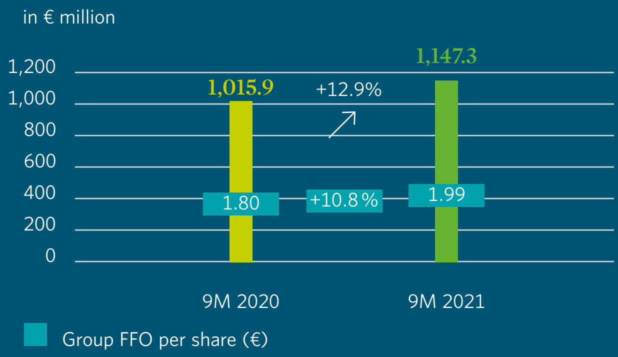
Business Development in the First Nine Months of 2021

Overview

> Deutsche Wohnen Group included for the first time with the balance sheet as of September 30, 2021.
> Positive business development with continued high customer satisfaction values.
> Coronavirus pandemic continues to have no significant impact on financial or operating performance.

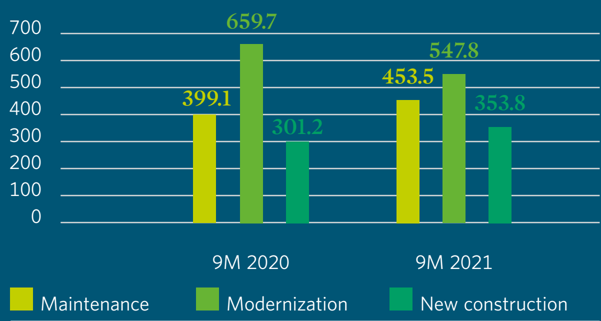
Sustained Earnings

Group FFO *



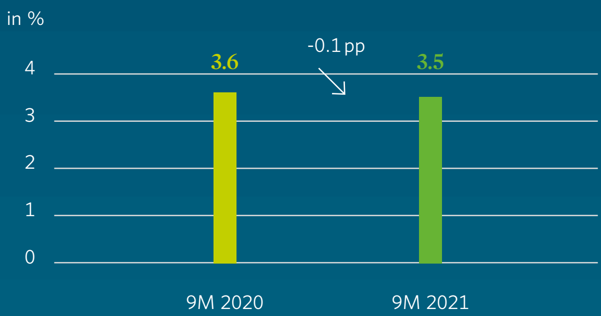
Maintenance and Modernization

Investments



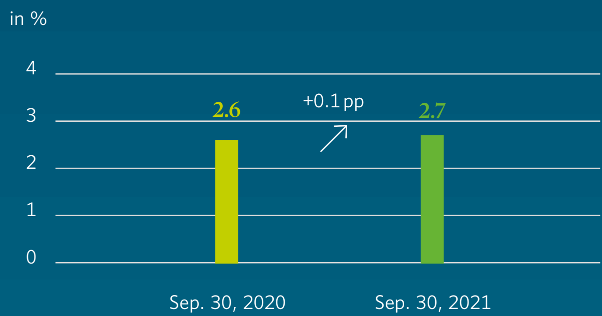
Organic Rent Growth

Organic Rent Growth



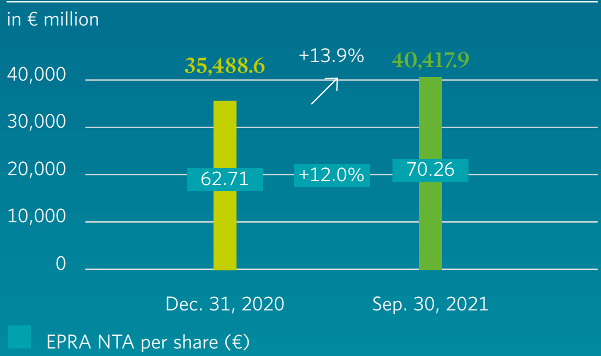
Vacancy

Vacancy Rate



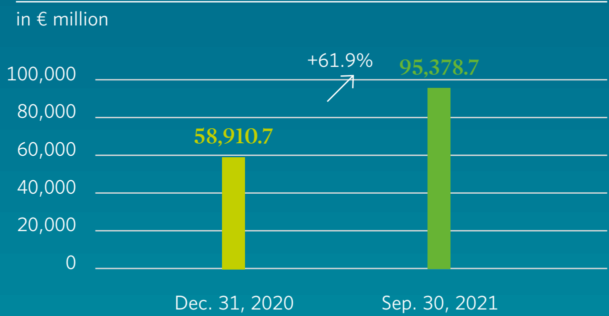
Net Assets

EPRA NTA*



Fair Value of the Real Estate Portfolio

Fair value*



* 2021 incl. Deutsche Wohnen; Group FFO incl. effects of accounting for Deutsche Wohnen using the equity method.

Vonovia SE on the Capital Market

Shares in Vonovia

Whereas the COVID-19 crisis primarily marked 2020 with uncertainty, volatility and a negative share price performance, the picture has changed significantly across the globe in the first nine months of this year. The stock markets have left the pandemic-induced slump behind and are reaching new heights.

The German leading index DAX 40 and the EURO STOXX 50, for example, climbed by 11.2% and 13.3% respectively in the first nine month of 2021, whereas both Vonovia's shares and the listed residential real estate sector as a whole have shown weaker development to date after significant outperformance in 2020.

We attribute Vonovia's negative share price performance first and foremost to the following market-related factors: Risk appetite on the capital market has increased considerably in a year-on-year comparison with investors currently focusing more on cyclical stocks and equities whose performance in 2020 was less positive. Rising inflation and an increased interest rate risk make the situation for residential real estate stocks even more challenging. In particular, the weaker performance of shares in German residential real estate companies points to additional uncertainty in the political and regulatory environment, for example the possibility that rent legislation will change after the German Bundestag elections and other regulatory changes associated with the ongoing exploratory coalition talks.

All in all, however, we are convinced that the environment for the German residential real estate sector remains positive in the long term.

We expect the main megatrends – and as a result, the key drivers behind our business – to continue to create a sustained positive environment going forward. Vonovia is in a very good position strategically to be part of the solution to the challenges facing us: urbanization and the resulting imbalance between supply and demand, climate change and the reduction of CO_2 emissions in the housing stock, demographic change and senior-friendly apartment conversion. As a result, we are optimistic as we look ahead to the future and are confident that we will remain financially successful.

