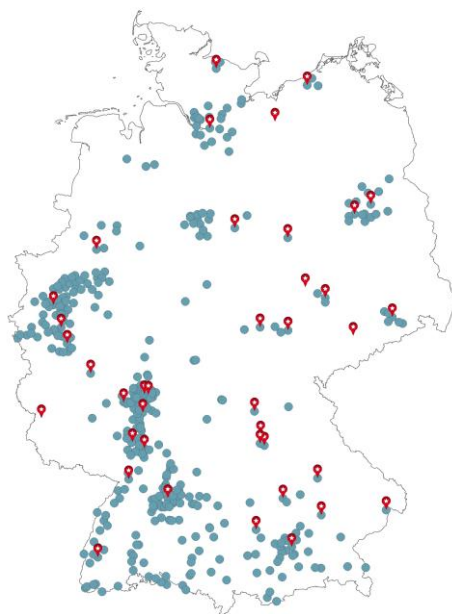


Company Presentation

June 2018



Dresden



Essen



Berlin

● Vonovia location

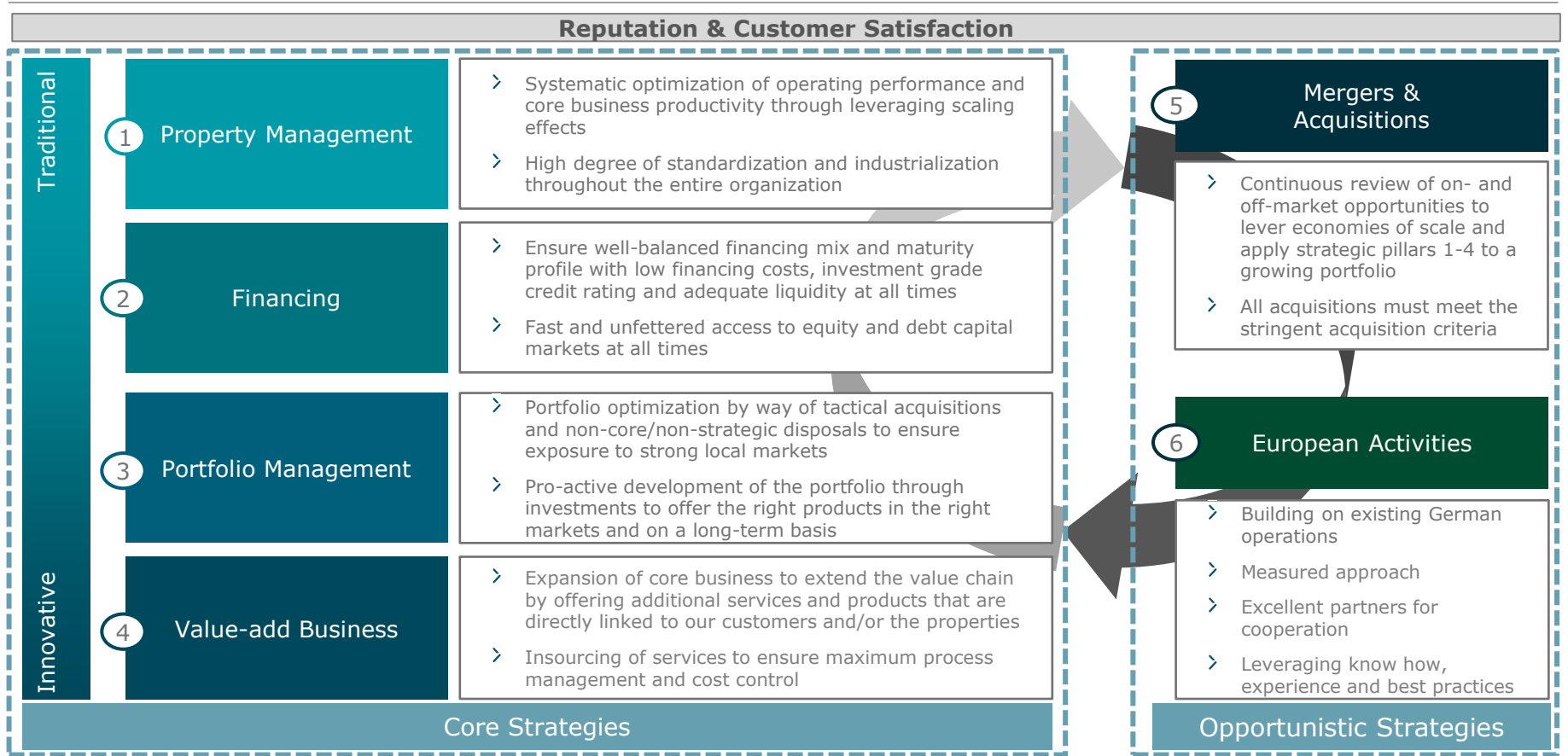
📍 High-influx cities ("Schwarmstädte"). For more information: http://investoren.vonovia.de/websites/vonovia/English/4050/financial-reports_-_presentations.html

¹ Guidance mid-point for 2018.

