Interim Group Management Report – Business Development in the First Half-Year of 2023

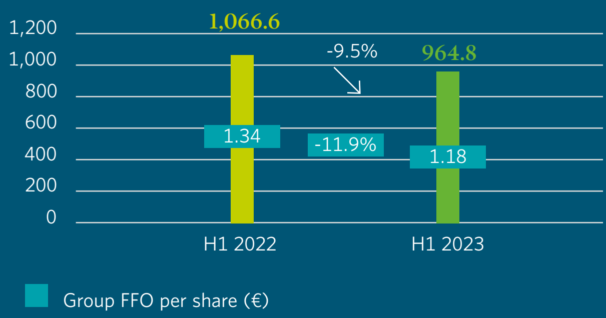
Overview

> Inflation, interest rate trends and, as a result, monetary policy remain the key drivers of investment activity; fundamental overall business conditions remain positive.
> Value adjustments for investment properties.
> Positive economic development in the core Rental segment with virtually full occupancy.

Sustained Earnings

Group FFO*

in € million

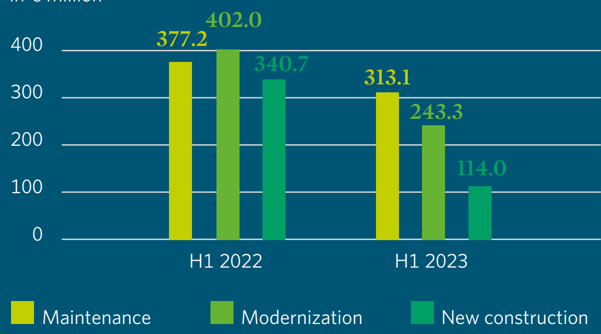


* Based on the new 2022 definition without elimination of IFRS 16 effect and results of assets accounted for using the equity method.

Maintenance and Modernization

Investments

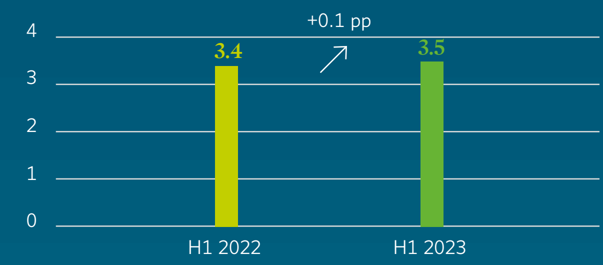
in € million



Organic Rent Growth

Organic Rent Increase

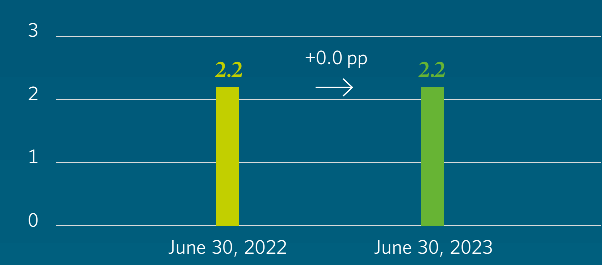
in %



Vacancy

Vacancy Rate

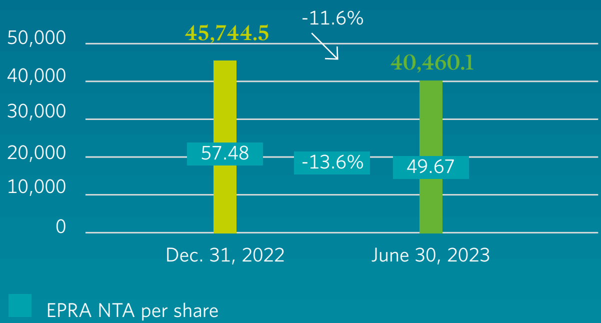
in %



Net Assets

EPRA NTA*

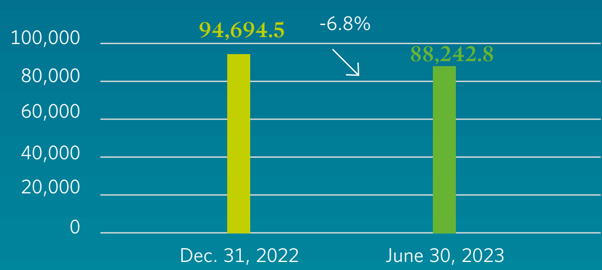
in € million



Fair Value of the Real Estate Portfolio

Fair Value

in € million



Vonovia SE on the Capital Market

Shares in Vonovia

The war in Ukraine and the resulting consequences remained the main focus on the capital markets in the first half of the year. Developments on the stock exchange were dominated by inflation, the interest rate trend and the monetary policy pursued by central banks, in particular. Although the broad-based DAX (+16.0%) and EuroStoxx 50 (+16.0%) indices reported positive performance after a weak previous year, the real estate sector as a whole, and German residential real estate stocks in particular, reported marked price losses in some cases. The EPRA Europe, for example, closed the first half of the year down by 10.2%, with shares in some German residential real estate companies reporting even heftier losses.

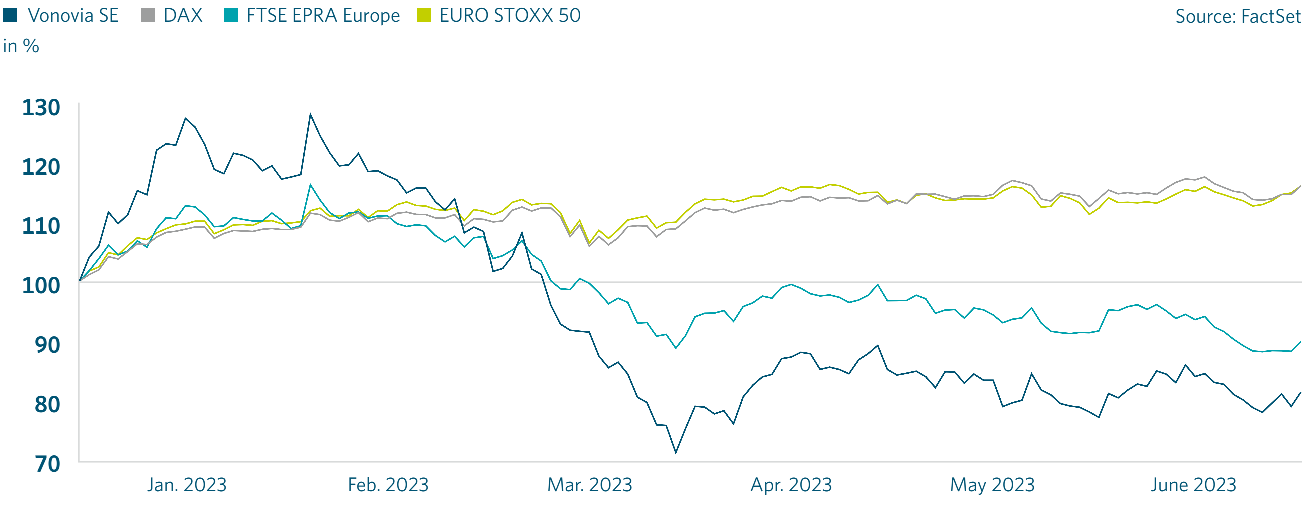
In this exceptionally difficult market, shares in Vonovia reported above-average losses, trading at € 17.90 at the end of the second quarter, down by 18.7% on the closing price for 2022. This was due, in particular, to the negative correlation with rising interest rates and climbing government bond yields. In particular, the increased interest rates and the pessimistic view taken by the capital market with regard to the impact on income and real estate values, at least in the short term, were the main factors driving this negative performance.

As a result, we are still observing an ever-wider gap between capital market expectations on the one hand, and what remains fairly stable development on the residential real estate market on the other. While the capital market appears to be pricing in a massive correction, the residential property markets in which we operate remain extremely robust. The less pronounced real estate value adjustments compared with capital market expectations are countered by an increasing trend towards higher rents and much shorter supply.

As a result, we remain confident that the fundamental conditions in our markets will ensure positive development in the long run. These include, in particular, the favorable relationship, from an owner's point of view, between supply and demand in urban regions as well as the structural momentum on the revenue side.

The company's market capitalization amounted to around € 14.6 billion as of June 30, 2023.