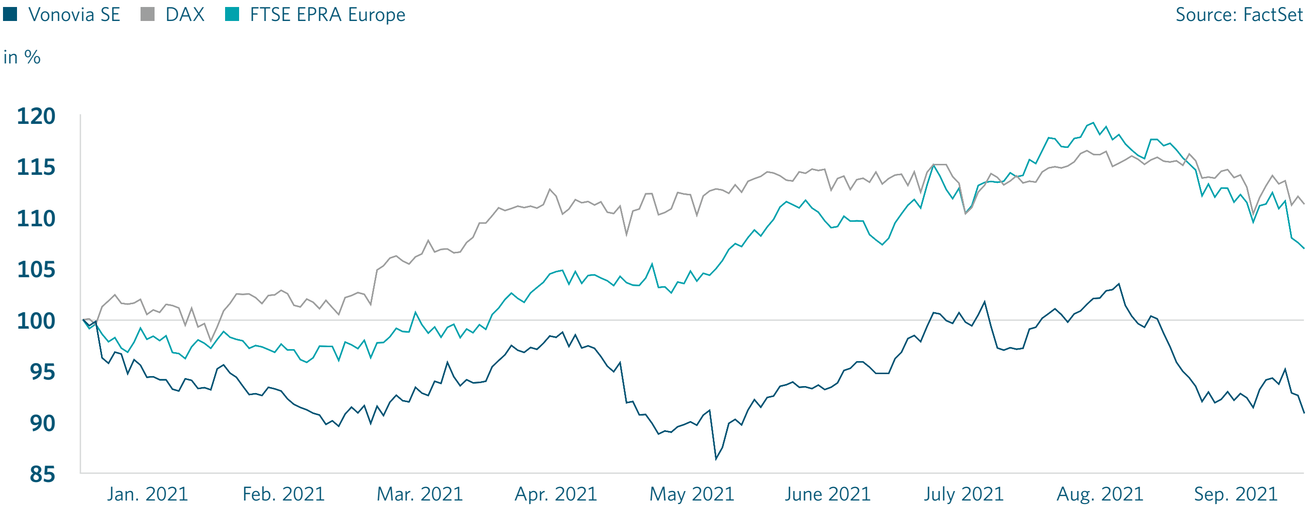
Vonovia's market capitalization amounted to around € 29.9 billion as of September 30, 2021.

Shareholder Structure

The chart displayed below shows the voting rights pursuant to Sections 33 and 34 of the German Securities Trading Act (WpHG) as notified by the shareholders in relation to the current share capital. It is important to note that the number of voting rights reported could have changed within the respective thresholds without triggering an obligation to notify the company.

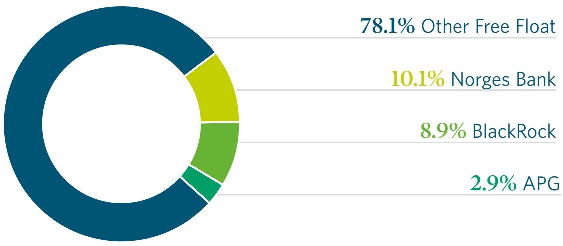
Based on the German stock exchange's definition of free float, only the interest held by Norges Bank (Ministry of Finance on behalf of Norway) does not count toward the free float. This means that 89.9% of Vonovia's shares were in free float on September 30, 2021. The underlying voting rights notifications and corresponding financial instruments reported by shareholders or other instruments pursuant to Sections 38, 39 WpHG can be found online at
https://investoren.vonovia.de/en/news-and-publications/disclosure-of-voting-rights/

Share Price Development



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

Major Shareholders (as of September 30, 2021)



Investor Relations Activities

Vonovia SE is committed to a transparent, ongoing dialogue with its shareholders and potential investors. We are continuing with our road shows and meetings during the coronavirus pandemic, albeit on a virtual basis. In the first nine months of 2021, Vonovia participated in a total of 26 investors' conference days and organized 9 roadshow days.

In addition, numerous one-on-one meetings, video conferences and conference calls were held with investors and analysts to keep them informed of current developments and special issues. There were two main topics that dominated discussions in the third quarter of 2021: first, the announcement of the merger of Vonovia and Deutsche Wohnen and second, the German Bundestag elections in September and the expropriation referendum in Berlin.

We will continue to communicate openly with the capital market. Various road shows, conferences and participation in investor forums have already been planned. Information can be found in the Financial Calendar on our Investor Relations website.

https://investoren.vonovia.de/en/service/financial-calendar

Takeover Offer for the Shareholders of Deutsche Wohnen SE

Following the announcements made on August 1 and August 5, 2021, Vonovia SE made another voluntary public takeover offer for all outstanding shares to the shareholders of Deutsche Wohnen SE. Vonovia offered a cash consideration of € 53.00 for each share in Deutsche Wohnen.

As the further acceptance deadline has passed, the number of shares for which the offer was accepted has been final since October 26, 2021, namely 347,728,483 shares. This means that, following the end of all acceptance deadlines for the voluntary public takeover offer made to the shareholders in Deutsche Wohnen SE, Vonovia SE holds 87.6% of the voting rights in Deutsche Wohnen (on a fully diluted basis).

The results can also be found on Vonovia's transaction website (**https://en.vonovia-st.de/).**

Analyst Assessments

Approximately 26 international analysts publish studies on Vonovia on a regular basis, whereby five analysts suspended their rating temporarily due to their involvement in current transactions (as of September 30, 2021). The average target share price was € 64.19 as of September 30, 2021. Of these analysts, 67% issued a "buy" recommendation, with 28% issuing a "hold" recommendation and 5% recommending that investors sell the company's shares.

Share Information (as of September 30, 2021)

First day of trading	July 11, 2013
Subscription price	€ 16.50
Total number of shares	575,257,327
Share capital	€ 575,257,327
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 40, EURO STOXX 50, DAX 50 ESG, Dow Jones Sustainability Index Europe, STOXX Global ESG Leaders, EURO STOXX ESG Leaders 50, STOXX Europe ESG Leaders 50, FTSE EPRA/NAREIT Developed Europe and GPR 250 World

Economic Development in the First Nine Months of 2021

Key Events During the Reporting Period

On June 23, 2021, Vonovia made a public takeover offer to the shareholders of Deutsche Wohnen SE to purchase all shares in the company at a price of € 52.00 per share. Pursuant to the notification published on July 26, 2021, the offer was not accepted by a majority. On August 1, 2021, Vonovia announced that it wanted to make another takeover offer.

On August 23, 2021, Vonovia made another public takeover offer to the shareholders of Deutsche Wohnen SE to purchase all shares in the company at a price of € 53.00 per share. The offer was made in consultation with Deutsche Wohnen SE after having been previously approved by the German Federal Financial Supervisory Authority (BaFin) on August 5, 2021.

In parallel with the first public takeover offer, Vonovia had acquired 66,057,759 shares in Deutsche Wohnen, or around 18.36% of the share capital and voting rights, by June 30, 2021. This stake was increased to 21.89% by July 21, 2021. By the time the second public takeover offer was made on August 23, 2021, Vonovia had increased its holding in Deutsche Wohnen to 107,967,639 shares or around 29.99%. These shares were purchased via the stock exchange and on the basis of bilateral agreements.

On September 13, 2021, Vonovia announced that it would be waiving all terms and conditions of acceptance for the takeover offer for shares in Deutsche Wohnen. At the end of the resulting first acceptance period on October 4, 2021, Vonovia was able to secure a majority, or 62.67%, of the shares in Deutsche Wohnen SE. On the reporting date of September 30, 2021, Vonovia held 50.38% of the shares, i.e., a majority of the share capital and voting rights, meaning that it had obtained control.