- **Largest European residential real estate company** with ca. **400k apartments** and **>€20bn market cap**
- Portfolio located across **15 regional urban growth markets**
- Industrialized approach leverages **economies of scale** in a highly homogeneous asset class
- **B-to-C** business with 13 years average tenant tenure
- **Strong internal growth profile** via sustainable market rent growth, **additional rent growth** from portfolio investments and dynamic value-add business
- **Robust business model** delivers sustainable **and growing cash flows**
- **Predictable top and bottom line** with downside protection and upside potential

- Average apartment size of ~61 sqm
- Vacancy ~2.8% – almost fully let
- ~ €1,040 million operating profit before sales (FFO 1)¹
- Dividend policy: approx. 70% of FFO 1

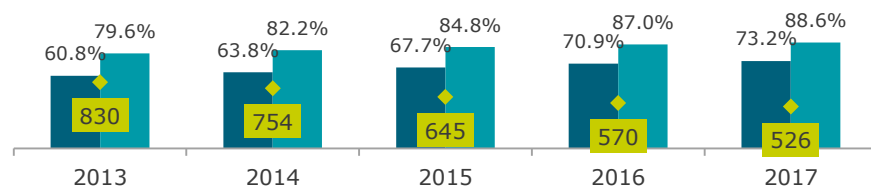
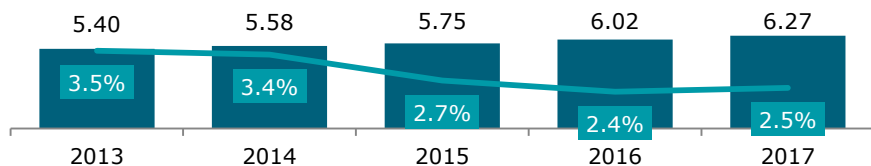
Proven 4+1 Strategy is Evolving into 4+2 Strategy



1. Property Management



- Operating KPIs fully under control
- Steady efficiency gains through economies of scale, digitization, standardization and process optimization

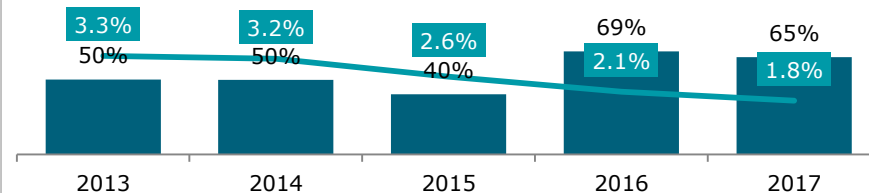
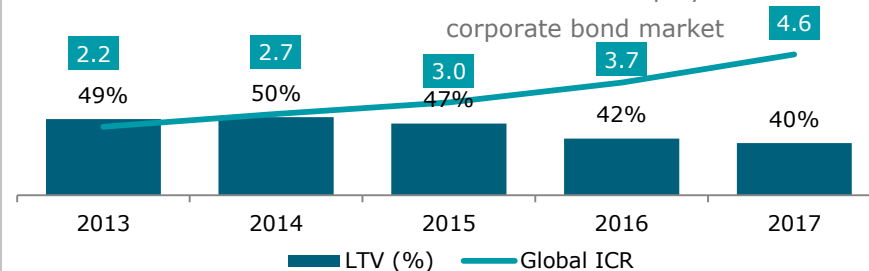


■ EBITDA margin ■ EBITDA margin (excl. maintenance) ◆ Cost per unit (€)

2. Financing



- Lower leverage
- Reduced interest expense
- Increased unencumbrance ratio and debt diversity
- Well-established player in the corporate bond market



■ Unencumbered assets ■ Avg. financing cost

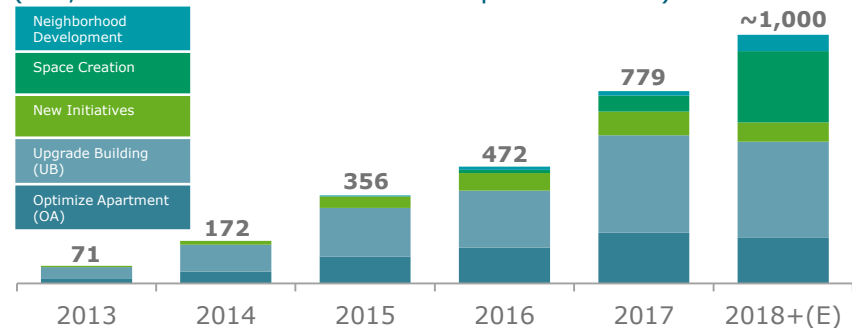
3. Portfolio Management



- More than 51k non-core units sold since IPO (28% of IPO portfolio volume)
- Number of portfolio locations reduced by 29%; portfolio now concentrated across 15 growth regions
- Investment program grown from €71m for 2013 to €1bn for 2018 and annually going forward

