 3rd party maintenance service in value-add segment
 - Personnel expenses seem overstated as these are incurred due to insourcing of craftsmen who deliver maintenance services
 - Maintenance services invoiced by VTS not visible as I/C revenues and corresponding cost are consolidated
- Gross view of capitalized expenses improves analysis of cost development (eg personnel expenses), but increases complexity as both, personnel and material expenses are overstated
- Possible solution: introduction of cost of sales method

* Order handling directly capitalised / not through consolidated group P/L

Agenda

Value-add business – facts, figures, values

1. Facts – Value-add business models

2. Figures – Value-add business in our accounts

3. Values – more than NAV

Value-add Business and NAV Valuation

NAV should reflect more than bricks

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

in € million	Dec. 31, 2016	Dec. 31, 2015
Equity attributable to Vonovia shareholders	12,467.8	10,620.5
Deferred taxes on investment properties/asset held for sales	4,550.3	3,241.2
Fair value of derivative financial instruments*	44.4	169.9
Deferred taxes on derivative financial instruments	-15.4	-43.4
EPRA NAV	17,047.1	13,988.2
Goodwill	-2,718.9	-2,714.7
Adjusted NAV	14,328.2	11,273.5
EPRA NAV per share in €**	36.58	30.02
Adjusted NAV per share in €**	30.75	24.19

* Adjusted for effects from cross currency swaps

** Based on the number of shares on the reporting date of Dec. 31, 2016: 466,000,624;
Dec. 31, 2015: 466,000,624

Actual NAV

- Actual (historic) NAV includes the actual benefits of value-add business through the net profit in the P/L
- But the investment property valuation does not consider cost advantages from value-add business and property management platform due to standardized cost

NAV valuation

- Cash-flow advantage from value-add business should be considered in addition to IP valuation
- Both growth-drivers from value-add business should be considered:
 1. FFO contribution
 2. Additional cash savings resulting from insourcing of capex for modernization / new construction not shown in P/L

Value-add Business – FFO/EBITDA Valuation

Only the segment EBITDA captures the total value

Adjusted EBITDA Rental

in € million	2016	2015
Rental income	1,538.1	1,414.6
Maintenance expenses	-247.4	-242.2
Operating expenses*	-244.5	-248.0
Adjusted EBITDA Rental	1,046.2	924.4

P+L in m€	2016
Rental income	1,538.1
Maintenance expense	-247.4
OPEX	-244.5
EBITDA Rental	1,046.2
Fair Value(avg)	24,546.6
EBITDA Rental yield	4.26%
EBITDA Multiple	23.5

Adjusted EBITDA Extension

in € million	2016	2015
Income	851.2	428.7
thereof external income	108.1	59.3
thereof internal income	743.1	369.4
Operating expenses	-794.2	-391.1
Adjusted EBITDA Extension	57.0	37.6

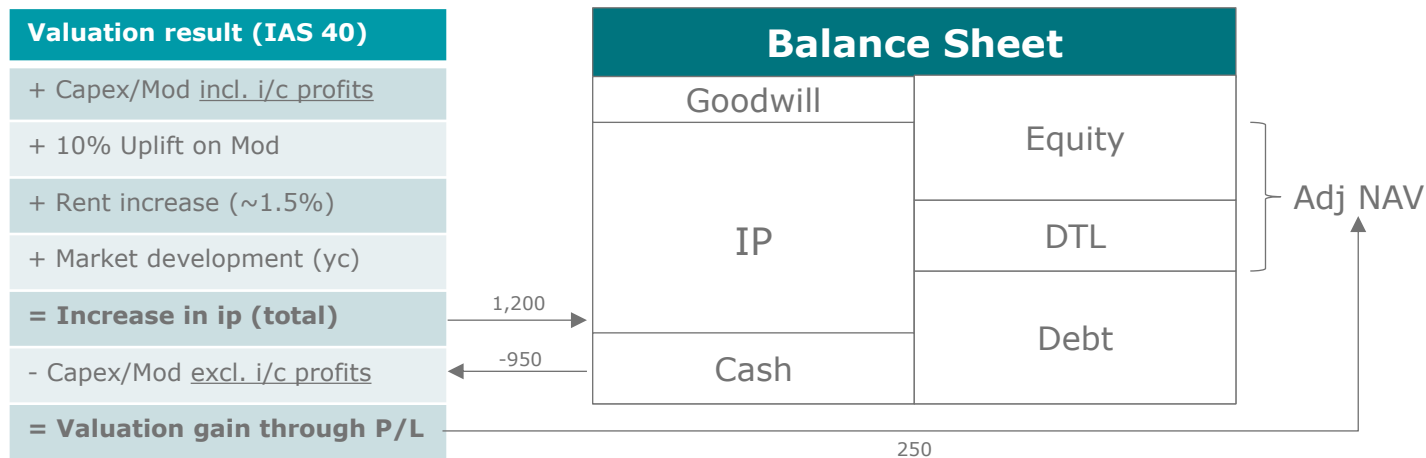
in m€	2016	2017E
EBITDA Value-add business	57.0	100.0
EBITDA Multiple	23.5	23.5
Value Value-add business	1,337.4	2,346.3
Value per share [€]	2.87	5.00
EBITDA Value-add business	57	100
WACC Value-add (gwit 2016)	4.11%	4.11%
WACC Multiple	24.3	24.3
Value Value-add business	1,386.9	2,433.1
Value per share [€]	2.98	5.19