Therefore the Deutsche Wohnen Group will be included in Vonovia's consolidated financial statements for the first time as of September 30, 2021. As the date of control coincides with the reporting date, Deutsche Wohnen SE and its subsidiaries are included in the balance sheet as of September 30, 2021. Since the transaction was concluded close to the date of initial recognition, the purchase price allocation/calculation of goodwill was only provisional.

For the period from July 21 until September 30, 2021, the Deutsche Wohnen Group is, based on Vonovia's significant influence, included in the consolidated financial statements as of September 30, 2021, as an associate using the equity method and with a corresponding earnings contribution for two months.

As the second tender period was still ongoing as of September 30, 2021, the transaction is being treated in line with the anticipated acquisition method, meaning that the potential remaining purchase obligation of € 9.6 billion is to be included as a liability.

In order to finance the transaction, Vonovia had concluded bridge financing with a banking consortium in a total amount of around € 20 billion. After Vonovia had already placed a total of five bonds with a total volume of € 4 billion with an average interest rate of 0.6875% and an average term of 9.5 years on June 16, 2021, it placed another bond on August 26, 2021, with a total volume of € 5 billion, an average interest rate of 0.49% and an average term of 10.3 years. This was associated with a reduction in the bridge financing to € 17 billion.

Based on an agreement reached with the Berlin State Government on the sale of selected portfolios to municipal housing companies in Berlin, the agreement with HOWOGE, degewo and berlinovo on the sale of 4,250 residential units from Vonovia's portfolio was concluded on September 17, 2021. The benefits and encumbrances will be transferred in 2022.

Vonovia's business model has proven to be robust and resilient throughout the coronavirus pandemic. As the pandemic is still not having any considerable impact on its net assets, financial position and results of operations, Vonovia can also report positive business development in the first nine months of 2021. Customer satisfaction actually increased significantly during the pandemic. The customer satisfaction index (CSI), for example, is up by 3.3 percentage points in a year-on-year comparison, putting it 2.6 percentage points higher than the average for the previous year.

Vonovia had already issued two innovative debt instruments in the first quarter of 2021. These include a fully digital registered bond in the amount of € 20 million with a maturity of three years and a green bond with a total volume of € 600 million, a term of 10 years and an annual interest rate of 0.625%. By doing this, the Group is pursuing its own sustainability strategy and using the green bond in particular to supplement the conventional debt instruments in its financing strategy.

Results of Operations

Vonovia's corporate strategy remained unchanged in the first nine months of 2021 and the Group showed positive business development. The ongoing coronavirus pandemic still did not have any significant impact on the company's operational and financial performance.

In many areas, our business processes again continued virtually unhindered thanks to employees working from home. The employees of the craftmen's organization were active on site almost without restriction. In the first nine months of 2021, we observed stable demand for rental apartments and no negative impact on market values as a result of the coronavirus pandemic. All in all, Vonovia experienced only a very low level of rent losses in the reporting period, and expects defaults to remain low in the future, too. The coronavirus pandemic had only a minor impact on modernization and new construction measures in the first nine months of 2021. The figures below are for Vonovia excluding Deutsche Wohnen, unless the figures are explicitly described as combined/consolidated figures. This limits comparison with the previous year.

As of September 30, 2021, Vonovia, including Deutsche Wohnen, managed a portfolio comprising 568,451 of its own residential units (Sep. 30, 2020: 414,570), 170,147 garages and parking spaces (Sep. 30, 2020: 138,927) and 9,365 commercial units (Sep. 30, 2020: 6,547). The locations span 648 cities, towns and municipalities (Sep. 30, 2020: 635) in Germany, Sweden and Austria. 71,427 residential units (Sep. 30, 2020: 73,830) are also managed for other owners.

As of September 30, 2021, Vonovia, including Deutsche Wohnen, employed a total of 16,051 people (Sep. 30, 2020: 10,564).

Total **segment revenue** increased by 9.5% from € 3,211.6 million in the first nine months of 2020 to € 3,517.0 million in the first nine months of 2021. The main drivers behind the development in total segment revenue in the 2021 reporting period were income from disposals in the Development segment, income from disposal of properties in the Recurring Sales segment and the increase in rental income due to organic growth.

Total Segment Revenue

in € million	9M 2020	9M 2021	Change in %	12M 2020
Rental income	1,708.8	1,764.7	3.3	2,288.5
Other income from property management unless included in the operating expenses in the Rental segment	36.3	40.8	12.4	50.2
Income from disposals Recurring Sales	296.5	422.2	42.4	382.4
Internal revenue Value-add	762.6	798.3	4.7	1,053.0
Income from disposal of properties (Development)	181.6	328.8	81.1	297.7
Fair value Development to hold	225.8	162.2	-28.2	298.2
Total Segment Revenue	**3,211.6**	**3,517.0**	**9.5**	**4,370.0**

Group FFO

The following key figures provide an overview of the development in Group FFO and other value drivers in the reporting period. The year-on-year comparison is slightly affected by the acquisition of Bien-Ries GmbH (today operating under BUWOG – Rhein-Main Development GmbH, referred to hereafter as BUWOG West) at the beginning of April 2020.

The income statement includes two months of income generated by the Deutsche Wohnen Group as an associate for the third quarter. The resulting Group FFO contribution based on Vonovia's definition in the amount of € 25.6 million was included in the Group FFO.

Group FFO

in € million	9M 2020	9M 2021	Change in %	12M 2020
Revenue in the Rental segment	1,706.9	1,762.7	3.3	2,285.9
Expenses for maintenance	-234.9	-245.3	4.4	-321.1
Operating expenses in the Rental segment	-293.3	-277.4	-5.4	-410.6
Adjusted EBITDA Rental	**1,178.7**	**1,240.0**	**5.2**	**1,554.2**
Revenue in the Value-add segment	800.0	840.1	5.0	1,104.6
thereof external revenue	37.4	41.8	11.8	51.6
thereof internal revenue	762.6	798.3	4.7	1,053.0
Operating expenses in the Value-add segment	-689.9	-724.5	5.0	-952.3
Adjusted EBITDA Value-add	**110.1**	**115.6**	**5.0**	**152.3**
Revenue in the Recurring Sales segment	296.5	422.2	42.4	382.4
Fair value of properties sold adjusted to reflect effects not relating to the period from assets held for sale in the Recurring Sales segment	-211.6	-302.7	43.1	-274.0
Adjusted result Recurring Sales	**84.9**	**119.5**	**40.8**	**108.4**
Selling costs in the Recurring Sales segment	-10.0	-14.0	40.0	-16.0
Adjusted EBITDA Recurring Sales	**74.9**	**105.5**	**40.9**	**92.4**
Revenue from disposal of "Development to sell" properties	181.6	328.8	81.1	297.7
Cost of Development to sell	-145.0	-270.3	86.4	-235.9
Gross profit Development to sell	**36.6**	**58.5**	**59.8**	**61.8**
Fair value Development to hold	225.8	162.2	-28.2	298.2
Cost of Development to hold*	-181.5	-117.9	-35.0	-235.4
Gross profit Development to hold	**44.3**	**44.3**	**-0.0**	**62.8**
Rental revenue Development	0.8	1.0	25.0	1.2
Operating expenses in the Development segment	-12.9	-24.0	86.0	-14.9
Adjusted EBITDA Development	**68.8**	**79.8**	**16.0**	**110.9**
Adjusted EBITDA Total	**1,432.5**	**1,540.9**	**7.6**	**1,909.8**
FFO interest expense	-289.2	-267.5	-7.5	-380.1
Current income taxes FFO	-35.6	-58.2	63.5	-52.4
Consolidation**	-91.8	-93.5	1.9	-129.1
FFO at-equity effects relating to Deutsche Wohnen	-	25.6	-	-
Group FFO	**1,015.9**	**1,147.3**	**12.9**	**1,348.2**

* Excluding capitalized interest on borrowed capital in 9M 2021 of € 0.9 million (9M 2020: € 0.3 million).
** Thereof intragroup profits in 9M 2021: € 27.2 million (9M 2020: € 24.1 million), gross profit development to hold in 9M 2021: € 44.3 million (9M 2020: € 44.3 million), IFRS 16 effects 9M 2021: € 22.0 million (9M 2020: € 23.4 million).