Investment track record

(€m; includes modernization and space creation)

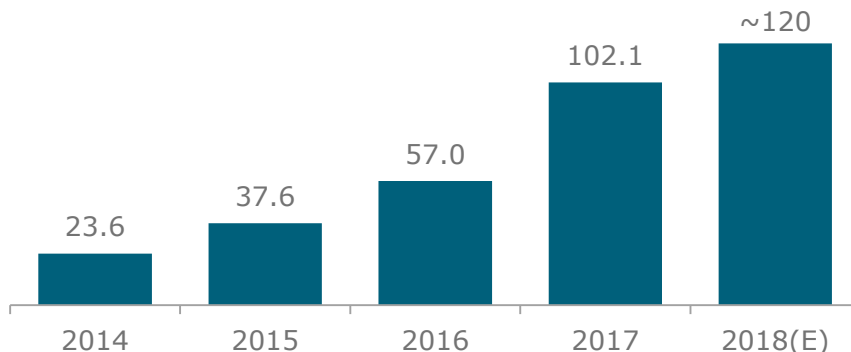


4. Value-add Business



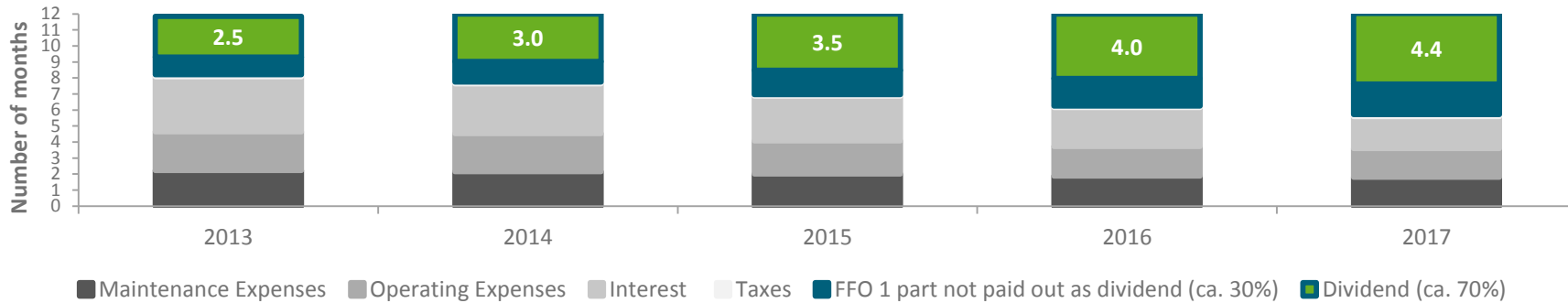
- Insourcing of services to increase customer satisfaction and extend the value chain
- Leveraging the B-to-C nature of the business and the long-term customer relationship
- Most dynamic and innovative part of the business

Adj. EBITDA Value-add Business (€m)

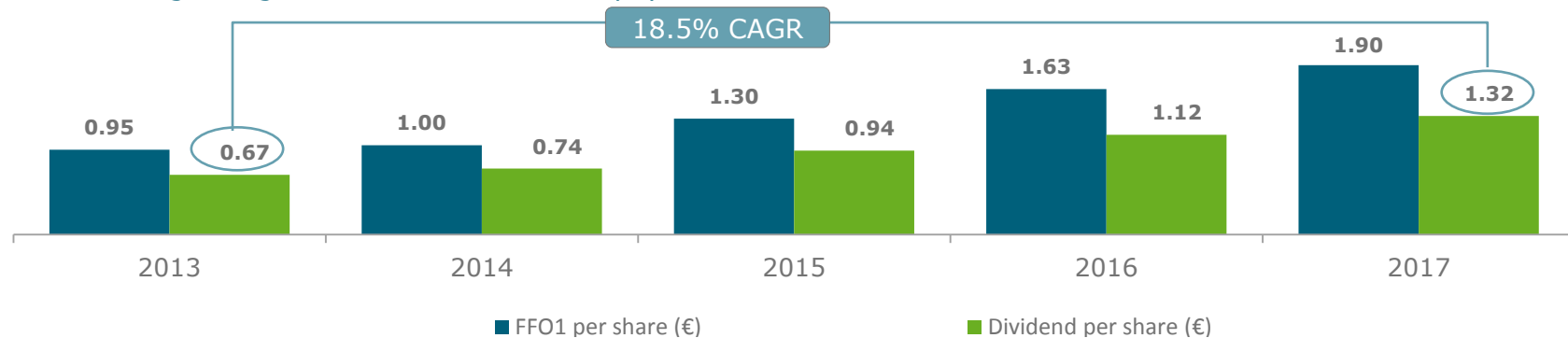


... Leading to Sustainable FFO 1 Growth and an Attractive Dividend Policy

Months per year until costs are earned by recurring income¹ and months exclusively worked for dividend