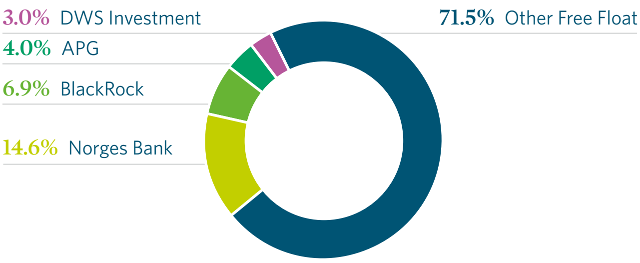
Share Price Development



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.

Major Shareholders (as of June 30, 2023)



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 85.4% of Vonovia's shares were in free float on June 30, 2023. The underlying **voting rights notifications** and corresponding financial instruments reported by shareholders or other instruments pursuant to Sections 38 and 39 WpHG can be found online.

In line with Vonovia's long-term strategic focus, we believe that 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.

Investor Relations Activities

Vonovia SE is committed to transparent, ongoing dialogue with its shareholders and potential investors. We continued with our road shows and meetings in the first half of 2023, both as virtual and face-to-face events. We took part in a total of 11 investor conferences and organized 14 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. The following topics in particular dominated the meetings held in the first half of 2023: interest rates, inflation, rent increases, energy prices, the capital structure and sustainability.

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.

Annual General Meeting

The Annual General Meeting of Vonovia SE was held as a virtual event on May 17, 2023. The shareholders approved all of the resolution proposals put forward by the Supervisory Board and the Management Board as required. They also formally approved the actions of the Supervisory Board and the Management Board for the 2022 fiscal year with a large majority in each case.

The Annual General Meeting approved the dividend proposal of € 0.85 made by the Supervisory Board and the Management Board, which corresponds to a dividend yield of 3.9% based on the closing price for 2022 of € 22.02. Shareholders were free to choose between a cash dividend and a scrip dividend. 44.87% opted for a dividend in the form of shares.

A total of 68.08% of the company's share capital was represented.

Analyst Assessments

As of June 30, 2023, 24 international analysts were publishing research studies on Vonovia. The average target share price was € 30.37. Of these analysts, 67% issued a "buy" recommendation, with 21% issuing a "hold" recommendation and 13% a "sell" recommendation.

Share Information (as of June 30, 2023)

First day of trading	July 11, 2013
Subscription price	€ 16.50 | € 14.71*
Total number of shares	814,644,998
Share capital	€ 814,644,998
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, FTSE EPRA/NAREIT Developed Europe and GPR 250 World

* TERP-adjusted.

Business Development in the First Half of 2023

Key Events During the Reporting Period

All in all, our operating business developed in line with our expectations in the first half of the year. The sustained high demand for homes supports the operational basis of our business, particularly in our core Rental segment.

The high customer satisfaction values confirm our efforts in property management and, together with the low vacancy rate, provide a solid foundation for our business. At the same time, this means positive cash flows and, as a result, a stable basis for the income from our portfolio.

The changes in overall financial market conditions are prompting market players to revise their return criteria due to the higher interest rates, impacting investment decisions both at Vonovia itself and at potential transaction partners. This means that the higher interest rates also have a potential impact on the assessment of business models and the valuation of assets, i.e., holdings measured at fair value and goodwill.

In the second quarter of 2023, a value adjustment of around € 2.8 billion was recognized for investment properties, which corresponds to a total value adjustment of around € 6.4 billion for the first half of 2023. The value of investment properties came to around € 85.7 billion as of June 30, 2023. Goodwill and the trademark rights for the Development cash-generating unit were written off in full in the amount of € 204.8 million.

In the publication dated April 26, 2023, Vonovia reached an agreement with with an investment vehicle, advised and managed by Apollo Capital Management L.P., for a direct minority stake of 34.5%, or an indirect participation of 27.6%, in a selected portfolio comprising around 21,000 residential units in the German federal state of Baden-Württemberg. The transaction values the portfolio at around € 3.3 billion (excluding liabilities and cash funds) and the net consideration amounts to around € 1.0 billion. The transaction was closed in the second quarter of 2023. The investment vehicle, AP Sunrise S.à r.l., is financed by insurance companies and other long-term investors. Vonovia will use the proceeds for liability management, with a positive impact on its LTV, the ratio of net debt to EBITDA and the ICR.

The transaction values the Südewo portfolio at € 3.3 billion on a debt free and cash free basis, implying a discount below 5% to its fair value as of December 31, 2022, and below 6% to the fair value as of June 30, 2022. Vonovia retains a long-term call-option to repurchase the participation at an IRR of 6.95%-8.30% (including dividends received) without an obligation to exercise the option. Vonovia will continue to control, operate, and consolidate the portfolio, which comprises more than 21,000 residential units in locations across the state of Baden-Württemberg.

On May 4, 2023, Vonovia and Deutsche Wohnen reached an agreement with funds managed by CBRE Investment Management on the sale of five properties in Berlin, Munich and Frankfurt with a total of 1,350 apartments and a purchase price of around € 560 million. The properties are three newly constructed properties belonging to the company's stock and two new construction projects that are in the final phase of construction.

In the first quarter of 2023, Vonovia had also sold its 10% stake in the French company Vesta SAS for a net amount of € 95.7 million, marking its withdrawal from the French market.

The Annual General Meeting held on May 17, 2023 resolved to pay a dividend for the 2022 fiscal year in the amount of € 0.85 per share. As in previous years, shareholders were offered the option of choosing between being paid the dividend in cash or being granted new shares. During the subscription period, shareholders holding a total of 44.87 % of the shares carrying dividend rights opted for the scrip dividend instead of the cash dividend. As a result, 18,795,001 new shares were issued using the company's authorized capital for a total of € 303,539,266.15. The total amount of the dividend distributed in cash therefore came to € 372,933,231.30.

The Annual General Meeting also voted on the election of eight Supervisory Board members. Dr. Daniela Gerd tom Markotten was elected as a new Supervisory Board member. As planned, the size of the Supervisory Board was reduced from twelve to ten members. The Supervisory Board elected Clara C. Streit as its Chair at its inaugural meeting.

On March 7, 2023, the Bochum public prosecutor's office notified Vonovia, as reported, that, due to search measures that had to be conducted in the context of an investigation, former and current technical employees were being investigated due to suspected corruption. The persons under suspicion may also have caused damage for Vonovia by overriding and circumventing controls and compliance policies.

Vonovia is still cooperating fully with the work of the investigating authorities. The auditing firm Deloitte and the law firm Hengeler Mueller have been commissioned to perform a forensic assessment of all the facts of the case. It is not currently possible to arrive at any conclusive assessment regarding the amount of any damage. Looking at 2022, it is estimated to come to a maximum of 1% of the order volume awarded by Vonovia.

Development of the Economic Environment

According to the European Commission, the EU economy showed better development than expected in the winter just past – just after a winter recession in the EU appeared inevitable last year. The EU made a good job of weathering the energy crisis and the risk of shortages next winter is now considerably lower. The EU economy's resilience has, however, also delayed the slowdown in inflation. The Federal Statistical Office (Destatis) reports, by contrast, that the German economy started 2023 with a slight drop in gross domestic product (GDP, Q1 2023 -0.3% compared to the previous quarter), marking two negative quarters in a row. Sustained hefty price increases had a negative impact at the start of the year. According to Statistics Sweden (SCB), GDP there rose by 0.6% during the same period. The upswing can be traced back primarily to an increase in inventories and strong growth in goods exports. Austrian GDP also grew in the first three months of 2023, albeit only slightly, by 0.1% as against the previous quarter. However, the Austrian statistical office, Statistik Austria, is reporting that the growth momentum has flattened out in almost all sectors of the economy. For 2023, GDP growth of -0.3% is forecast for Germany (IfW Kiel), -0.2% for Sweden (National Institute of Economic Research) and 0.3% for Austria (Institute of Economic Research, WIFO).

While the labor market in Germany was initially quite stable despite weak economic development overall, the economic slump is also leaving its mark here. The German Federal Employment Agency (Bundesagentur für Arbeit) reports, for example, that unemployment rose in June 2023, while underemployment fell. The unemployment rate based on the total civilian labor force rose by 0.3 percentage points year-on-year in June 2023 to 5.5% (not adjusted for seasonal work). The migration of Ukrainian refugees had an impact of around 0.4 percentage points. According to Statistics Sweden (SCB), the unemployment rate in Sweden fell by 0.6 percentage points as against May 2022 to 7.9% in May 2023 (not adjusted for seasonal work). According to national calculations by the Austrian Public Employment Service (AMS), the unemployment rate in Austria in June 2023 was 5.7% and thus 0.2 percentage points higher than in the previous year. Based on respective national definitions, the average unemployment rate expected in 2023 is 5.6% for Germany (IfW Kiel), 7.5% in Sweden (National Institute of Economic Research) and 6.4% in Austria (WIFO).