As of September 30, 2021, our apartments were once again virtually fully occupied. The apartment vacancy rate of 2.7% was up slightly on the value of 2.6% seen at the end of September 2020. **Rental income** in the Rental segment rose by 3.3% in total from € 1,706.9 million in the first nine months of 2020 to € 1,762.7 million in the first nine months of 2021, largely due to organic growth resulting from new construction and modernization measures. Of the segment revenue in the Rental segment in the 2021 reporting period, € 1,414.7 million is attributable to rental income in Germany (9M 2020: € 1,381.2 million), € 266.6 million to rental income in Sweden (9M 2020: € 246.3 million) and € 81.4 million to rental income in Austria (9M 2020: € 79.4 million).

The current increase in rent due to market-related factors came to 1.1% (9M 2020: 0.8%). We were also able to achieve an increase in rent of 1.8% thanks to property value improvements achieved as part of our modernization program (9M 2020: 2.2%). The corresponding **like-for-like rent increase** came to 2.9% (9M 2020: 3.0%). If we also include the increase in rent due to new construction measures and measures to add extra stories of 0.6% (9M 2020: 0.6%), then we arrive at an **organic increase in rent** totaling 3.5% (9M 2020: 3.6%). The average monthly in-place rent within the Group at the end of September 2021 came to € 7.34 per m^2 compared to € 7.07 per m^2 at the end of September 2020. The monthly in-place rent in the German portfolio at the end of September 2021 came to € 7.14 per m^2 (Sep. 30, 2020: € 6.91 per m^2), with € 10.34 per m^2 for the Swedish portfolio (Sep. 30, 2020: € 9.67 per m^2) and € 4.87 per m^2 for the Austrian portfolio (Sep. 30, 2020: € 4.76 per m^2). The rental income from the portfolio in Sweden reflects inclusive rents, meaning that the amounts contain operating, heating and water supply costs. The rental income from the Austrian property portfolio additionally includes maintenance and improvement contributions (EVB).

We have continued with our modernization, new construction and maintenance strategy in the 2021 fiscal year. The total volume of maintenance, modernization and new construction activity fell slightly, from € 1,360.0 million in the first nine months of 2020 to € 1,355.1 million in the first nine months of 2021. Whereas the volume of maintenance measures in the first nine months of 2021 came to € 453.5 million, up by 13.6% on the value of € 399.1 million seen in the first nine months of 2020, the modernization measures fell by 17.0% from € 659.7 million in the first nine months of 2020 to € 547.8 million in the first nine months of 2021. The decline in the volume of modernization measures is largely due to significantly lower investing activities in Berlin as a result of the rent freeze and isolated restrictions related to the coronavirus pandemic. However, we do consider the current lower level of investment volume as enough to reach the targets of our climate course. At € 353.8 million, new construction in the first nine months of 2021 was up by 17.5% on the prior-year value of € 301.2 million.

Maintenance, Modernization and New Construction

in € million	9M 2020	9M 2021	Change in %	12M 2020
Expenses for maintenance	234.9	245.3	4.4	321.1
Capitalized maintenance	164.2	208.2	26.8	270.9
Maintenance measures	**399.1**	**453.5**	**13.6**	**592.0**
Modernization measures	659.7	547.8	-17.0	908.4
New construction (to hold)	301.2	353.8	17.5	435.5
Modernization and new construction measures	**960.9**	**901.6**	**-6.2**	**1,343.9**
Total cost of maintenance, modernization and new construction	**1,360.0**	**1,355.1**	**-0.4**	**1,935.9**

In the first nine months of 2021, operating expenses in the Rental segment were down by 5.4% on the figures for the first nine months of 2020, from € 293.3 million to € 277.4 million. All in all, **Adjusted EBITDA Rental** rose by 5.2% from € 1,178.7 million in the first nine months of 2020 to € 1,240.0 million in the first nine months of 2021.

The **Value-add segment** was slightly impacted by the coronavirus pandemic due to individual construction delays affecting modernization measures. Vonovia's own craftsmen's organization made a contribution to the segment's stable development overall.

We continued to expand our business activities relating to the provision of cable television to our tenants, residential environment, insurance and metering services, and energy supply services.

In the 2020 fiscal year, we changed how we report revenue from the Value-add segment with the introduction of a new performance indicator, total segment revenue. Details can be found in chapter [A2] of the notes to the consolidated financial statements and in the segment reporting in the 2020 Annual Report. Key changes result from the separate reporting of ancillary costs outside of the segments in gross terms as well as the decision not to take account of revenue from the management of subcontractors in our internal Value-add income.

External revenue from our Value-add activities with our end customers in the first nine months of 2021 were up by 11.8% on the first nine months of 2020, from € 37.4 million to € 41.8 million. Group revenue rose by 4.7% from € 762.6 million in the first nine months of 2020 to € 798.3 million in the first nine months of 2021. All in all, revenue from the Value-add segment came to € 840.1 million in the 2021 reporting period, up by 5.0% on the value of € 800.0 million seen in the first nine months of 2020. Operating expenses in the Value-add segment in the first nine months of 2021 were up by 5.0% on the figures for the first nine months of 2020, from € 689.9 million to € 724.5 million.

Adjusted **EBITDA Value-add** came to € 115.6 million in the first nine months of 2021, 5.0% higher than the figure of € 110.1 million reported for the first nine months of 2020.

We continued to pursue our selective sales strategy in the 2021 fiscal year. In the **Recurring Sales segment,** we report all business activities relating to the sale of single residential units (Privatize). We privatized 2,367 apartments in the first nine months of 2021 (9M 2020: 1,883), thereof 1,928 in Germany (9M 2020: 1,412) and 439 in Austria (9M 2020: 471).

In the Recurring Sales segment, the income from disposal of properties came to € 422.2 million in the first nine months of 2021, up by 42.4% on the value of € 296.5 million reported in the same period of 2020; of this, € 321.6 million are attributed to sales in Germany (9M 2020: € 199.3 million) and € 100.6 million to sales in Austria (9M 2020: € 97.2 million). Selling costs in the Recurring Sales segment came in at € 14.0 million in the first nine months of 2021, up by 40.0% on the value of € 10.0 million seen in the first nine months of 2020.