Sustainable and growing cash flow with attractive pay-out ratio



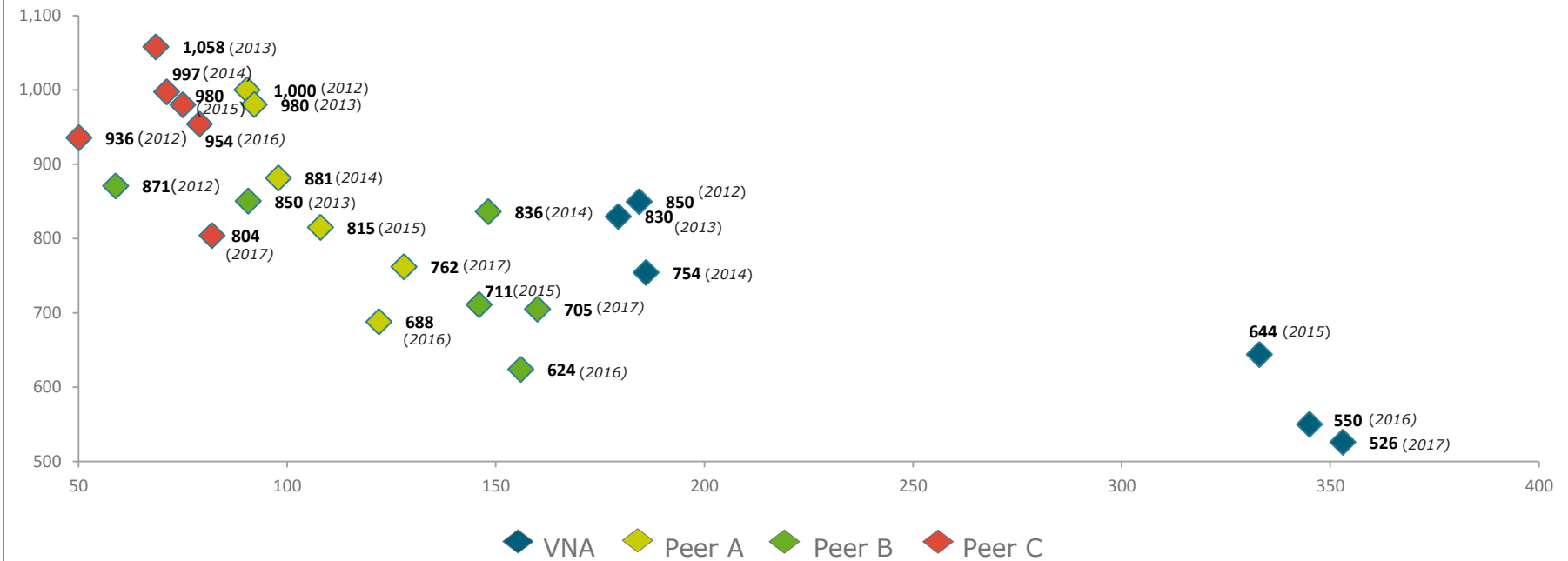
¹ Rental income + EBITDA Value-add Business and Other; excluding sales effects.



Proof of Scale

- Economies of scale evident in cost per average unit.
- Incremental cost per average unit for new acquisitions tend to be substantially lower.

Cost per average unit¹ (€/year)

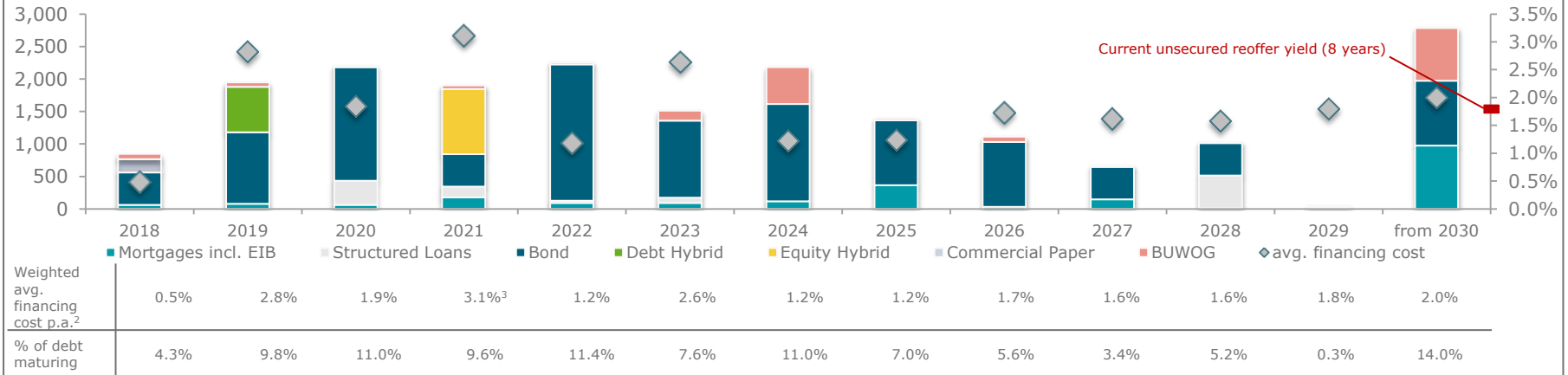


¹ Peer values based on own calculations on the basis of peer disclosure.