Measured based on the consumer price index (CPI), inflation in Germany came in at 6.1% year-on-year in May 2023 and 6.4% in June, according to Destatis. This signals a drop in inflation rates compared with the beginning of the year. DB Research ascribes the slight increase from May to June primarily to base effects linked to the introduction of the fuel discount and the nine-euro public transport ticket in

June 2022. In Sweden and Austria, year-on-year inflation rates based on the respective national CPI came to 9.3% (SCB) and an estimated 8.0% (Statistics Austria) in June 2023, and were also down on the rates witnessed at the beginning of the year. Inflation rates remain high in all three countries. Recent factors driving inflation include higher food prices in Germany, the development of mortgage interest rates for households in Sweden and the prices of household energy in Austria. The average inflation rates in 2023 are expected to be somewhat lower. Based on respective national definitions, the expected consumer price index increase is 5.8% in Germany (IfW Kiel), 6.1% in Sweden (National Institute of Economic Research) and 7.5% in Austria (WIFO).

In a quest to make a timely return to its 2% medium-term inflation target, the European Central Bank (ECB) raised key rates further in several steps in the first half of 2023, bringing it to 4.00% at the end of June 2023. High inflation also prompted the Swedish Riksbank to take further steps to lift its policy rate from the beginning of the year, most recently raising it to 3.75% on 5 July 2023. Further increases in the key rates/policy rates are possible in 2023. In this overall environment, interest rates for construction in Germany, Sweden and Austria were higher overall in the first half of 2023 than they were in the same period of the previous year.

The interest rate environment is having an adverse impact on the real estate markets. The residential property markets had already cooled down in the course of 2022 and the residential investment market is dominated by price adjustment processes and low transaction figures. Meanwhile, Savills describes the fundamental conditions in Germany as being more attractive than usual from the landlord's perspective. According to DB Research, the rental housing market has received further demand impetus from the larger population and from the redirection of potential buyers into the rental market. Quoted rents continued to increase across Germany; empirica reports that they were 5.5% higher on average over all years of construction in the second quarter of 2023 (new construction 5.2%) than in the same quarter of the previous year. Rents are likely to increase further in 2023, with considerable increases expected for both quoted and existing rents. According to "Hem & Hyra," the member magazine published by the Swedish tenants' association ("Hyresgästföreningen"), around 60% of all rents for 2023 had been negotiated as of March. The average rent increase until that point was 4.12%. Measured against the index for actual rental payments for primary residences as part of the consumer price index, rents in Austria also rose further from the beginning of the year and were approx. 7.5% higher in May 2023 than in the comparable previous-year month.

Although residential property prices were still climbing at the start of 2022, price growth slowed down noticeably in Germany, Sweden and Austria as the year progressed. The trend towards declining prices in Germany continued at the beginning of 2023. The empirica price index for condominiums (all years of construction) was 5.5% lower in the second quarter of 2023 compared to the same period of the previous year (new construction -0.2%). Given the fundamental shortage on the supply side in particular, DB Research only expects a temporary dip in prices in Germany. According to Svensk Mäklarstatistik, prices for tenant-owned apartments (Bostadsrätter) in Sweden fell by 5.4% in June 2023 compared with the same month of last year. Prices started to make a slight recovery since the start of 2023. According to SEB, however, the ongoing rise in interest rates suggests that residential property prices in Sweden could fall even further. The values of the current residential real estate price index of the Austrian central bank (OeNB) on the basis of new and used condominiums and single-family residences show an increase in Austria in the first quarter of 2023 of 1.1% compared to the previous year. In a short-term analysis measured in terms of quarter-on-quarter increases, residential property prices fell at the end of 2022 for what was the first time in several years, namely by 2.0% initially. According to the Austrian central bank (OeNB), prices in the first quarter of 2023 stagnated at more or less the level seen in the previous quarter (-0.4%). While it is impossible to rule out further slight price drops, the OeNB considers the risk of sudden marked price corrections to be fairly low at the moment.

The size of the population in Germany, Sweden and Austria rose again in 2022 and is expected to increase further. There is still a shortage of apartments in many large cities and urban areas. Construction activity, however, is expected to drop considerably. According to Destatis, 295,300 apartments were completed in Germany in 2022. According to calculations performed by the Institute for Economic Research (ifo), the number of completions could gradually fall to only 200,000 residential units in 2025 due primarily to the considerable increase in the cost of financing and construction services. The German federal government set itself the goal of building 400,000 new apartments per year in Germany. With the demand for housing still on the rise, Savills reports that a large number of cities and regions are facing a huge housing shortage. Boverket estimates that approximately 63,000 apartments have to be built per year in Sweden by 2030. In 2022, only around 56,700 apartments were completed. According to Boverket's calculations, completions will peak at around 58,000 apartments in 2023 before falling to around 40,000 in 2024 and around 30,000 in 2025. This means that the additional annual need will not be met. According to the OeNB, Austria is witnessing the end of a pronounced residential construction cycle. According to Bank Austria, residential construction activity there has largely addressed the marked increase in the demand for homes in recent years. However, gaps are likely to be found primarily in the sector comprising low-cost rental apartments in bigger cities. Based on an OeNB estimate, the number of apartments completed is expected to drop from 59,000 in 2022 to 57,000 in 2023 and 43,000 in 2024.

The construction industries and project development markets are being hit by higher interest rates and less favorable financing conditions as well as by higher construction costs. In addition, Germany and Austria are suffering from a shortage of skilled labor. In Germany, the government has reduced new construction subsidies to a minimum, and it imposed more stringent new construction standards at the start of 2023. Investment subsidies for rental apartments in Sweden were discontinued as of the end of 2022. In the current circumstances, new construction developments are barely viable in commercial terms.

The German residential investment market showed a sharp decline in the first half of 2023 compared to the first half of 2022. Savills put the transaction volume at € 3.7 billion, 53% lower than in the previous year. According to BNP Paribas, the subdued transaction activity can be traced back to macroeconomic uncertainty and costlier debt financing in the context of higher interest rates. Meanwhile, the phase of price adjustment continued. The interest rate turnaround means that buyers and sellers have different price expectations. According to Savills, prime yields have risen by 120 basis points to 3.4% since March 2022, triggering a short-term drop in capital values. The fact that the housing shortage is set to worsen is likely to push rents up further, which should mean a return to higher capital values in the long term, according to Savills. BNP Paribas expects to see higher momentum on the residential investment market at the end of 2023 due to expectations of an initial interest rate pause in the fall. According to Savills, properties worth SEK 35 billion were traded on the Swedish transaction market in the period between January and May 2023, around 65% less than in the first five months of the previous year. Residential properties accounted for 19% of the total volume. According to EHL, the Austrian real estate investment market saw a transaction volume of approximately € 1.2 billion in the first half of 2023, roughly 45% less than in the previous year. The share of the residential segment stood at 14.8% and was therefore down on the previous year (first half of 2022: 19.2%).

Housing policy developments in Germany in the first half of 2023 included changes to the Federal Funding for Efficient Buildings (BEG). A reform of the BEG came into effect at the start of 2023; as such, new conditions apply in respect of refurbishments to achieve energy-efficiency building standards as well as for individual measures. Since March 1, 2023, funding guidelines have been available for climate-friendly new construction, with loans available on more favorable terms for environmentally friendly buildings that meet the KfW Efficiency House 40 standard. In the German Buildings Energy Act (GEG), the permissible primary energy level for new builds was tightened at the start of 2023. While details of a further amendment to the Buildings Energy Act were being discussed at the end of June 2023, it was not possible to adopt the law in the German Bundestag (lower house of parliament) as planned at the beginning of July. The “Heating Act” largely stipulates that in the future, the country will only permit the installation of new heating systems that can run on at least 65% renewable energies. The Act is likely to come into force in 2024 at the earliest. A law on the division of CO_2 costs between landlord and tenant came into force on January 1, 2023. The straight-line rate for the amortization of residential buildings was increased from 2% to 3% as of January 1, 2023. This applies to residential buildings completed as of January 2023. A subsidy program called Home Ownership for Families (Wohneigentum für Familien) was also launched at the start of June 2023. An expert commission convened by the Berlin State Government on the “Socialization of major residential real estate companies” referendum submitted its final report at the end of June 2023, in which it stated that, in their opinion, the socialization of major residential real estate companies was possible from a legal perspective. The Berlin State Government will now start examining a framework socialization act. Mid-March 2023 saw the adoption of a draft revised version of the EU Building Directive. The Directive states, for example, that new builds are to produce zero emissions from 2028 onwards. In Austria, indicative rents were increased as of April 1, 2023, with category-based rents being increased effective July 1, 2023. Since July 1, 2023, the party hiring an agent has also been responsible for paying for their services in connection with the letting of apartments.