Adjusted **EBITDA Recurring Sales** came in at € 105.5 million in the 2021 reporting period, up by 40.9% on the value of € 74.9 million seen in the first nine months of 2020. The **fair value step-up for Recurring Sales** was down by 39.5% year-on-year in the first nine months of 2021 (9M 2020: 40.1%).

Outside of the Recurring Sales segment, we made 620 **Non-core Disposals** of residential units as part of our portfolio adjustment measures in the first nine months of 2021 (9M 2020: 829) with total proceeds of € 49.5 million (9M 2020: € 154.7 million). At 50.7%, the fair value step-up for Non-core Disposals in the 2021 reporting period was higher than for the same period in the previous year (33.3%). The individual sales of land contributed to this increase.

In the first nine months of 2021, the **Development segment**, with its Development to sell and Development to hold areas, made positive contributions to earnings in Germany, Austria and Sweden, allowing it to once again contribute to Vonovia's successful growth.

In the **Development to sell** area, a total of 580 units were completed in the first nine months of 2021 (9M 2020: 381), thereof 496 in Germany (9M 2020: 381) and 84 units in Austria (9M 2020: 0 units). In the first nine months of 2021, income from the disposal amounted to € 328.8 million (9M 2020: € 181.6 million), with € 174.3 million attributable to project development in Germany (9M 2020: € 132.4 million) and € 154.5 million to project development in Austria (9M 2020: € 49.2 million). The resulting gross profit for Development to sell came to € 58.5 million in the first nine months of 2021 (9M 2020: € 36.6 million).

In the **Development to hold** area, a total of 786 units were completed in the reporting period (9M 2020: 1,056 units), thereof 506 in Germany (9M 2020: 548 units), 154 in Sweden (9M 2020: 125) and 126 units in Austria (9M 2020: 383 units). In the Development to hold area, a fair value of € 162.2 million was achieved in the first nine months of 2021 (9M 2020: € 225.8 million), with € 96.5 million attributable to project development in Germany (9M 2020: € 94.7 million) and € 21.4 million to project development in Sweden (9M 2020: € 3.1 million) and with € 44.3 million to project development in Austria (9M 2020: € 128.0 million). The gross profit for Development to hold came to € 44.3 million in the first nine months of 2021 (9M 2020: € 44.3 million). Operating expenses in the first nine months of 2021 were up by 86.0% on the figures for the same period of 2020, from € 12.9 million to € 24.0 million. The increase in operating expenses compared to the previous year is related to the establishment of the BUWOG Deutschland organization and the resulting higher material and personnel costs and business expenses.

Adjusted EBITDA for the **Development segment** came in at € 79.8 million in the first nine months of 2021, down by 16.0% on the value of € 68.8 million seen in the first nine months of 2020.

In the first nine months of the year, the primary key figure for the sustained earnings power, **Group FFO**, increased by a total of 12.9%, from € 1,015.9 million in the first nine months of 2020 to € 1,147.3 million in the first nine months of 2021, largely due to organic growth resulting from new construction and modernization measures and to the much higher proceeds from sales in the Recurring Sales segment. This trend was fueled primarily by the positive development in Adjusted EBITDA Total, which increased by 7.6% from € 1,432.5 million in the first nine months of 2020 to € 1,540.9 million in the first nine months of 2021. The figure for the first nine months of 2021 also includes FFO at-equity effects relating to Deutsche Wohnen in the amount of € 25.6 million.

In the 2021 reporting period, the **non-recurring items** eliminated in the **Adjusted EBITDA Total** came to € 26.0 million, up by 7.9% on the prior-year value of € 24.1 million. This was largely due to costs associated with the Deutsche Wohnen public takeover offer, some of which were offset by income resulting from the valuation of shares in Deutsche Wohnen. The following table gives a detailed list of the non-recurring items:

Non-recurring Items

in € million	9M 2020	9M 2021	Change in %	12M 2020
Transactions*	5.4	21.5	>100	24.0
Personnel matters	12.1	0.3	-97.5	27.5
Business model optimization	10.0	7.8	-22.0	13.9
Research & development	–	2.8	–	–
Refinancing and equity measures	-3.4	-6.4	88.2	-3.9
Total non-recurring items	**24.1**	**26.0**	**7.9**	**61.5**

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

Reconciliations

The **financial result** changed from € -312.7 million in the first nine months of 2020 to € -410.9 million in the first nine months of 2021. FFO interest expense is derived from the financial result as follows:

Reconciliation of Financial Result/FFO Interest Expense

in € million	9M 2020	9M 2021	Change in %	12M 2020
Interest income	17.5	4.9	-72.0	21.9
Interest expense	-310.2	-280.5	-9.6	-411.4
Other financial result excluding income from investments	-20.0	-135.3	>100	-46.0
Financial result*	**-312.7**	**-410.9**	**31.4**	**-435.5**
Adjustments:				
Other financial result excluding income from investments	20.0	135.3	>100	46.0
Effects from the valuation of interest rate and currency derivatives	42.4	-8.9	–	42.4
Prepayment penalties and commitment interest	4.3	2.8	-34.9	6.2
Effects from the valuation of non-derivative financial instruments	-47.5	-16.3	-65.7	-48.6
Interest accretion to provisions	4.3	3.0	-30.2	6.2
Interest income from bond issue	-11.9	–	-100.0	-11.9
Accrued interest/other effects	36.0	33.4	-7.2	-6.0
Net cash interest	**-265.1**	**-261.6**	**-1.3**	**-401.2**
Adjustment for IFRS 16 Leases	7.2	7.3	1.4	10.5
Adjustment of income from investments in other real estate companies	1.5	15.1	>100	2.4
Adjustment of interest paid due to taxes	5.4	-1.2	–	23.7
Adjustment of accrued interest	-38.2	-27.1	-29.1	-15.5
Interest expense FFO	**-289.2**	**-267.5**	**-7.5**	**-380.1**

* Excluding income from other investments.

The **profit for the period** in the first nine months of 2021 came to € 3,869.1 million as against € 1,891.6 million in the first nine months of 2020. Net income from fair value adjustments of investment properties amounted to € 5,073.0 million in the first nine months of 2021, up considerably from the prior-year value of € 1,830.2 million in the first nine months of 2020.