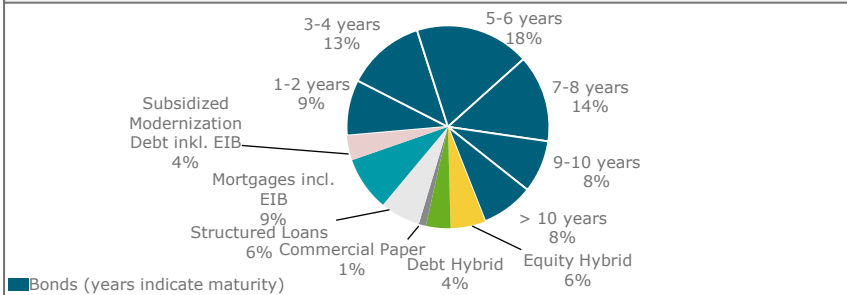


Smooth Maturity Profile with Diverse Funding Mix

Debt maturity profile (€m)



Debt structure¹

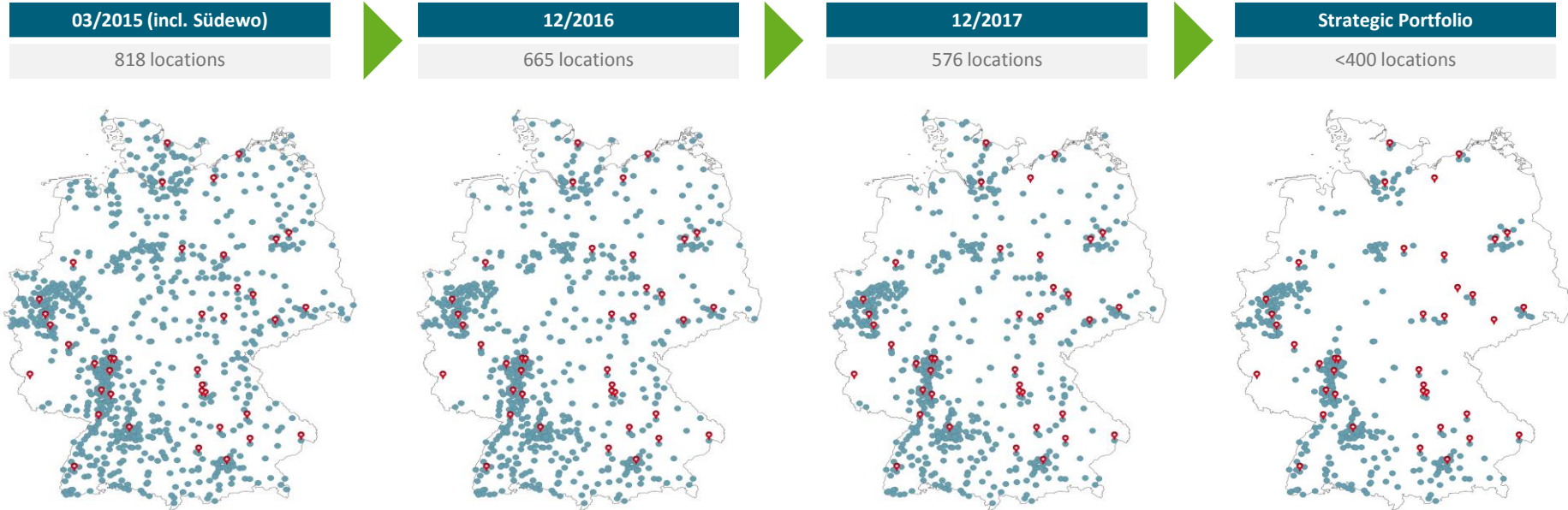


KPIs ⁴	current	Target
LTV	~43%	Mid-to low forties
Unencumbered assets in %	57.1%	≥50%
Fixed/hedged debt ratio ⁵	97%	Ongoing optimization with most economic funding
Global ICR (YTD)	4.9x	
Average cost of debt	1.8%	
Weighted avg. maturity	8.7 years	
Corporate Rating (S&P)	BBB+	

¹ incl. BUWOG loans assumed as mortgages. ² Average financing cost of debt maturing in the relevant year. ³ Weighted avg. financing costs excl. Equity Hybrid. Including Equity Hybrid avg. interest rate of debt maturing in 2021 is 3.6%. ⁴ all numbers incl. BUWOG. ⁵ excl. Equity Hybrid.