Results of Operations

Overview

All in all, Vonovia's performance was in line with expectations in the first half of 2023.

We saw ongoing high demand for rental apartments and positive economic development in the core Rental segment in the first six months of the year.

The expected impact of the war in Ukraine and its implications, particularly with regard to energy and construction costs, as well as higher interest rates, were also reflected in the interim financial statements for the other segments.

Any analysis of the figures for the first half of 2023 has to consider the fact that the prior-year figures are reported based on the current segmentation, and that the indicators that are relevant from a corporate management perspective, namely Adjusted EBITDA Total and Group FFO, are reported in line with the current definition.

Vonovia had 15,764 employees as of June 30, 2023 (June 30, 2022: 15,845).

The following key figures provide an overview of Vonovia's results of operations and the relevant drivers in the first half of 2023.

in € million	H1 2022	H1 2023	Change in %	12M 2022
Total Segment Revenue	3,102.0	2,925.7	-5.7	6,256.9
Revenue in the Rental segment	1,570.5	1,606.4	2.3	3,163.4
Revenue in the Value-add segment	637.4	619.8	-2.8	1,272.0
Revenue in the Recurring Sales segment	295.2	141.4	-52.1	543.4
Revenue in the Development segment	462.0	414.2	-10.3	998.0
Revenue in the Care segment	136.9	143.9	5.1	280.1
Adjusted EBITDA Total	1,405.8	1,338.3	-4.8	2,763.1
Adjusted EBITDA Rental	1,111.7	1,198.2	7.8	2,233.5
Adjusted EBITDA Value-add	83.9	44.1	-47.4	126.7
Adjusted EBITDA Recurring Sales	82.3	37.0	-55.0	135.1
Adjusted EBITDA Development	84.9	23.8	-72.0	183.2
Adjusted EBITDA Care	43.0	35.2	-18.1	84.6
Group FFO	1,066.6	964.8	-9.5	2,035.6
Monthly in-place rent in €/m²	7.44	7.58	1.9	7.49
Average area of own apartments in the reporting period (in thou. m²)	34,616	34,380	-0.7	34,525
Average number of own units (number of units)	551,390	548,358	-0.5	550,342
Vacancy rate Vonovia (in %)	2.2	2.2	–	2.0
Maintenance expenses and capitalized maintenance Rental segment (€/m²)	10.89	9.11	-16.3	24.80
thereof expenses for maintenance (€/m²)	6.21	6.02	-3.1	12.85
thereof capitalized maintenance (€/m²)	4.68	3.09	-34.0	11.95
Number of units bought	893	63	-92.9	969
Number of units sold	17,748	1,282	-92.8	19,760
thereof Recurring Sales	1,349	628	-53.4	2,710
thereof Non Core/other	16,399	654	-96.0	17,050
Number of new apartments completed	1,103	1,193	8.2	3,749
thereof own apartments	511	962	88.3	2,071
thereof apartments for sale	592	231	-61.0	1,678
Number of employees (as of June 30/Dec. 31)	15,845	15,764	-0.5	15,915

Total segment revenue came to € 2,925.7 million in the first six months of 2023, down by 5.7% on the figure of € 3,102.0 million reported in the prior-year period. This decline was due primarily to lower proceeds from the sale of real estate inventories and lower sales in the Recurring Sales segment due to volume-related aspects.

Total Segment Revenue

in € million	H1 2022*	H1 2023	Change in %	12M 2022
Rental income	1,573.0	1,609.3	2.3	3,168.1
Other income from property management unless included in the operating expenses in the Rental segment	56.9	65.9	15.8	118.3
Other income from property management from the Care segment	136.9	143.8	5.0	280.1
Income from disposals Recurring Sales	277.9	137.2	-50.6	515.7
Internal revenue Value-add	579.8	553.4	-4.6	1,152.4
Income from disposal of properties	380.5	222.5	-41.5	588.4
Fair value Development to hold	97.0	193.6	99.6	433.9
Total Segment Revenue	**3,102.0**	**2,925.7**	**-5.7**	**6,256.9**

* Prior-year figures for Deutsche Wohnen adjusted to new segment definition.

The overview below shows the other key figures for the company's results of operations, as well as their reconciliation to the performance indicator Group FFO:

Group FFO

in € million	H1 2022*	H1 2023	Change in %	12M 2022
Revenue in the Rental segment	1,570.5	1,606.4	2.3	3,163.4
Expenses for maintenance	-215.1	-207.0	-3.8	-443.6
Operating expenses in the Rental segment	-243.7	-201.2	-17.4	-486.3
Adjusted EBITDA Rental	**1,111.7**	**1,198.2**	**7.8**	**2,233.5**
Revenue in the Value-add segment	637.4	619.8	-2.8	1,272.0
thereof external revenue	57.6	66.4	15.3	119.6
thereof internal revenue	579.8	553.4	-4.6	1,152.4
Operating expenses in the Value-add segment	-553.5	-575.7	4.0	-1,145.3
Adjusted EBITDA Value-add	**83.9**	**44.1**	**-47.4**	**126.7**
Revenue in the Recurring Sales segment	295.2	141.4	-52.1	543.4
Fair value of properties sold adjusted to reflect effects not relating to the period from assets held for sale in the Recurring Sales segment	-203.7	-97.1	-52.3	-391.6
Adjusted result Recurring Sales	**91.5**	**44.3**	**-51.6**	**151.8**
Selling costs in the Recurring Sales segment	-9.2	-7.3	-20.7	-16.7
Adjusted EBITDA Recurring Sales	**82.3**	**37.0**	**-55.0**	**135.1**
Revenue from disposal of Development to sell properties	363.2	218.3	-39.9	560.6
Cost of Development to sell	-292.0	-195.7	-33.0	-440.4
Gross profit Development to sell	**71.2**	**22.6**	**-68.3**	**120.2**
Fair value Development to hold	97.0	193.6	99.6	433.9
Cost of Development to hold**	-68.2	-179.4	>100	-340.6
Gross profit Development to hold	**28.8**	**14.2**	**-50.7**	**93.3**
Rental revenue in the Development segment	1.8	2.3	27.8	3.5
Operating expenses in the Development segment	-16.9	-15.3	-9.5	-33.8
Adjusted EBITDA Development	**84.9**	**23.8**	**-72.0**	**183.2**
Revenue in the Care segment	136.9	143.9	5.1	280.1
Expenses for maintenance	-2.9	-2.6	-10.3	-7.0
Operating expenses in the Care segment	-91.0	-106.1	16.6	-188.5
Adjusted EBITDA Care	**43.0**	**35.2**	**-18.1**	**84.6**
Adjusted EBITDA Total	**1,405.8**	**1,338.3**	**-4.8**	**2,763.1**
FFO interest expense	-236.4	-297.6	25.9	-493.8
Current income taxes FFO	-60.1	-66.8	11.1	-145.0
Consolidation***	-42.7	-9.1	-78.7	-88.7
Group FFO	**1,066.6**	**964.8**	**-9.5**	**2,035.6**
Group FFO after non-controlling interests	**1,025.6**	**919.6**	**-10.3**	**1,944.3**

* Prior-year figures adjusted to new adjusted EBITDA definition (excluding results from at-equity investments), adjustments to Adjusted EBITDA Rental: € 4.3 million, adjustments to Adjusted EBITDA Value add: € 0.5 million. In the course of the fourth quarter of 2022, the Deutsche Wohnen segment was dissolved and transferred to the Rental, Value-add, Recurring Sales, Development and Care segments. Previous year's values for H1 2022 updated accordingly.
** Excluding capitalized interest on borrowed capital in H1 2023 of € 0.5 million (H1 2022: € 0.0 million), 12M 2022: € 2.5 million.
*** Thereof intragroup losses in H1 2023: € +5.1 million (H1 2022: € -13.7 million), 12 M 2022 intragroup losses: € +4.8 million, gross profit development to hold in H1 2023: € -14.2 million (H1 2022: € -28.9 million), 12M 2022: € -93.3 million.