Reconciliation of Profit for the Period/Group FFO

in € million	9M 2020	9M 2021	Change in %	12M 2020
Profit for the period	1,891.6	3,869.1	>100	3,340.0
Financial result*	312.7	410.9	31.4	435.5
Income taxes	940.1	1,964.1	>100	1,674.4
Depreciation and amortization	66.4	255.8	>100	92.3
Net income from fair value adjustments of investment properties	-1,830.2	-5,073.0	>100	-3,719.8
EBITDA IFRS	1,380.6	1,426.9	3.4	1,822.4
Non-recurring items	24.1	26.0	7.9	61.5
Total period adjustments from assets held for sale	-4.1	46.1	–	-15.3
Financial income from investments in other real estate companies	-1.5	-15.0	>100	-2.4
Other (mainly Non-core Disposals)	-35.0	-14.6	-58.3	-52.7
Intragroup profits	24.1	27.2	12.9	33.5
Gross profit Development to hold	44.3	44.3	–	62.8
Adjusted EBITDA Total	1,432.5	1,540.9	7.6	1,909.8
Interest expense FFO**	-289.2	-267.5	-7.5	-380.1
Current income taxes FFO	-35.6	-58.2	63.5	-52.4
Consolidation	-91.8	-93.5	1.9	-129.1
FFO at-equity effects relating to Deutsche Wohnen	–	25.6	–	–
Group FFO	1,015.9	1,147.3	12.9	1,348.2
Group FFO per share in €***	1.80	1.99	10.8	2.38

* Excluding income from other investments.
** Incl. financial income from investments in other real estate companies.
*** Based on the shares carrying dividend rights on the reporting date September 30, 2020: 565,887,299, September 30, 2021: 575,257,327 and December 31, 2020: 565,887,299.

Assets

Consolidated Balance Sheet Structure

	Dec. 31, 2020		Sep. 30, 2021	
	in € million	in %	in € million	in %
Non-current assets	60,632.0	97.1	100,012.5	92.0
Current assets	1,785.4	2.9	8,644.4	8.0
Total assets	**62,417.4**	**100.0**	**108,656.9**	**100.0**
Equity	24,831.8	39.8	28,726.4	26.4
Non-current liabilities	34,669.8	55.5	57,899.6	53.3
Current liabilities	2,915.8	4.7	22,030.9	20.3
Total equity and liabilities	**62,417.4**	**100.0**	**108,656.9**	**100.0**

Deutsche Wohnen SE was included in Vonovia's consolidated financial statements for the first time as of September 30, 2021, together with its subsidiaries (Deutsche Wohnen Group). As the effective date of control coincides with the reporting date of September 30, 2021, it is only included in the balance sheet.

The Group's **total assets** increased considerably by € 46,239.5 million as against December 31, 2020, rising from € 62,417.4 million to € 108,656.9 million. The Deutsche Wohnen Group contributed € 33,270.9 million to this increase. As the transaction was concluded close to the reporting date, the purchase price allocation and, as a result, the amount of the resulting goodwill, namely € 5.4 billion, is still provisional.

The increase in non-current assets relates to investment properties in the amount of € 33.5 billion, with € 28.4 billion attributable to Deutsche Wohnen. Goodwill and trademark rights account for 6.3% of total assets, taking into account the provisional values.

With the inclusion of the Deutsche Wohnen Group, Quarterback Immobilien AG is included in financial assets as an associate.

Current assets rose due to the inclusion of the loan granted to Quarterback Immobilien AG. In addition, current financial assets increased due to short-term investments and liquidity due to the latest bond drawdowns in preparation for the payment of the purchase price obligations.

The assets held for sale rose by € 2,913.7 million from € 164.9 million to € 3,078.6 million and largely include the parts of the portfolio that were sold to Berlin public housing companies. Cash and cash equivalents increased by € 1,560.0 million from € 613.3 million to € 2,173.3 million, contributing to the increase in assets.

As of September 30, 2021, the **gross asset value (GAV)** of Vonovia's property assets came to € 95,743.3 million. This corresponds to 88.1% of total assets, as against € 59,207.1 million or 94.9% at the end of 2020.

The € 3,894.6 million increase in **total equity** from € 24,831.8 million to € 28,726.4 million results in particular from the profit for the period in the amount of € 3,869.1 million. The cash dividend distributions in the sum of € 486.0 million had the opposite effect. The acquisition of Deutsche Wohnen increased non-controlling interests by € 473.0 million. These are non-controlling interests within the Deutsche Wohnen Group that were taken over as part of the first-time consolidation process.

This brings the **equity ratio** to 26.4%, compared with 39.8% at the end of 2020. The recognition of a purchase price liability resulting from the acquisition of Deutsche Wohnen due to the application of the anticipated acquisition method distorts the equity ratio as of the current reporting date.

Liabilities increased by € 42,344.9 million from € 37,585.6 million to € 79,930.5 million, due to the inclusion of the Deutsche Wohnen Group in the amount of € 18.9 billion, due to the bond placements on June 16, 2021, in the amount of € 4 billion, and on August 26, 2021, in the amount of € 5 billion, as well as due to the issue of a green bond in the amount of € 600 million. This also includes the purchase price liability for shares in Deutsche Wohnen SE not yet tendered in the amount of € 9.6 billion. The amount of non-derivative financial liabilities rose by € 21,899.1 million, with € 15,719.6 million attributable to the increase in non-current non-derivative financial liabilities.

Deferred tax liabilities increased by € 7,112.0 million, also due to the fair value measurement of investment properties.

Current liabilities include the purchase price obligation from the public takeover offer in the amount of around € 12 billion.

Net Assets

Vonovia's net asset value figures are based on the best practice recommendations of the EPRA (European Public Real Estate Association).

As of September 30, 2021, the EPRA NTA came to € 40,417.9 million, up by 13.9% on the value of € 35,488.6 million seen at the end of 2020. EPRA NTA develops in line with the increase in total equity. EPRA NTA per share increased from € 62.71 at the end of 2020 to € 70.26 at the end of the first nine months of 2021.

EPRA Net Tangible Assets (EPRA NTA)

in € million	Dec. 31, 2020	Sep. 30, 2021	Change in %
Total equity attributable to Vonovia shareholders	**23,143.9**	**26,493.2**	**14.5**
Deferred tax in relation to fair value gains of investment properties*	10,466.7	15,111.2	44.4
Fair value of financial instruments**	54.9	51.5	-6.2
Goodwill as per the IFRS balance sheet	-1,494.7	-6,739.1	>100
Intangibles as per the IFRS balance sheet	-117.0	-145.9	24.7
Real estate transfer tax*	3,434.8	5,647.0	64.4
EPRA NTA	**35,488.6**	**40,417.9**	**13.9**
EPRA NTA per share in €* **	**62.71**	**70.26**	**12.0**

* Proportion of hold portfolio.
** Adjusted for effects from cross currency swaps.
*** Based on the number of shares on the reporting date December 31, 2020: 565,887,299, September 30, 2021: 575,257,327.

Fair Values

Major market developments and valuation parameters that have an impact on the fair values of Vonovia are assessed on an ongoing basis. Due to the market momentum recognized in the first half of 2021, Vonovia arranged for a new valuation to be performed on three-quarters of the portfolio as of June 30, 2021. Due to the high levels of market momentum recognized once again in the third quarter of 2021, further increases in value were recognized as of September 30, 2021. This led to a valuation result for the first nine months of 2021 of € 5,073.0 million. In addition, buildings under construction for Vonovia's own portfolio were completed during the reporting period. This was associated with the first fair value measurement of the properties in question, resulting in a valuation effect of € 44.3 million for the period from January 1 to September 30, 2021 (9M 2020: € 44.3 million).

The valuation measures described above led to net income from the valuation of € 5,073.0 million for the first nine months of 2021 (9M 2020: € 1,830.2 million).

The recognition and valuation of investment properties are explained in detail in the consolidated financial statements for 2020.