Substantial Reduction of Portfolio Locations

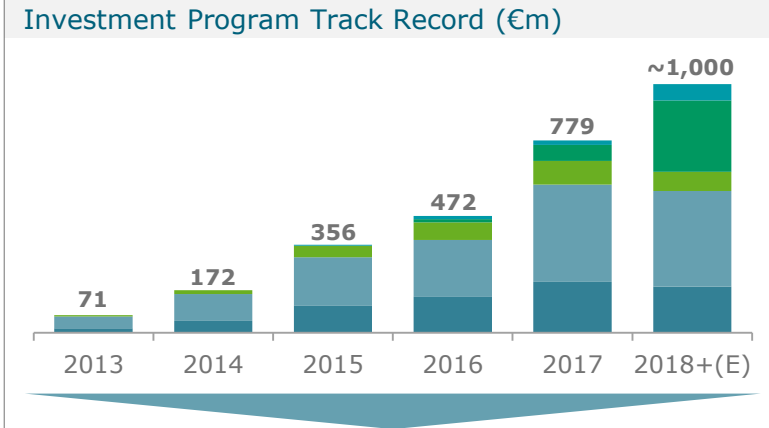
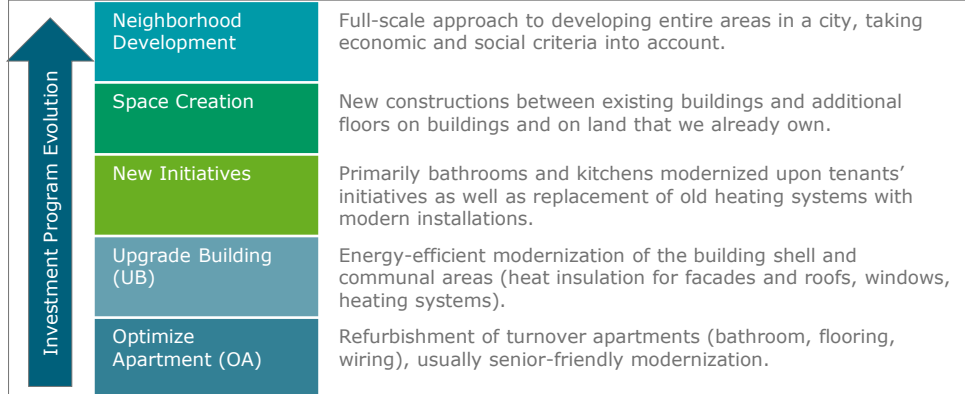


● Vonovia location

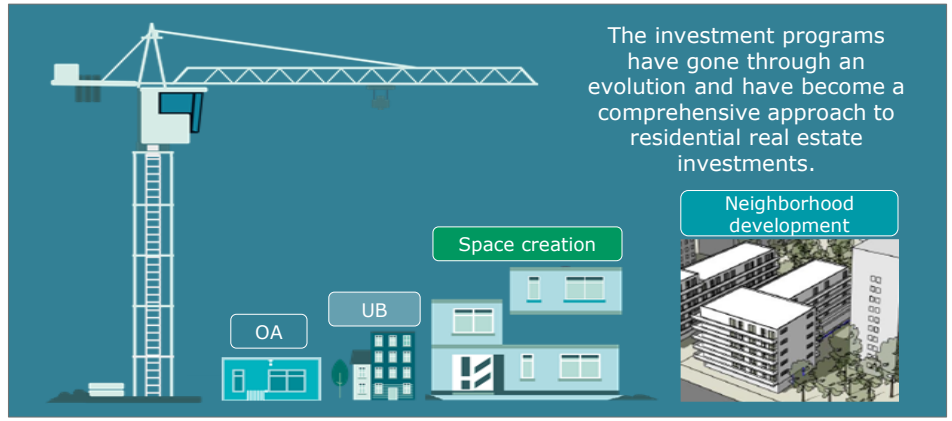
📍 High-influx cities ("Schwarmstädte"). For more information: http://investoren.vonovia.de/websites/vonovia/English/4050/financial-reports_-_presentations.html



Investment Program on an Increasingly Broader Footing



Investment Program Evolution



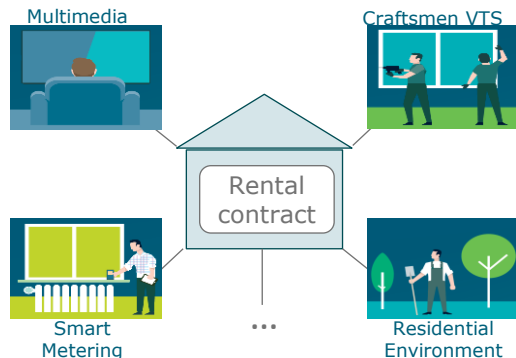
- > The investment program has not only grown in size but also in complexity.
- > While a **yield-to-cost** calculation is appropriate for investments that generate relatively quick pay-back periods, such as OA or UB, the larger investments space creation and neighborhood development generate value only over a longer period of time.
- > For these types of projects, an **IRR** calculation is more adequate and after using it for internal reporting purposes already from the program inception, we will now use this metric in the external reporting as well.
- > The **target IRR** for the **overall investment** program is **>8%**.
- > OA and UB will continue to be measured against a 7% yield-to-cost target.