As of June 30, 2023, Vonovia managed a portfolio comprising 548,080 of its own residential units (June 30, 2022: 549,484), 165,085 garages and parking spaces (June 30, 2022: 163,558) and 8,779 commercial units (June 30, 2022: 8,873). 70,436 residential units (June 30, 2022: 72,362) are also managed for other owners.

Details on results of operations by segment

Rental segment

At the end of June 2023, the portfolio in the Rental segment had a vacancy rate of 2.2% (end of June 2022: 2.4%), meaning that it was once again virtually fully occupied.

The **segment revenue in the Rental segment** increased by a total of 2.3% year-on-year in the first six months of 2023, mainly due to organic growth resulting from new construction and modernization, also taking into account the Berlin portfolio that was sold at the beginning of 2022, (H1 2022: 1.6%) to total € 1,606.4 million (H1 2022: € 1,570.5 million). Of the segment revenue in the Rental segment in the 2023 reporting period, € 1,376.5 million is attributable to rental income in Germany (H1 2022: € 1,338.0 million), € 171.4 million to rental income in Sweden (H1 2022: € 178.5 million) and € 58.5 million to rental income in Austria (H1 2022: € 54.0 million).

Organic rent growth (twelve-month rolling) totaled 3.5% (H1 2022: 3.4%). The current rent increase due to market-related factors came to 1.5% (H1 2022: 1.0%) and the increase from property value improvements translated into a further 1.2% (H1 2022: 1.7%). All in all, this produces a **like-for-like rent increase** of 2.7% (H1 2021: 2.7%). New construction measures and measures to add extra stories also contributed 0.8% (H1 2021: 0.7%) to organic rent growth.

The average monthly in-place rent within the Rental segment at the end of June 2023 came to € 7.58 per m² compared to € 7.44 per m² at the end of June 2022 (including Deutsche Wohnen). The monthly in-place rent in the German portfolio at the end of June 2023 came to € 7.51 per m² (June 30, 2022: € 7.32 per m² including Deutsche Wohnen), with a figure of € 9.50 per m² (June 30, 2022: € 10.00 per m²) for the Swedish portfolio and € 5.37 per m² for the Austrian portfolio (June 30, 2022: € 5.01 per m²). 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 real estate portfolio additionally includes maintenance and improvement contributions (EVB).

We have continued with our refurbishment, new construction and maintenance strategy, which has been adjusted to reflect the current overall conditions, in the 2023 fiscal year. The overview below provides details on maintenance, modernization and new construction.

Maintenance, Modernization and New Construction*

in € million	H1 2022	H1 2023	Change in %	12M 2022
Expenses for maintenance	215.1	207.0	-3.8	443.6
Capitalized maintenance	162.1	106.1	-34.5	412.6
Maintenance measures	**377.2**	**313.1**	**-17.0**	**856.2**
Modernization measures	402.0	243.3	-39.5	837.4
New construction (to hold)	340.7	114.0	-66.5	572.5
Modernization and new construction measures	**742.7**	**357.3**	**-51.9**	**1,409.9**
Total cost of maintenance, modernization and new construction	**1,119.9**	**670.4**	**-40.1**	**2,266.1**

* Without Care segment, H1 2022 adjusted to the new structure.

Operating expenses in the Rental segment in the first half of 2023 were down by 17.4 % on the figures for the first half of 2022, from € 243.7 million to € 201.2 million. All in all, the **Adjusted EBITDA Rental** came to € 1,198.2 million in the first six months of 2023, up by 7.8% on the prior-year value of € 1,111.7 million.

Value-add segment

Developments in the **Value-add segment** remained dominated by the new overall conditions for our own craftsmen's organization. General price increases for construction services and materials, as well as productivity losses due to the shortage of skilled labor, had a negative impact on economic development. In addition, short-term changes in the technology for heating modernization measures resulted in lower service provision.

All in all, revenue from the Value-add segment came to € 619.8 million in the 2023 reporting period, down by 2.8% on the value of € 637.4 million seen in the first six months of 2022 . External revenue from our Value-add activities with our end customers in the first six months of 2023 were up by 15.3% on the first six months of 2022, from € 57.6 million to € 66.4 million. Group revenue fell by 4.6% in the first six months of 2023 from € 579.8 million in the first six months of 2022 to € 553.4 million.

Operating expenses in the Value-add segment in the first six months of 2023 were up by 4.0% on the figures for the first six months of 2022, from € 553.5 million to € 575.7 million. This was due in particular to higher construction and energy costs.

Adjusted EBITDA Value-add came to € 44.1 million in the first six months of 2023, considerably lower than the figure of € 83.9 million reported for the first six months of 2022.

Recurring Sales segment

In the Recurring Sales segment, income from the disposal of properties in the first six months of 2023 was down to € 141.4 million, 52.1% lower than the 2022 value of € 295.2 million due to volume-related factors, with 628 units sold (H1 2022: 1,349), 412 of which were in Germany (H1 2022: 1,046) and 216 of which were located in Austria (H1 2022: 303). Income of € 82.7 million is attributable to sales in Germany (H1 2022: € 216.7 million), with € 58.7 million to sales in Austria (H1 2022: € 78.4 million; and € 0.2 million to sales in Sweden in H1 2022).

In the first half of 2023, the fair value step-up in the portfolio came to 45.6%, up on the value of 44.9% seen in the first half of 2022. This was due primarily to much higher step-ups for sales in Austria.

Selling costs in the Recurring Sales segment came in at € 7.3 million in the first half of 2023, down by 20.7% on the value of € 9.2 million seen in the first half of 2022. Adjusted EBITDA Recurring Sales came in at € 37.0 million in the first half of 2023, down considerably on the value of € 82.3 million seen in the first half of 2022.

In the first half of 2023, 654 residential units from the Non Core/Other portfolio (H1 2022: 16,399) were also sold as part of our portfolio adjustment measures, with proceeds totaling € 101.0 million (H1 2022: € 2,627.2 million). At 9.2%, the fair value step-up for Non Core/Other disposals in the 2023 reporting period was higher than for the same period in the previous year (1.2%).

Development segment

In the Development to sell area, a total of 231 units were completed in the first half of 2023 (H1 2022: 592 units), 104 in Germany (H1 2022: 16 units) and 127 in Austria (H1 2022: 576 units). Income from the disposal of development properties to sell came to € 218.3 million in the first half of the 2023 fiscal year (H1 2022: € 363.2 million), with € 189.6 million attributable to project development in Germany (H1 2022: € 173.8 million) and € 28.7 million attributable to project development in Austria (H1 2022: € 189.4 million). In Austria, the decline was chiefly due to a lower notarization volume compared to the previous year. The resulting gross profit for Development to sell came to € 22.6 million in the first half of 2023 with a margin of 10.4% (H1 2022: € 71.2 million, margin of 19.6%).

In the Development to hold area, a total of 962 units were completed in the first half of 2023 (H1 2022: 511 units), 502 in Germany (H1 2022: 448), 296 in Austria (H1 2022: 0 units) and 164 in Sweden (H1 2022: 63 units). In the Development to hold area, a fair value of € 193.6 million was achieved in the 2023 reporting period (H1 2022: € 97.0 million). € 82.6 million of this amount was attributable to project development in Germany (H1 2022: € 97.0 million), with € 84.2 million attributable to project development in Austria (H1 2022: € 0.0 million) and € 26.8 million attributable to project development in Sweden. The gross profit for Development to hold came to € 14.2 million in the first six months of 2023 with a margin of 7.3 % (H1 2022: € 28.8 million, margin of 29.7%).

Development operating expenses amounted to € 15.3 million in the first half of 2023, 9.5% lower than the € 16.9 million reported in the first half of 2022. The Adjusted EBITDA for the Development segment amounted to € 23.8 million in the 2023 reporting period (H1 2022: € 84.9 million).

Care Segment

The Care segment developed as expected in the first six months of 2023. At the end of the first half of 2023, there were still 72 care properties in the Rental portfolio, 71 of which were still owned by Vonovia.

Segment revenue came to € 143.9 million in the first half of 2023, 5.1% higher than the value of € 136.9 million for the first half of 2022.

Expenses for maintenance came to € 2.6 million in the 2023 reporting period (H1 2022: € 2.9 million).

Operating expenses in the Care segment amounted to € 106.1 million in the first six months of 2023, as against € 91.0 million in the first six months of 2022. This is due primarily to higher personnel and energy costs as well as delayed adjustments to nursing fund payments.