Financial Position

Cash Flow

The Group cash flow is as follows:

Key Data from the Statement of Cash Flows

in € million	9M 2020	9M 2021
Cash flow from operating activities	1,016.7	1,026.3
Cash flow from investing activities	-1,204.5	-8,625.1
Cash flow from financing activities	1,402.0	9,161.5
Influence of changes in foreign exchange rates	-1.3	-1.6
Change in cash and cash equivalents related to assets held for sale	-	-1.1
Net changes in cash and cash equivalents	**1,212.9**	**1,560.0**
Cash and cash equivalents at the beginning of the period	500.7	613.3
Cash and cash equivalents at the end of the period	**1,713.6**	**2,173.3**

The cash flow from **operating activities** came to € 1,026.3 million for the first nine months of 2021 compared with € 1,016.7 million for the first nine months of 2020. This was due to an improved operating result and to the development of working capital.

The cash flow **from investing activities** shows a payout balance of € 8,625.1 million for the first nine months of 2021. This is dominated by the acquisition of the shares in Deutsche Wohnen SE in the amount of € 6,490.9 million (taking into account the acquisition of cash and cash equivalents). What is more, the cash flow from investing activities includes a payment of € 999.9 million for investments in time deposits and highly liquid money market funds that are not to be classified as a cash equivalent due to the original term of more than three months. Payments for the acquisition of investment properties came to € 1,148.9 million in the first nine months of 2021 (9M 2020: € 1,183.2 million). On the other hand, income from portfolio sales in the amount of € 481.3 million was collected (9M 2020: € 435.7 million). Payments for investments in other assets amounted to € 473.2 million in the first nine months of 2021 (9M 2020: € 238.4 million).

The cash flow from **financing activities** includes payments for regular and unscheduled repayments in the amount of € 2,165.7 million (9M 2020: € 2,635.1 million) and, on the other hand, proceeds from issuing financial liabilities in the amount of € 12,314.3 million (9M 2020: € 3,890.3 million). Payouts for transaction and financing costs amounted to € 203.8 million (9M 2020: € 48.7 million). Interest paid in the first nine months of 2021 amounted to € 267.0 million (9M 2020: € 272.2 million).

Net changes in **cash and cash equivalents** came to € 1,560.0 million.

Financing

According to the publication dated March 30, 2021, Vonovia's credit rating as awarded by the agency Standard & Poor's is unchanged at **BBB+** with a stable outlook for the long-term corporate credit rating and A-2 for the short-term corporate credit rating. At the same time, the credit rating for the issued and unsecured bonds is BBB+.

Vonovia received an A- investment grade rating from the largest European rating agency Scope, which was most recently confirmed in a publication dated June 14, 2021.

In addition, Vonovia was awarded an A3 long-term issuer rating with a stable outlook by the rating agency Moody's for the first time on May 31, 2021.

Vonovia SE has launched an **EMTN program** (European medium-term notes program). This program, which was originally launched via Vonovia Finance B.V., allows funds to be raised quickly at any time, without any major administrative outlay, using bond issues. The prospectus for the € 30 billion program, which was most recently supplemented on June 3, 2021, is to be updated annually and approved by the financial supervisory authority of the Grand Duchy of Luxembourg (CSSF).

As of the reporting date of September 30, 2021, Vonovia had placed a total bond volume of € 25.6 billion, € 25.4 billion of which relates to the EMTN program.

Via its Dutch subsidiary Vonovia Finance B.V., Vonovia issued an EMTN bond of € 500.0 million that runs until January 2041 with effect from January 28, 2021. The bond will bear interest at a rate of 1.00% p.a.

Berlin Hyp provided Vonovia Finance B.V. with secured financing of € 200.0 million with a term of ten years, with the agreement signed in December 2020 and the funds disbursed in February 2021.

Deutsche Pfandbriefbank issued Vonovia SE with a promissory note loan of € 100.0 million with a term of two years in March 2021.

On March 24, 2021, Vonovia SE issued a green bond with a total volume of € 600.0 million. The bond will bear interest at a rate of 0.625% and have a term of ten years.

On August 5, 2021, Morgan Stanley, Société Générale and Bank of America provided Vonovia SE with bridge financing with a term of up to two years as part of the acquisition of Deutsche Wohnen, the value of which most recently still came to around € 17,000.0 million. This bridge financing was syndicated by the aforementioned banks.

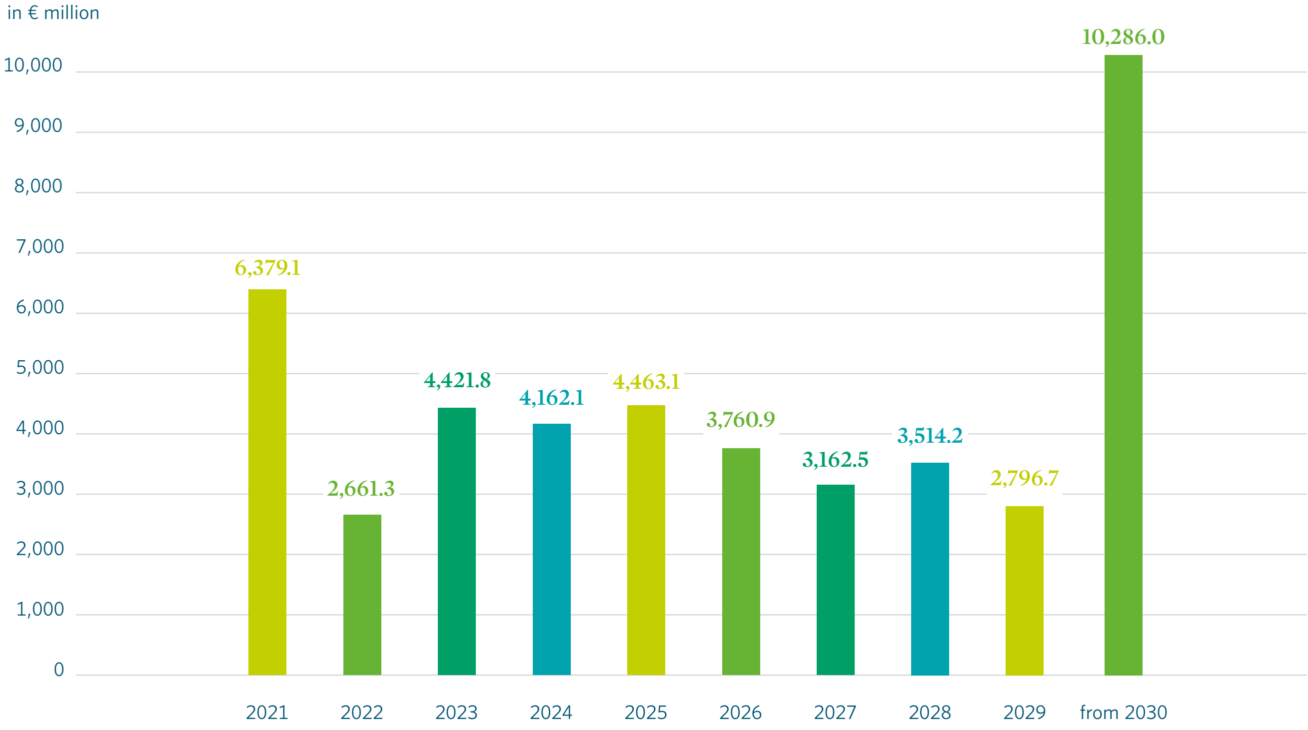
Vonovia SE placed bonds with a total volume of € 4,000.0 million on June 16, 2021. The various tranches have terms of 3, 6, 8, 12 and 20 years and an average annual interest rate of 0.6875%.