Growing Contribution from Value-add Business

Concept

- Expansion of core business to extend the value chain by offering additional services and products that are directly linked to our customers and/or the properties and offer the same cash flow stability as the rental business.
- Insourcing of services to ensure maximum process management and cost control.
- Two types of Value-add Business
 1. External income (e.g. multimedia, smart metering)
 2. Internal savings (e.g. craftsmen, resi environment)
- New initiatives always follow same low risk pattern of
 - Prototype development
 - Proof of concept in pilot phase
 - Roll-out across portfolio

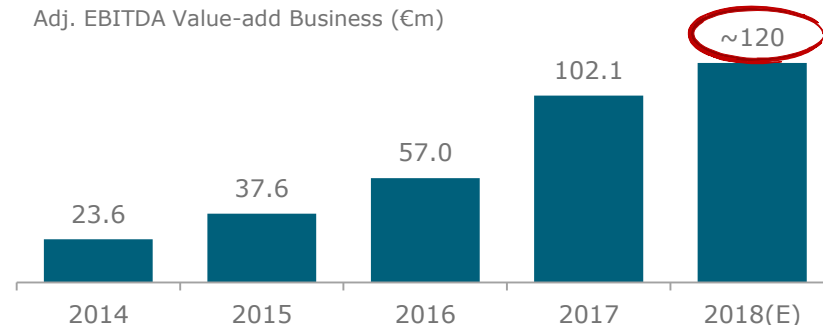


Economics

- NAV does not account for Vonovia's Value-add Business.
- Applying the impairment test WACC¹ to the 2018E Adj. EBITDA Value-add Business translates into an additional value of ~€5.3 per share (~14% on top of Q1 Adj. NAV).

Penetration	
Multimedia	ca. 80%
Smart metering	ca. 23%
Residential environment ²	ca. 30%
Energy	<1%
Craftsmen VTS	ca. 70% (maintenance) ca. 40% (modernization) target is around 70% to allow for enough flexibility in the volumes and to enable continuous benchmarking to market prices

Adj. EBITDA Value-add Business (€m)

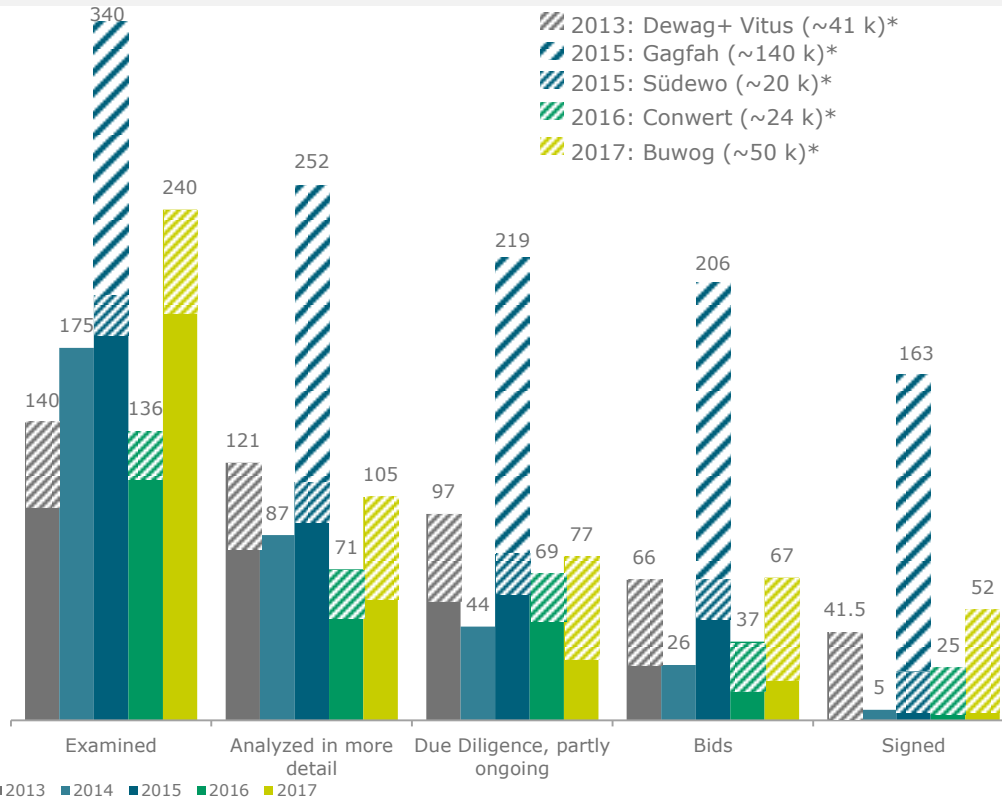


¹ Pre-tax WACC of 4.68% as per Dec. 31, 2017. ² Gardening and landscaping work



Acquisitions – Opportunistic but Disciplined

Acquisition pipeline ('000 units)



*Inclusion of acquisitions in the year the acquisition process started.