The **Adjusted EBITDA Care** came in at € 35.2 million in the 2023 reporting period, down by 18.1% on the prior-year value of € 43.0 million.

Group FFO

Group FFO came to € 964.8 million in the first six months of 2023 (H1 2022: € 1,066.6 million). The **Adjusted EBITDA Total** fell slightly from € 1,405.8 million in the first half of 2022 to € 1,338.3 million in the first half of 2023.

In the 2023 reporting period, the non-recurring items eliminated in the Adjusted EBITDA Total came to € 119.2 million (H1 2022: € 7.5 million). The change is mainly attributable to positive non-recurring items in the previous year, as well as higher expenses for pre-retirement part-time work arrangements and one-off effects linked to the Südewo transaction in the 2023 reporting period.

The following table gives a detailed list of the non-recurring items:

Non-recurring Items

in € million	H1 2022	H1 2023	Change in %	12M 2022
Transactions*	-3.9	82.9	–	113.2
Personnel matters	2.1	26.6	>100	-3.1
Business model optimization	7.0	6.2	-11.4	12.2
Research & development	1.5	3.4	>100	4.2
Refinancing and equity measures	0.8	0.1	-87.5	1.0
Total non-recurring items	**7.5**	**119.2**	**>100**	**127.5**

* 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 € -137.8 million in the first half of 2022 to € -317.6 million in the first half of 2023. FFO interest expense is derived from the financial result as follows:

Reconciliation of Financial Result/FFO Interest Expense

in € million	H1 2022	H1 2023	Change in %	12M 2022
Interest income	35.8	49.9	39.4	115.5
Interest expense	-152.5	-383.2	>100	-367.6
Other financial result excluding income from investments	-21.1	15.7	–	-10.9
Financial result*	**-137.8**	**-317.6**	**>100**	**-263.0**
Adjustments:				
Other financial result excluding income from investments	21.1	-15.7	–	10.9
Effects from the valuation of interest rate and currency derivatives	-94.3	21.2	–	-152.5
Prepayment penalties and commitment interest	7.8	4.5	-42.3	12.6
Effects from the valuation of non-derivative financial instruments	-32.2	-4.7	-85.4	-77.4
Interest accretion to provisions	5.8	9.2	58.6	6.8
Accrued interest/other effects	-61.7	-57.3	-7.1	-40.0
Net cash interest	**-291.3**	**-360.4**	**23.7**	**-502.6**
Adjustment for IFRS 16 Leases	5.5	6.8	23.6	12.2
Adjustment of income from investments in other real estate companies	5.0	5.2	4.0	7.9
Adjustment of interest paid due to taxes	-0.5	-1.0	100.0	-0.6
Adjustment of accrued interest	44.9	51.8	15.4	-10.7
Interest expense FFO	**-236.4**	**-297.6**	**25.9**	**-493.8**

* Excluding income from other investments.

In the first six months of 2023, the **profit for the period** came to € -4,130.4 million (H1 2022: € 1,870.4 million). This is chiefly due to the negative result from the valuation of investment properties totaling € -6,382.9 million (H1 2022: € 3,115.9 million).

The reconciliation of profit for the period to Group FFO is shown below:

Reconciliation of Profit for the Period/Group FFO

in € million	H1 2022*	H1 2023	Change in %	12M 2022
Profit for the period	**1,870.4**	**-4,130.4**	**–**	**-669.4**
Financial result**	137.8	317.6	>100	263.0
Income taxes	1,016.8	-1,738.3	–	-63.3
Depreciation and amortization (incl. depreciation on financial assets)	1,104.9	371.4	-66.4	1,303.1
Net income from investments accounted for using the equity method	334.6	12.3	-96.3	436.6
Net income from fair value adjustments of investment properties	-3,115.9	6,382.9	–	1,269.8
Non-recurring items	7.5	119.2	>100	127.5
Total period adjustments from assets held for sale	37.9	-2.4	–	52.3
Income from investments in other real estate companies	-5.0	-5.2	4.0	-7.9
Other	-25.7	2.1	–	-37.2
Intragroup profits/losses	13.7	-5.1	–	-4.7
Gross profit Development to hold	28.8	14.2	-50.7	93.3
Adjusted EBITDA Total	**1,405.8**	**1,338.3**	**-4.8**	**2,763.1**
Interest expense FFO***	-236.4	-297.6	25.9	-493.8
Current income taxes FFO	-60.1	-66.8	11.1	-145.0
Consolidation	-42.7	-9.1	-78.7	-88.7
Group FFO******	**1,066.6**	**964.8**	**-9.5**	**2,035.6**
Group FFO after non-controlling interests	**1,025.6**	**919.6**	**-10.3**	**1,944.3**
Group FFO per share in €****	1.34	1.18	-11.9	2.56

* Prior-year figures adjusted to new adjusted EBITDA definition (excluding results from at-equity investments), adjustments of Adjusted EBITDA Total/Group FFO: € -3.8 million. In the course of the fourth quarter of 2022, the Deutsche Wohnen segment was dissolved and transferred to the Rental, Value-add, Recurring Sales, Development and Care segments. Previous year's values for H1 2022 updated accordingly.

** Excluding income from other investments.

*** Incl. financial income from investments in other real estate companies.

****Based on the new 2022 definition without elimitation of IFRS 16 effect, Group FFO per share based on the shares carrying dividend rights on the reporting date.

Assets

Consolidated Balance Sheet Structure

	Dec. 31, 2022		June 30, 2023	
	in € million	in %	in € million	in %
Non-current assets	96,037.9	94.7	89,451.0	93.8
Current assets	5,351.7	5.3	5,920.2	6.2
Total assets	**101,389.6**	**100.0**	**95,371.2**	**100.0**
Equity	34,438.8	34.0	30,953.2	32.5
Non-current liabilities	61,474.9	60.6	58,721.4	61.6
Current liabilities	5,475.9	5.4	5,696.6	6.0
Total equity and liabilities	**101,389.6**	**100.0**	**95,371.2**	**100.0**

The Group's **total assets** dropped by € 6,018.4 million as against December 31, 2022, falling from € 101,389.6 million to € 95,371.2 million.

The main development in non-current assets is the decline in investment properties of € 6,682.2 million on account of the write-down performed. The disposal of the non-current equity investments in the French residential portfolio is reflected in non-current financial assets. Goodwill and the trademark rights for the Development segment were written off in full in the combined amount of € 204.8 million.

The transaction with Apollo Capital Management L.P. on the sale of a 27.6 % stake in the Südewo residential portfolio in Baden-Württemberg resulted in a call option on these shares, which is measured at € 359.0 million and has been recognized outside profit or loss as an asset.

Current assets fell, mainly as a result of the drop in the current financial assets, by € 57.8 million. This includes a reclassification due to the new long-term loans granted to QUARTERBACK Immobilien AG, which is reflected accordingly in non-current financial assets. Inventories also dropped by € 81.7 million and real estate inventories by € 69.7 million. Trade receivables rose by € 62.8 million.

Goodwill comprised 1.5% of the total assets.

As of June 30, 2023, the **gross asset value (GAV)** of Vonovia's property assets came to € 88,645.8 million. This corresponds to 92.9 % of total assets, as against € 95,125.5 million or 93.8 % at the end of 2022.

Equity fell by € 3,485.6 million, from € 34,438.8 million to € 30,953.2 million, mainly due to the profit for the period of € -4,130.4 million. The other comprehensive income of € -311.9 million was influenced to a significant degree by currency effects amounting to € -277.6 million.

The **equity ratio** stood at 32.5% as of June 30, 2023, compared with 34.0% at the end of 2022.

Liabilities dropped by € 2,532.8 million from € 66,950.8 million to € 64,418.0 million. The amount of non-current non-derivative financial liabilities fell by € 874.6 million, whereas current non-derivative financial liabilities rose by € 251.4 million.

Deferred tax liabilities fell by € 1,861.8 million.

Net Assets

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

At the end of the first half of 2023, the EPRA NTA came to € 40,460.1 million, down by 11.6% on the value of € 45,744.5 million seen at the end of 2022. EPRA NTA per share decreased from € 57.48 at the end of 2022 to € 49.67 at the end of the first half of 2023. It is important to note that the creation of a new MFH Sales subportfolio has reduced the amounts added for deferred taxes, as these are only intended to be recognized for properties to be held in the portfolio in the long term.