~€1.3bn additional value from Value-add business in 2016

~€2.4bn based on expected EBITDA 2017

Value-add Business – NAV Valuation

Additional cash advantages with Capex



Asset company	
Valuation	
Revaluation of ip	1200
Capex/Modernization	-1000
Increase in ip	+200

1,000 (market) value of invest...

VTS (TGS)	
P+L Value-add business	
EBITDA Maintenance	50
EBITDA Capex/Mod	50
EBITDA Value-add bus.	100

Group consolidated	
Valuation	
Revaluation of ip	1200
Capex/Modernization	-950
Valuation gain	+250

... at cost of 950 due to insourcing.

-
- Value-add business is a dynamic growth driver closely tied to the rental contract. It adds value for Vonovia beyond brick-and-mortar NAV.
 - Valuation for Vonovia should include the advantage of value-add services. Further €2.4bn value is captured based on 2017 expectations.
 - Value-add business economics can be fully analyzed in the unconsolidated accounts of the MD&A, however the advantage is evident likewise in Group accounts.

This presentation has been specifically prepared by Vonovia SE and/or its affiliates (together, "Vonovia") for internal use. Consequently, it may not be sufficient or appropriate for the purpose for which a third party might use it.

This presentation has been provided for information purposes only and is being circulated on a confidential basis. This presentation shall be used only in accordance with applicable law, e.g. regarding national and international insider dealing rules, and must not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by the recipient to any other person. Receipt of this presentation constitutes an express agreement to be bound by such confidentiality and the other terms set out herein.

This presentation includes statements, estimates, opinions and projections with respect to anticipated future performance of Vonovia ("forward-looking statements") which reflect various assumptions concerning anticipated results taken from Vonovia's current business plan or from public sources which have not been independently verified or assessed by Vonovia and which may or may not prove to be correct. Any forward-looking statements reflect current expectations based on the current business plan and various other assumptions and involve significant risks and uncertainties and should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not such results will be achieved. Any forward-looking statements only speak as at the date the presentation is provided to the recipient. It is up to the recipient of this presentation to make its own assessment of the validity of any forward-looking statements and assumptions and no liability is accepted by Vonovia in respect of the achievement of such forward-looking statements and assumptions.

Vonovia accepts no liability whatsoever to the extent permitted by applicable law for any direct, indirect or consequential loss or penalty arising from any use of this presentation, its contents or preparation or otherwise in connection with it.

No representation or warranty (whether express or implied) is given in respect of any information in this presentation or that this presentation is suitable for the recipient's purposes. The delivery of this presentation does not imply that the information herein is correct as at any time subsequent to the date hereof.

Vonovia has no obligation whatsoever to update or revise any of the information, forward-looking statements or the conclusions contained herein or to reflect new events or circumstances or to correct any inaccuracies which may become apparent subsequent to the date hereof.

This presentation does not, and is not intended to, constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of an offer to purchase, subscribe for or otherwise acquire, any securities of the Company nor shall it or any part of it form the basis of or be relied upon in connection with or act as any inducement to enter into any contract or commitment or investment decision whatsoever.

This presentation is neither an advertisement nor a prospectus and is made available on the express understanding that it does not contain all information that may be required to evaluate, and will not be used by the attendees/recipients in connection with, the purchase of or investment in any securities of the Company. This presentation is selective in nature and does not purport to contain all information that may be required to evaluate the Company and/or its securities. No reliance may or should be placed for any purpose whatsoever on the information contained in this presentation, or on its completeness, accuracy or fairness.

This presentation is not directed to or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Neither this presentation nor the information contained in it may be taken, transmitted or distributed directly or indirectly into or within the United States, its territories or possessions. This presentation is not an offer of securities for sale in the United States. The securities of the Company have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States. Consequently, the securities of the Company may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, into or within in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States unless registered under the Securities Act.

Tables and diagrams may include rounding effects.