Vonovia SE placed bonds with a total volume of € 5,000.0 million on September 1, 2021. They have terms of 2, 4.25, 7, 11 and 30 years and an average annual interest rate of 0.49%.

Liabilities amounting to around SEK 2,520.0 million (around € 250.0 million) were repaid as scheduled in the Swedish subgroup in the period from the first to the third quarter of 2021.

The **debt maturity profile** of Vonovia's financing was as follows as of September 30, 2021:

Debt Maturity Profile on September 30, 2021 (face values)



In connection with the issue of unsecured bonds, 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 reporting date:

in € million	Dec. 31, 2020	Sep. 30, 2021	Change in %
Non-derivative financial liabilities	24,084.7	46,179.9	91.7
Foreign exchange rate effects	-18.9	-31.6	67.2
Cash and cash equivalents	-613.3	-3,173.2	>100
Net debt	**23,452.5**	**42,975.1**	**83.2**
Sales receivables	-122.3	-60.1	-50.9
Adjusted net debt	**23,330.2**	**42,915.0**	**83.9**
Fair value of the real estate portfolio	**58,910.7**	**95,378.7**	**61.9**
Loans to companies holding immovable property and land	–	950.4	–
Shares in other real estate companies	324.8	700.4	>100
Adjusted fair value of the real estate portfolio	**59,235.5**	**97,029.5**	**63.8**
LTV	**39.4%**	**44.2%**	**4.8 pp**

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

in € million	Dec. 31, 2020	Sep. 30, 2021	Change in %
Non-derivative financial liabilities	24,084.7	46,179.9	91.7
Total assets	**62,417.4**	**108,656.9**	**74.1**
LTV bond covenants	**38.6%**	**42.5%**	**3.9 pp**

Business Outlook

Vonovia can report positive business development in the first nine months of the 2021 fiscal year despite the ongoing coronavirus pandemic. All business segments showed positive development.

The forecast for the 2021 fiscal year was based on the accounting principles used in the consolidated financial statements.

Our forecast for the 2021 fiscal year is based on determined and updated corporate planning for the Vonovia Group as a whole, and considers current business developments, possible opportunities and risks, and the potential impact of the coronavirus pandemic. This does not include effects resulting from the acquisition of Deutsche Wohnen. The forecast also includes the key overall macroeconomic developments and the economic factors that are relevant to the real estate industry and our corporate strategy. Further information is provided in the sections of the 2020 Group management report entitled "Fundamental Information About the Group" and "Development of the Economy and the Industry."

Deutsche Wohnen was consolidated for the first time as of September 30, 2021, meaning that the opportunities and risks associated with the Deutsche Wohnen Group have also passed to Vonovia. As the business activities pursued by Deutsche Wohnen and Vonovia are fundamentally similar, no significant new risks are expected to arise as a result of the acquisition. Additional risks could potentially arise from the new Care segment and from the stake in Quarterback Immobilien AG, which will be responsible for large parts of Deutsche Wohnen's project development business. The integration process will involve Vonovia assessing the opportunities and risks associated with Deutsche Wohnen in detail and incorporating them into Vonovia's risk management system. At the time of first-time consolidation and based on the current assessment, there are no signs of any risks resulting from the acquisition of Deutsche Wohnen that could pose a threat to Vonovia's survival or business development. Beyond this, the Group's further development remains exposed to general opportunities and risks. These have also been described in the chapter on opportunities and risks in the 2020 Group management report. Additional risks could result from the upcoming amendments to the German Heating Costs Ordinance (Heizkostenverordnung) and the changes to the German Real Estate Transfer Tax Act (Grunderwerbsteuergesetz) effective July 1, 2021.

We expect that the coronavirus pandemic will not have a significant impact on the key operational and financial figures and therefore will have no impact on future business development. As a result, we no longer see any risk of a long-term lockdown either.

We expect segment revenue to increase further in 2021. We are also currently observing stable demand for rental apartments and no negative impact on market values as a result of the coronavirus pandemic.

Vonovia predicts that all operating segments will contribute to the increase in Adjusted EBITDA Total and Group FFO. The biggest absolute increases are expected to be seen in the Rental and Development segments.

In addition, we expect the value of our company to increase in 2021 and predict a moderate increase in EPRA NTA per share, leaving any further market-related changes in value out of the equation. Based on the first preliminary indicators, we expect to see an effect from the valuation of investment properties as well as capitalized modernization costs in the form of an increase in value of between € 1.8 billion and € 2.6 billion in total compared with September 30, 2021.

The current forecast yet again confirms the positive development in the Sustainability Performance Index (SPI). We expect the high level of customer satisfaction to continue. The reduction of carbon emissions is working better than expected.

The following table provides an overview of our forecast, excluding Deutsche Wohnen, and presents material and selected key figures.

	Actual 2020	Forecast for 2021	Forecast for 2021 in the 2021 H1 Report	Forecast for 2021 in the 2021 Q3 Report
Total Segment Revenue	€ 4.4 billion	€ 4.9–5.1 billion	€ 4.9–5.1 billion	€ 4.9–5.1 billion
EPRA NTA per share*	€ 62.71	suspended	suspended	suspended
Adjusted EBITDA Total	€ 1,909.8 million	€ 1,975–2,025 million	€ 2,055–2,105 million	Around upper end of € 2,055–2,105 million
Group FFO	€ 1,348.2 million	€ 1,415–1,465 million	€ 1,465–1,515 million	€ 1,520–1,540 million
Group FFO per share*	€ 2.38	suspended	suspended	suspended
Sustainability Performance Index (SPI)	–	~100%	~105%	~105%
Revenue in the Rental segment	€ 2,285.9 million	€ 2.3–2.4 billion	€ 2.3–2.4 billion	€ 2.3–2.4 billion
Organic rent growth (eop)	3.1%	Increase of ~3.0–3.8%**	Increase of ~3.8%	Increase of ~3.8%
Modernization and new construction	€ 1,343.9 million	€ 1.3–1.6 billion	€ 1.3–1.6 billion	€ 1.3–1.6 billion
Number of units sold Recurring Sales	2,442	~2,500	~2,800	~2,800
Fair value step-up Recurring Sales	39.6%	~30%	>35%	>35%

* Based on the shares carrying dividend rights on the reporting date.

** Depending on whether or not the Act on Rent Controls in the Housing Sector in Berlin (MietenWoG Bln) is found to be constitutional at the end of 2021, we expect rent increases at the upper/lower end of the forecast.

Bochum, Germany, October 27, 2021

The Management Board