EPRA Net Tangible Assets (EPRA NTA)

in € million	Dec. 31, 2022	June 30, 2023	Change in %
Total equity attributable to Vonovia shareholders	**31,331.5**	**27,324.2**	**-12.8**
Deferred tax in relation to fair value gains of investment properties*	16,190.0	14,709.8	-9.1
Fair value of financial instruments**	-117.5	-124.0	5.5
Goodwill as per the IFRS balance sheet	-1,529.9	-1,391.7	-9.0
Intangibles as per the IFRS balance sheet	-129.6	-58.2	-55.1
EPRA NTA	**45,744.5**	**40,460.1**	**-11.6**
EPRA NTA per share in €* **	**57.48**	**49.67**	**-13.6**

* Proportion of hold portfolio.
** Adjusted for effects from cross currency swaps.
*** EPRA NTA per share based on the shares carrying dividend rights on the reporting date.

Fair Values

Major market developments and valuation parameters that have an impact on the fair values of Vonovia are assessed on an ongoing basis. The revaluation* led to a net result from the valuation of € -6,382.9 million for the first six months of the year (H1 2022: € 3,115.9 million).

Buildings under construction (new construction/development to hold) were completed during the reporting period. A fair value measurement is performed for the first time when the properties are completed. This resulted in a valuation effect of € 13.7 million (H1 2022: € 28.9 million) for the period from January 1 to June 30, 2023, with this valuation effect included in the aforementioned valuation result.

The recognition and valuation of investment properties are explained in detail in the consolidated financial statements for 2022.

* Existing portfolio comprising developed land, excluding Care and Development.

Financial Position

Cash Flow

The Group cash flow is as follows:

Key Data from the Statement of Cash Flows

in € million	H1 2022	H1 2023
Cash flow from operating activities	1,039.6	911.4
Cash flow from investing activities	1,399.9	-346.2
Cash flow from financing activities	-2,298.6	-186.3
Influence of changes in foreign exchange rates	-4.5	-4.7
Net changes in cash and cash equivalents	136.4	374.2
Cash and cash equivalents at the beginning of the period	**1,432.8**	**1,302.4**
Cash and cash equivalents at the end of the period	**1,569.2**	**1,676.6**

The cash flow from **operating activities** came to € 911.4 million for the first six months of 2023, compared with € 1,039.6 million for the first six months of 2022.

The cash flow from **investing activities** shows a payout balance of € 346.2 million for the first six months of 2023. Payments for the acquisition of investment properties came to € 445.1 million in the first six months of 2023 (6M 2022: € 1,138.5 million). On the other hand, income from portfolio sales in the amount of € 201.4 million was collected (6M 2022: € 2,699.4 million). The prior-year figure was influenced to a considerable degree by the sale of residential and commercial units to public housing companies in Berlin.

The cash flow from **financing activities** of € -186.3 million (6M 2022: € -2,298.6 million) includes payments for regular and unscheduled repayments in the amount of € 1,547.6 million (6M 2022: € 6,361.5 million) and, on the other hand, proceeds from issuing financial liabilities in the amount of € 1,071.3 million (6M 2022: € 5,172.9 million). Furthermore, this figure includes € 1,083.2 million (6M 2022: € - million) proceeds from the sale of shares in consolidated companies, of which around € 1.0 billion resulted from the sale of shares in relation to the Südewo transaction. Payouts for transaction and financing costs amounted to € 5.6 million (6M 2022: € 44.8 million). Interest paid in the first six months of 2023 amounted to € 378.4 million (6M 2022: € 298.8 million).

Net changes in **cash and cash equivalents** came to € 374.2 million.

Financing

According to the publication dated March 21, 2023, Vonovia's credit rating as awarded by the agency Standard & Poor's is unchanged at **BBB+** with a stable outlook for the long-term issuer credit rating and A-2 for the short-term issuer credit rating. At the same time, the credit rating for the issued and unsecured bonds is BBB+.

Furthermore, in an announcement dated November 2, 2022, Vonovia was awarded a rating of Baa1 with a stable outlook by the rating agency Moody's.

Vonovia received an A- investment grade rating from the rating agency Scope, although the outlook was changed from stable to negative in a publication dated June 29, 2023.

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 € 40 billion program, which was published on March 24, 2023, 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 June 30, 2023, Vonovia had placed a total bond volume of € 25.6 billion, € 25.3 billion of which relates to the EMTN program. Deutsche Wohnen bonds worth a further € 1.8 billion were also assumed.

In January 2023, Vonovia implemented an open market repurchase to buy back bonds maturing in 2028, 2029 and 2033. € 53.6 million was bought back early within this context. A bond in the amount of € 403.4 million was repaid as planned in April 2023.

Deutsche Wohnen repaid secured financing in the amount of € 281.8 million as scheduled in March 2023.

Vonovia repaid promissory note loans of € 120.0 million as scheduled in March 2023.

On March 16, 2023, Vonovia took out secured financing with Berlin Hyp in the amount of € 550.0 million with a maturity of ten years. The financing was disbursed in April 2023.

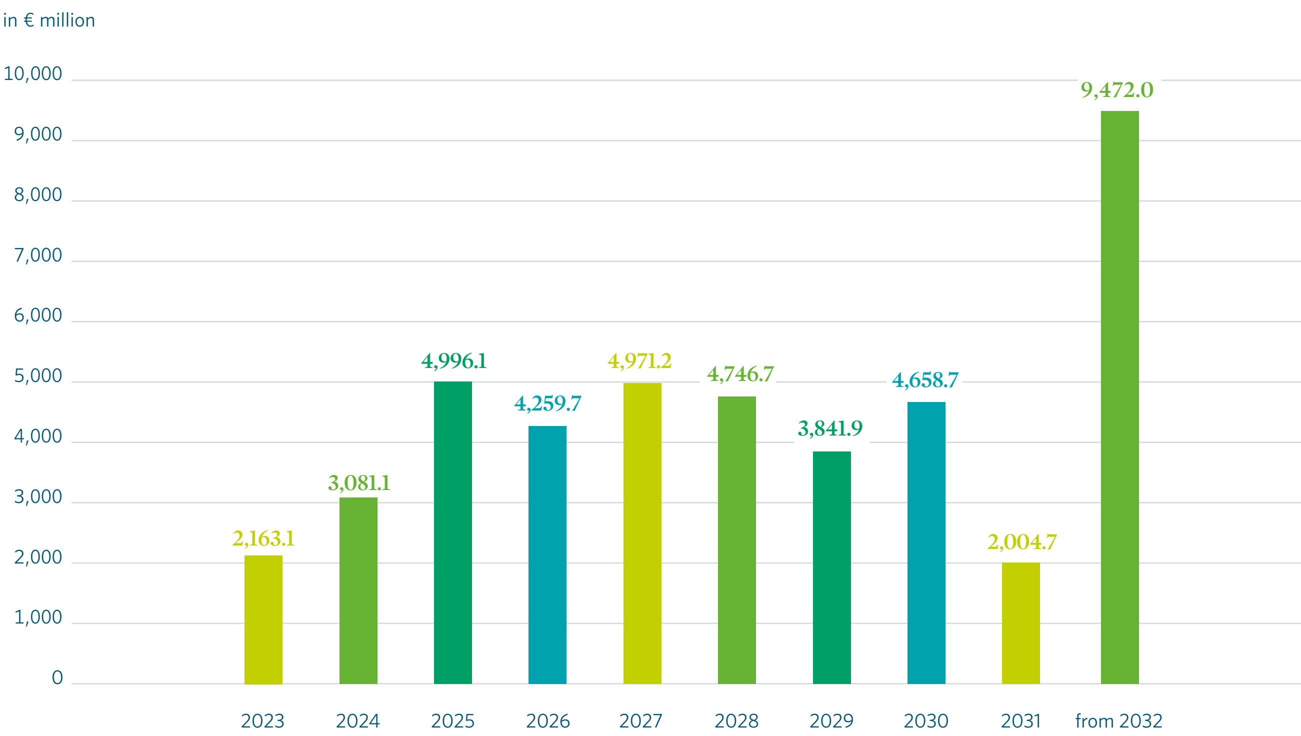
On April 19, 2023, Vonovia took out unsecured financing with Caixabank in the amount of € 150.0 million with a maturity of five years. The financing was disbursed in April 2023.

June 2023 saw Vonovia repay a secured financing arrangement in the amount of € 75.9 million on the final maturity date.

Vonovia repaid a commercial paper with a volume of € 75.0 million as planned in June 2023.