Acquisition criteria

- No quantitative acquisition target.
- No management incentive for external growth.
- Any potential acquisition must meet all four stringent acquisition criteria assuming a 50/50 equity/debt financing.

Strategic fit

FFO/share accretive



NAV/share non-dilutive

BBB+ Rating (stable)

Increased Guidance

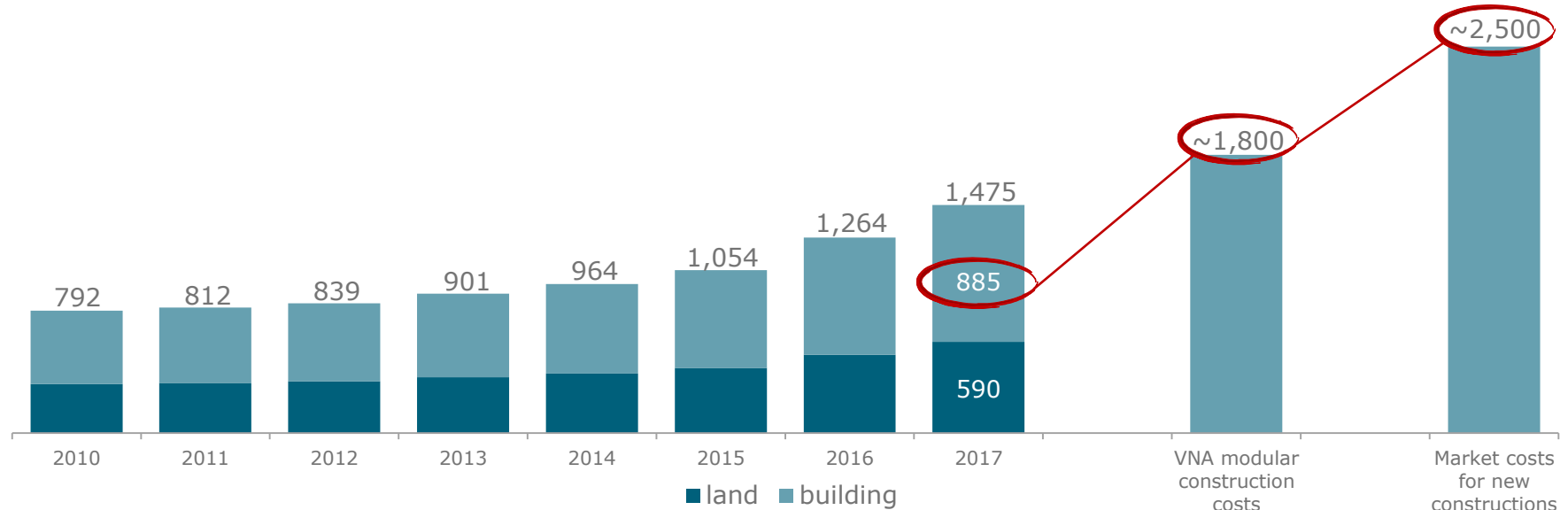
- All guidance elements are excluding BUWOG, except for FFO 1, FFO 1 per share and dividend.
- For H1 results on Aug. 31 we will present an update on all guidance elements including BUWOG.
- Based on an apples-to-apples definition, we estimate BUWOG's FFO 1 contribution for 2018 to be €30m.

	2017 Actuals	2018 Guidance Initial (Nov. 2017)	2018 Guidance Update (May 2018)	
Organic rent growth (eop)	4.2%	4.6% - 4.8%	4.6% - 4.8%	✓
Vacancy (eop)	2.5%	<2.5%	<2.5%	✓
Rental Income (€m)	1,667.9	1,660 - 1,680	1,670 - 1,690	↑
FFO1 (€m)	920.8	960 - 980	1,030 - 1,050 <small>(1,000 - 1,020 VNA stand-alone)</small>	↑
FFO1 (€/share, eop)	1.90	1.98 - 2.02²	2.12 - 2.16² <small>(2.06 - 2.10² VNA stand-alone)</small>	↑
Maintenance (€m)	346.2	~360	~360	✓
Modernization & Investments (€m)	778.6	~1,000	~1,000	✓
Privatization (number of units)	2,608	~2,300	~2,300	✓
FV step-up (Privatization)	32.7%	~30%	~30%	✓
Non-core (number of units)	11,780	opportunistic	opportunistic	✓
FV step-up (Sell Portfolio)	7.9%	>0%	~5%	↑
Dividend/share	€1.32 ¹	~70% of FFO1	~70% of FFO1	↑

¹ Proposed to the 2018 Annual General Meeting. ² Based on 485.1m of shares outstanding.

- In-place values are still way below replacement values, in spite of accelerating valuation growth in recent years.

Vonovia – fair value per sqm (€; total lettable area) vs. modular and traditional construction costs



Note: VNA 2010 – 2014 refers to Deutsche Annington Portfolio at the time; construction costs excluding land. The land value refers to share of total fair value allocated to land.

Source for market costs: Arbeitsgemeinschaft für zeitgemäßes Bauen e.V.

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