The **debt maturity profile** of Vonovia's financing was as follows as of June 30, 2023:

Debt Maturity Profile on June 30, 2023 (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 key debt ratios are as follows as of the reporting date:

in € million	Dec. 31, 2022	June 30, 2023	Change in %
Non-derivative financial liabilities	45,059.7	44,436.5	-1.4
Foreign exchange rate effects	-50.0	-45.6	-8.8
Cash and cash equivalents*	-1,302.4	-1,818.7	39.6
Net debt	**43,707.3**	**42,572.2**	**-2.6**
Sales receivables	-387.2	-339.8	-12.2
Adjusted net debt	**43,320.1**	**42,232.4**	**-2.5**
Fair value of the real estate portfolio	**94,694.5**	**88,242.8**	**-6.8**
Loans to companies holding immovable property and land	809.8	809.3	-0.1
Shares in other real estate companies	547.4	389.4	-28.9
Adjusted fair value of the real estate portfolio	**96,051.7**	**89,441.5**	**-6.9**
LTV	**45.1%**	**47.2%**	**2.1 pp**
Net Debt**	43,690.9	43,179.2	-1.2
Adjusted EBITDA Total***	2,763.1	2,695.7	-2.4
Net Debt/EBITDA multiple	**15.8x**	**16.0x**	**0.2x**

* Incl. term deposits not classified as cash equivalents.
** Average over 5 quarters.
*** Total over 4 quarters.

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

	Dec. 31, 2022	June 30, 2023	Change in %
ICR bond covenants	**5.5x**	**4.7x**	**-0.8x**
LTV bond covenants	**44.4%**	**46.6%**	**2.2 pp**

Opportunities and Risks

In addition to the opportunities and risks set out in the combined management report for the 2022 fiscal year, there were essentially no changes in the assessment of the overall risk position at the end of the first half of 2023.

The number of overall risks fell from 107 at the end of 2022 to 104 at the end of the first six months of 2023.

The number of amber risks came to 9 at the end of the first half of 2023, as against 11 at the end of 2022. The following nine amber risks were identified as of June 30, 2023:

“Value of stated goodwill” with a potential amount of loss of € 600–2,400 million and an expected probability of occurrence of 40–59%.

“Future market development leads to a drop in property values” with a potential amount of loss of >€ 12,000 million and an expected probability of occurrence of 5–39%.

“Development sale risk” with a potential amount of loss of € 150–375 million and an expected probability of occurrence of 40-59%.

“Unfavorable interest rate developments” with a potential amount of loss of >€ 750 million and an expected probability of occurrence of 5–39%.

“Higher refinancing costs due to a change in risk profile” with a potential amount of loss of € 375–750 million and an expected probability of occurrence of 5–39%.

“Failure to fulfill obligations (from bonds, secured loans, transactions)” with a potential amount of loss of >€ 750 million and an expected probability of occurrence of <5%.

“Unfavorable exchange rate developments” with a potential amount of loss of € 40–150 million and an expected probability of occurrence of 40–59%.

“Deteriorating residential property market situation” with a potential amount of loss of € 375–750 million and an expected probability of occurrence of 5–39%.

“Amendments to the German Real Estate Transfer Tax Act (Grunderwerbsteuergesetz) due to share deals” with a potential amount of loss of >€ 750 million and an expected probability of occurrence of <5%.

The risks “Higher construction costs than planned due to increases in the price of construction materials & services” and “Significant increase in the CO_2 price” were downgraded from amber to green.

The assessment of the probability of occurrence for the risk “Higher construction costs than planned due to increases in the price of construction materials & services” was reduced from 60–95% to 5–39%, with an unchanged expected potential amount of loss of € 40–150 million.

The assessment of the probability of occurrence for the risk “Significant increase in the CO_2 price” was reduced from 60–95% to 40–59%, and the assessment of the potential amount of loss was reduced from € 40–150 million to € 5-40 million.

There are currently no indications 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.

Business Outlook

The forecast was based on the accounting principles used in the consolidated financial statements, with the adjustments described elsewhere in the management report being made. The forecast does not take account of any larger acquisitions of real estate portfolios.

Our forecast for the 2023 fiscal year is based on determined and updated corporate planning for the Vonovia Group as a whole and considers current business developments, the completed integration of Deutsche Wohnen, possible opportunities and risks, potential after-effects of the coronavirus pandemic and the effects of the war in Ukraine. It 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 entitled Development of the Economy and the Industry and Fundamental Information About the Group in the 2022 Annual Report. Beyond this, the Group's further development remains exposed to general opportunities and risks (see chapter of the 2022 Annual Report on Opportunities and Risks). In addition to the opportunities and risks set out in the combined management report for the 2022 fiscal year, there were essentially no changes in the assessment of the overall risk position at the end of the first quarter of 2023.

We expect price increases triggered by the Ukraine crisis, particularly on the energy markets, to have a substantial impact on Vonovia and our customers. While these will have a direct impact on ancillary expenses, they will also have an indirect effect on all areas of the economy due to general price increases. We also expect prices for construction materials to remain high, with a knock-on effect on our construction projects, too.

Rising interest rates and inflation continue to create increased volatility on the equity and debt capital markets, also due to, or exacerbated by, the war in Ukraine. We therefore assess the overall economic situation and developments on an ongoing basis, particularly with regard to the return requirements for investment and divestment decisions.

We expect total segment revenue to increase slightly in 2023. We also expect Adjusted EBITDA Total to be slightly below the prior-year level. Both key figures are currently being influenced to a considerable degree by the sales risks on the transaction market.

We expect the EBITDA contribution for the Rental segment to increase slightly with rising demand for rental apartments. In the Value-add segment, we expect to see a moderate year-on-year drop in results due to the reduced investment volume. Due to the strong result in the 2022 fiscal year, the updated project valuations and the sales risks on the transaction market, we expect to see a pronounced drop in EBITDA in the Development segment. We also expect to see a marked drop in EBITDA in the Recurring Sales segment due to a similar situation on the transaction market. As far as the Care segment is concerned, we predict a slight drop in EBITDA in 2023 due to positive one-off effects in 2022.

We also expect borrowing costs to increase further, and current income taxes to increase due to the higher transaction volume.

As a result, we expect Group FFO to decline slightly.

In addition, we expect the value of our company to increase further in 2023 and predict a slight increase in EPRA NTA per share, leaving any further market-related changes in value out of the equation.

Due to the increased cost of capital as described above, we anticipate a decline in modernization/portfolio investments and new construction/densification in 2023.

Due to our extended sales efforts and the associated lower share of Recurring Sales in relation to the total sales volume, we are not providing any forecast as to the number of units sold and the step-up Recurring Sales from H1 2023 onwards.

Based on the individual weighted targets and the values planned for the 2023 fiscal year in each case, we predict a total value of around 100% for the Sustainability Performance Index.

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

	Actual 2022	Forecast for 2023	Forecast for 2023 in the 2023 Q1 Report	Forecast for 2023 in the 2023 H1 Report
Total Segment Revenue	€ 6.3 billion	€ 6.4–7.2 billion	€ 6.4–7.2 billion	€ 6.4–7.2 billion
Adjusted EBITDA Total	**€2,763.1 million**	**€ 2.6–2.85 billion**	**€ 2.6–2.85 billion**	**€ 2.6–2.85 billion**
Group FFO	**€ 2,035.6 million**	**€ 1.75–1.95 billion**	**€ 1.75–1.95 billion**	**€ 1.75–1.95 billion**
Group FFO per share*	€ 2.56	suspended	suspended	€ 2.15–2.39
EPRA NTA per share*	**€ 57.48**	**suspended**	**suspended**	**suspended**
Sustainability Performance Index (SPI)**	**103.0%**	**~100%**	**~100%**	**~100%**
Rental income	€ 3,168.1 million	€ 3.15–3.25 billion	€ 3.15–3.25 billion	€ 3.15–3.25 billion
Organic rent growth (eop)	3.3%	above previous year	above previous year	3.6–3.9%
Modernization/portfolio investments	€ 837.4 million	~€ 0.5 billion	~€ 0.5 billion	~€ 0.5 billion
New construction/space creation	€ 607.1 million	~€ 0.35 billion	~€ 0.35 billion	~€ 0.35 billion
Number of units sold Recurring Sales	2,710	3,000–3,500	3,000–3,500	suspended
Fair value step-up Recurring Sales	38.8%	~25%	~25%	suspended

* Based on the shares carrying dividend rights on the reporting date.
** Up to and including 2022, excluding Deutsche Wohnen. From 2023 forecast, including Deutsche Wohnen (excluding Care segment and SYNVIA).

Bochum, Germany, July 26, 2023

The Management Board